

PUBLIC DISCLOSURE

November 29, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Newburyport Five Cents Savings Bank
Certificate Number: 90251

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Newburyport, Massachusetts 01950

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

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INSTITUTION RATING

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

Newburyport Five Cents Savings Bank's (NFSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and outstanding performance under the Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Outstanding.

- The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 9, 2018, to the current evaluation dated November 29, 2021. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate the bank's performance. The procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments, and community development services
- The bank's responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank originated a minimal number of small farm loans during the evaluation period, which would not yield meaningful analysis. Therefore, although presented in the lending inside the assessment area table, examiners did not further analyze this loan type, as it provided no material support for conclusions or ratings.

Examiners reviewed all home mortgage loans reported on the bank's 2018, 2019, and 2020 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). The bank reported 147 loans totaling \$61.5 million in 2018, 341 loans totaling \$151.7 million in 2019, and 470 loans totaling \$243.5 million in 2020. Aggregate data and the 2015 American Community Survey (ACS) census data provided a standard of comparison for home mortgage loans.

As an ISI, the bank is not required to collect or report small business lending. However, the bank collects small business lending data for its own purposes. Examiners analyzed the bank's 2020 small business loan data. The bank originated 647 small business loans totaling \$68.1 million. NSFB was an active Small Business Administration (SBA) Paycheck Protection

Program (PPP) lender in 2020, originating 580 loans, totaling \$50.7 million. PPP loans constitute 89.6 percent of all 2020 small business originations and are included in the small business lending analysis. Since the bank is not required to and does not report small business loan data, examiners did not use aggregate data for comparison. D&B 2020 data provided a standard of comparison for small business lending.

Although examiners analyzed 2018 home mortgage lending performance, 2018 lending was similar to 2019 and 2020 performance; therefore, examiners did not present 2018 performance under the Geographic Distribution and Borrower Profile criteria. However, examiners presented the bank's 2018 lending performance under the Assessment Area Concentration criteria.

For the Lending Test, examiners analyzed the number and dollar volume of loans. Although this evaluation presents the number and dollar volume, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, investments, and services, since the prior evaluation date of October 9, 2018, to the current evaluation date of November 29, 2021.

Interstate Banking and Branching Efficiency Act

The Interstate Banking and Branching Efficiency Act of 1994 requires ratings and conclusions for each state and multi-state metropolitan statistical area (MSA) in which the bank operates. NFSB operates branches in New Hampshire (NH) and Massachusetts (MA). However, since NFSB's assessment area and branches are entirely within the Boston-Cambridge-Newton, MA-NH Multistate MSA, examiners presented a single rating and conclusions that apply to the overall and Multistate MSA performance.

DESCRIPTION OF INSTITUTION

Background

NFSB is a state-chartered savings bank headquartered in Newburyport, MA. NFSB is wholly owned by a mid-tier holding company, Newburyport Five Cents Bancorp, Inc., who is wholly owned by Newburyport Bancorp, a mutual holding company. NFSB operates in Essex County in northeastern MA and in Rockingham and Strafford counties in southeastern NH. The bank has two subsidiaries that buy, hold, and sell securities: Newburyport Five Securities Corporation I and Newburyport Five Securities Corporation II. The bank has two affiliates, the Newburyport Bank Charitable Foundation Inc., (Charitable Foundation) and Richard A. Eaton Charitable Foundation (RAE Foundation). NFSB received a “Satisfactory” rating from the FDIC and the Division during its prior joint evaluation, dated October 9, 2018, using the ISI Examination Procedures.

Operations

NSFB operates ten full-service branches, including the main office. In addition to the main office in Newburyport, the bank maintains full-service offices in Amesbury, Newbury, Newburyport, and Salisbury, in MA; and Dover, Exeter, Hampton, and Portsmouth (2) in NH. The bank also maintains a limited-service branch and a loan production office (LPO). The limited-service branch is located in Newburyport and provides services to residents of the Merrimack Place Assisted Living Center. The Amesbury LPO was previously one of the two full-service branches that were in Amesbury. Since the prior evaluation, the bank converted the branch into an LPO. The bank opened two new branches in Exeter and Hampton, NH in 2019. There has been no merger or acquisition activity since the prior evaluation.

NSFB offers residential, commercial, and consumer loans with a continued primary focus on residential and commercial lending. Consumer lending products include home mortgage loans; construction loans; home equity lines of credit; personal, boat, and automobile loans; MassSave Heat loans; credit builder loans; and credit cards. For commercial customers, the bank offers commercial real estate and construction loans, term loans, lines of credit, SBA guaranteed loans, and credit cards. Consumer and commercial deposit services include checking, savings, money market, certificate of deposit accounts, and individual retirement accounts. Alternative banking services include internet, mobile, and telephone banking; person-to-person payment features; and automated teller machines.

Ability and Capacity

NFSB’s assets totaled \$1.3 billion as of September 30, 2021, and included total loans of \$1.0 billion and total securities of \$127.6 million. The bank had total deposits of \$1.1 billion. Loans secured by residential real estate represent the majority of the loan portfolio, followed by commercial and industrial loans. Although the percentage of 1-4 family residential properties declined since the prior evaluation, it remains the largest portion of the loan portfolio. Examiners noted that commercial and industrial loans more than quadrupled since the prior evaluation from \$16.9 million to \$105.2 million. This increase is attributable to the significant

number of PPP loans originated in 2020 and the bank's continued focus to grow its commercial lending division. Examiners also noted that consumer loans increased from \$1.2 million at the prior evaluation to approximately \$38.4 million, which reflects the launch of the consumer lending division in October 2019. However, consumer loans continue to represent a small percentage of the portfolio.

Loan Portfolio Distribution as of 09/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	116,893	11.5
Secured by Farmland	788	0.1
Secured by 1-4 Family Residential Properties	336,303	33.1
Secured by Multifamily (5 or more) Residential Properties	73,227	7.2
Secured by Nonfarm Nonresidential Properties	304,500	30.0
Total Real Estate Loans	831,711	81.9
Commercial and Industrial Loans	105,204	10.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	38,351	3.8
Obligations of State and Political Subdivisions in the U.S.	39,789	3.9
Other Loans	50	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,015,105	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

NFSB designated one contiguous assessment area in the Boston-Cambridge-Newton, MA-NH Multistate MSA, which covers Essex County in MA and Rockingham and Strafford counties in NH.

The bank's assessment area consists of the following nine MA towns: Amesbury, Georgetown, Groveland, Merrimac, Newburyport, Newbury, Rowley, Salisbury, and West Newbury. Georgetown, Groveland, Merrimac, and Rowley are new since the prior evaluation. The bank's assessment contains the following 25 NH towns: Brentwood, Dover, Durham, East Kingston, Epping, Exeter, Greenland, Hampton, Hampton Falls, Kensington, Kingston, Lee, Madbury, Newmarket, Newfields, Newton, Newington, North Hampton, Portsmouth, Rollinsford, Rye, Seabrook, Somersworth, South Hampton, and Stratham. The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

NFSB's assessment area consists of 61 census tracts with the following income designations according to 2015 ACS data:

- 11 moderate-income census tracts,
- 34 middle-income census tracts, and
- 16 upper-income census tracts

Ten of the moderate-income census tracts are located in NH, in the towns of Dover (3), Exeter (1), Hampton (1), Rollinsford (1), Seabrook (2), and Somersworth (2), with one moderate-income census tract in Salisbury, MA. NFSB has one branch located in a moderate-income census tract in Dover, NH. There are no low-income and no underserved or distressed nonmetropolitan middle-income geographies in the assessment area.

The assessment area contains four census tracts designated as Qualified Opportunity Zones (QOZ). QOZs are economically distressed communities approved by the United States (U.S.) Department of Treasury, with the intent of spurring economic development and job creation. Specifically, the QOZs are in Seabrook (1), Durham (1), Dover (1), and Somersworth (1). 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)	61	0.0	18.0	55.7	26.2	0.0
Population by Geography	271,781	0.0	16.1	60.4	23.5	0.0
Housing Units by Geography	119,217	0.0	19.7	58.2	22.1	0.0
Owner-Occupied Units by Geography	75,915	0.0	13.2	62.4	24.4	0.0
Occupied Rental Units by Geography	32,310	0.0	28.2	55.2	16.7	0.0
Vacant Units by Geography	10,992	0.0	40.0	37.7	22.4	0.0
Businesses by Geography	31,981	0.0	15.4	59.6	25.0	0.0
Farms by Geography	938	0.0	10.3	60.9	28.8	0.0
Family Distribution by Income Level	69,978	18.4	18.1	21.8	41.7	0.0
Household Distribution by Income Level	108,225	23.4	15.7	18.9	41.9	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$326,427
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH		\$90,150	Median Gross Rent			\$1,078
			Families Below Poverty Level			4.2%

Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
(*) The NA category consists of geographies that have not been assigned an income classification.

According to 2020 D&B data, 31,981 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 87.4 percent have \$1.0 million or less,
- 4.8 percent have more than \$1.0 million, and
- 7.8 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criteria compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 37.3 percent, followed by non-classifiable establishments at 21.4 percent, and retail trade at 11.5 percent. The majority of non-farm businesses in the assessment area are considered small, with the majority (90.5 percent) of businesses operating with 9 or fewer employees, and the majority (91.4 percent) operating from a single location. Additionally, 83.8 percent of the businesses in the assessment area have GARs of less than \$0.5 million.

According to the U.S. Bureau of Labor Statistics, the 2019 annual unemployment rate was 3.1 percent in Essex County, 2.8 percent in Rockingham County, and 2.4 percent in Strafford

County. The Essex County unemployment rate was comparable to the MA statewide unemployment rate of 3.0 percent and favorable to the national unemployment rate of 3.7 percent. Additionally, the Rockingham and Strafford counties were comparable to the NH statewide unemployment rate of 2.6 percent and favorable to the national unemployment rate. In 2020, the COVID-19 pandemic affected the labor market. As such, annual unemployment rates rose to 9.8 percent in Essex County, 7.1 percent in Rockingham County, and 6.3 percent in Strafford County. Furthermore, the unemployment rates peaked in April 2020 for all three counties, to 18.1 percent, 17.1 percent, and 15.2 percent, respectively, showing the pandemic’s impact on the assessment area’s economy. National unemployment rates also rose in 2020 to 8.1 percent.

The Geographic Distribution criteria compares home mortgage lending to the distribution of owner-occupied housing units. As shown in the table above, a significantly lower percentage of owner-occupied housing units are located within the moderate-income census tracts when compared to middle- and upper-income census tracts, thus, limiting mortgage lending opportunities in the area.

Examiners used the 2019 and 2020 Federal Financial Institutions Examination Council’s (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower Profile criteria. The following table presents the low-, moderate-, middle-, and upper-income categories for the Boston-Cambridge-Newton, MA-NH Multistate MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
Rockingham County-Strafford County, NH Median Family Income (40484)				
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
<i>Source: FFIEC</i>				

Additionally, the assessment area’s median housing value at \$326,427 is high when compared to the median family incomes in the Boston-Cambridge-Newton, MA-NH Multistate MSA, which may limit the number of families that qualify for a mortgage. The MA and NH median housing values are also high at \$358,764 and \$237,081, respectively. Lastly, according to Federal Reserve Economic Data, the national median housing value is high at \$404,700.

Competition

The bank operates in a competitive market for financial services. According to Deposit Market Share data as of June 30, 2020, 27 financial institutions operated 102 branches within the bank’s assessment area. Of these institutions, NFSB ranked 8th with a 5.4 percent deposit market share. The top three financial institutions, Service Credit Union, TD Bank, and Northeast Credit Union,

captured 48.4 percent of the deposit market share. NFSB was the third-highest ranked community bank, with the Institution for Savings in Newburyport and its Vicinity ranking 4th (9.2 percent deposit market share) and Provident Bank ranking 6th (6.4 percent deposit market share).

There is a high level of competition for home mortgage loans among large national banks, mortgage companies, community banks, and credit unions in the assessment area. According to 2019 aggregate data, the bank ranked 15th out of 374 lenders that reported 12,636 originated or purchased home mortgage loans, with a 1.8 percent market share. In 2020, the bank ranked 20th out of 414 lenders that reported 19,712 originated or purchased home mortgage loans, with a 1.7 percent market share. In 2020, the three top lenders were Quicken Loans, LLC; CMG Mortgage, Inc.; and Citizens Bank and collectively held 15.2 percent market share. Additionally, in both years, NFSB was the second-highest ranked community bank, outperformed by Institution for Savings in Newburyport and its Vicinity.

NFSB is not required to collect or report its small business lending, and although the bank voluntarily collects small business data, it does not report the data. Therefore, the small business loan analysis under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans and is included here for performance context. In 2020, aggregate data showed 179 lenders reported 35,884 small business loans indicating a high level of competition. The top five lenders, American Express, Bank of America, TD Bank, Citizens, and Eastern Bank, held 47.2 percent of the market share.

Community Contacts

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

Examiners contacted two affordable housing organizations that provide housing and community services to low- and moderate-income individuals and families in the assessment area. The first contact identified an ongoing demand for workforce and low-income housing in the NH Seacoast portion of the assessment area. The COVID-19 pandemic has further increased the demand for affordable housing and created a challenge for current tenants to make rent payments. The contact also noted that many applicants have trouble qualifying for the organization's affordable housing and often use housing vouchers to subsidize the rent. The contact noted that obtaining tax credits from the state government and finding local financial institutions to purchase tax credits for project funding challenging. However, the contact noted that NFSB and other institutions eagerly participate by providing financing to the organization. The contact also noted that there is a need for donations for affordable housing development and that opportunities exist for financial institutions to increase their donations. The contact suggested establishing a local fund, whereby, all local financial institutions contribute.

The second contact provides affordable housing to various individuals in the Essex County portion of the assessment area, including low- to moderate-income seniors, individuals, families,

and homeless individuals. The organization provides crucial supportive services to its residents, such as intensive care for seniors, social connections, financial coaching, life-enriching activities, and health and personal care services. The contact noted that donations and favorable financing are the organization's most critical needs. The contact also noted that many local financial institutions support the organization via donations, financing, and equity investments, specifically noting NFSB. The contact further noted that for current supporters, their continued support is essential in order for the organization to keep providing, developing, and operating its affordable housing. The contact also noted that other local financial institutions must become involved as well, particularly through donations and financing.

Credit and Community Development Needs and Opportunities

Examiners determined that affordable housing, community development services for low- and moderate-income individuals, and economic development for local small businesses represent the assessment area's primary community development needs. This determination is based on information from the community contacts, bank management, and the assessment area's demographic and economic data. Specifically, affordable housing involvement, via donations and financing to local organizations could help develop and sustain affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NFSB demonstrated reasonable performance under the Lending Test. Performance under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. NFSB's LTD ratio averaged 104.1 percent over 12 quarters from December 31, 2018 to September 30, 2021. The ratio ranged from a low of 92.7 percent most recently as of September 30, 2021, to a high of 115.8 percent as of June 30, 2020. The ratio peaked in 2020 and has been gradually declining since. The 2020 peak is attributable to PPP lending and the bank's business strategy, as loan growth outpaced deposit growth. However, in 2021, lending slowed while deposits grew, allowing deposit growth to outpace loan growth, contributing to a declining ratio.

Examiners compared the bank's average LTD ratio to that of comparable institutions, which examiners selected based on asset size, lending focus, and geographic location. The following table illustrates that NFSB's ratio is significantly higher than that of comparable institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2021 (\$000s)	Average Net LTD Ratio (%)
Newburyport Five Cents Savings Bank	1,260,795	104.1
MutualOne Bank	1,009,470	101.6
Pentucket Bank	932,686	94.3
Cape Ann Savings Bank	834,026	83.7
<i>Source: Reports of Condition and Income 12/31/2018 - 09/30/2021</i>		

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans, by number and dollar volume, inside the assessment area. As illustrated in the following table, home mortgage lending increased significantly from 2018 to 2020. The bank's strategic focus to grow the mortgage business and sustained low interest rates contributed to this increase.

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										
2018	110	74.8	37	25.2	147	44,304	72.0	17,243	28.0	61,547
2019	223	65.4	118	34.6	341	93,669	61.8	58,006	38.2	151,675
2020	331	70.4	139	29.6	470	143,662	59.0	99,868	41.0	243,530
Subtotal	664	69.3	294	30.7	958	281,635	61.7	175,117	38.3	456,752
Small Business										
2020	448	69.2	199	30.8	647	36,250	53.3	31,809	46.7	68,059
Subtotal	448	69.2	199	30.8	647	36,250	53.3	31,809	46.7	68,059
Small Farm										
2020	2	100.0	0	0.0	2	82	100.0	0	0.0	82
Subtotal	2	100.0	0	0.0	2	82	100.0	0	0.0	82
Total	1,114	69.3	493	30.7	1,607	317,967	60.6	206,926	39.4	524,893
<i>Source: HMDA Reported Data; Bank Data</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable home mortgage and small business performance supports this conclusion. Examiners focused on the percentage by number of home mortgage and small business loans in moderate-income census tracts, as the assessment area does not contain any low-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that in 2019 and 2020, the bank's lending was less than aggregate and demographics in the moderate-income census tracts. However, in 2020, lending in the moderate-income census tracts nearly doubled by number, bringing performance closer to both aggregate and demographics.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	13.2	13.9	15	6.7	4,748	5.1
2020	13.2	12.8	29	8.8	11,463	8.0
Middle						
2019	62.4	61.9	141	63.2	59,114	63.1
2020	62.4	61.9	208	62.8	81,939	57.0
Upper						
2019	24.4	24.1	67	30.0	29,807	31.8
2020	24.4	25.4	94	28.4	50,261	35.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	223	100.0	93,669	100.0
2020	100.0	100.0	331	100.0	143,662	100.0

Source: 2015 ACS Data; HMDA Aggregate Data, "--" data not available

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that in 2020, the bank's lending was significantly below the percentage of businesses in the moderate-income census tracts. However, not all businesses in the assessment area are in the market for a small business loan. Furthermore, 82.7 percent of businesses in the moderate-income census tracts have GARs of less than \$0.5 million. These very small businesses typically seek credit through large credit card companies, not through traditional lenders; therefore, limiting lending opportunities.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	15.4	32	7.1	2,345	6.5
Middle	59.6	332	74.1	27,058	74.6
Upper	25.0	84	18.8	6,847	18.9
Total	100.0	448	100.0	36,250	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s reasonable home mortgage and small business performance supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The following table shows that in 2019, the bank’s lending to low-income borrowers fell slightly below aggregate performance. However, in 2020, the bank’s lending to low-income borrowers more than doubled by number, exceeding aggregate performance. In 2019 and 2020, the bank’s lending to low-income borrowers fell significantly below the percentage of low-income families in the assessment area. A low-income family in the assessment area, earning less than \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$326,427. Therefore, the disparity between the bank’s lending to low-income families and the percentage of low-income families in the assessment area is reasonable, as the bank has limited lending opportunities to these families.

In 2019, the bank’s lending to moderate-income borrowers was below aggregate performance and demographics. In 2020, the bank’s lending to moderate-income borrowers fell further below aggregate performance and demographics, as lending decreased by 2.3 percent by number. Despite the decrease by percentage, the bank’s lending to moderate-income borrowers trended positively, increasing by both number and dollar amount in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	18.4	5.6	9	4.0	2,087	2.2
2020	18.4	5.0	22	6.6	3,395	2.4
Moderate						
2019	18.1	18.4	32	14.4	7,993	8.5
2020	18.1	17.7	40	12.1	9,952	6.9
Middle						
2019	21.8	24.5	32	14.4	10,580	11.3
2020	21.8	24.6	73	22.1	22,312	15.5
Upper						
2019	41.7	39.9	118	52.9	59,968	64.0
2020	41.7	41.4	148	44.7	75,145	52.3
Not Available						
2019	0.0	11.5	32	14.4	13,040	13.9
2020	0.0	11.3	48	14.5	32,858	22.9
Totals						
2019	100.0	100.0	223	100.0	93,669	100.0
2020	100.0	100.0	331	100.0	143,662	100.0

Source: 2015 ACS; HMDA Reported Data, "--" data not available

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. The following table shows that in 2020, the bank originated 22.8 percent of small business loans to businesses with GARs of \$1.0 million or less, falling significantly below the percentage of businesses in the assessment area. However, the large number of small business loans in the “Revenue Not Available” category reduces the numbers in the other categories. Under the PPP, the bank was not required to consider or collect GARs during the application process. In fact, an analysis of the bank’s small business loans shows that for the majority of PPP loans, the bank did not collect or consider GARs. Therefore, the “Revenue Not Available” category largely reflects these PPP loans. The bank’s participation in the PPP shows its commitment to supporting and serving small businesses in the assessment area during the COVID-19 pandemic.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.4	102	22.8	4,409	12.2
>\$1,000,000	4.8	71	15.8	16,447	45.4
Revenue Not Available	7.9	275	61.4	15,394	42.5
Total	100.0	448	100.0	36,250	100.0
<i>Source: 2020 D&B Data; Bank Data</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

NFSB demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area. NFSB's leadership level and involvement in community development activities when compared to three similarly situated banks supports this rating. Of these three similarly situated banks, one received a High Satisfactory (Satisfactory from the FDIC) and two received Satisfactory Community Development Test ratings.

Community Development Loans

NFSB originated 33 community development loans totaling approximately \$72.5 million during the evaluation period, which represents 6.7 percent of average total assets and 8.4 percent of average total loans. The total volume of community development lending is significantly greater than the previous evaluation, where the bank originated 13 loans totaling \$7.7 million. This increase is attributed to the bank's growth and expanding loan portfolio, specifically commercial lending. Additionally, the bank deployed a number of resources to meet CRA strategies and objectives and enhanced identifying and tracking of community development loans. The bank's community development lending activity significantly exceeded that of three similarly situated institutions by dollar amount.

As examiners determined the bank met the assessment areas' overall needs, examiners counted the community development loans made outside the assessment area. Of the 33 community development loans, 11 community development loans totaling \$35.6 million were outside the assessment area. The following table illustrates the community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	2	1,750	0	0	0	0	0	0	2	1,750
2019	4	6,050	1	375	2	3,638	0	0	7	10,063
2020	4	14,080	1	5,420	11	28,934	0	0	16	48,434
YTD 2021	3	6,847	0	0	5	5,427	0	0	8	12,274
Total	13	28,727	2	5,795	18	37,999	0	0	33	72,521
<i>Source: Bank Data</i>										

The following are notable examples of qualified community development loans.

- In 2019, the bank originated a \$375,000 loan to a non-profit organization for the purchase of a behavioral health and residential substance abuse treatment center. The organization provides supportive residential housing and case management services for individuals struggling with drug and alcohol addiction. The organization relies primarily on private donations and funding from MA Health and Human Services and the Department of Public Health. The majority of individuals benefitting from these services are low- and moderate-income individuals.
- In 2020, the bank originated three loans, totaling \$3.6 million under the Federal Reserve Bank’s Main Street Lending Program. This program assisted small businesses during the COVID-19 pandemic. These loans were crucial in keeping these small businesses in operation because without these loans, the three businesses would have been unable to operate due to the pandemic. The bank’s involvement in these loans promotes economic development.
- In 2021, the bank originated two loans totaling \$3.6 million to a non-profit affordable housing developer in the NH portion of the assessment area. Loan proceeds were used to construct 40 townhouse units for low- and moderate-income individuals. This loan shows the bank’s responsiveness to affordable housing needs.

Qualified Investments

NFSB made 227 qualified investments totaling approximately \$4.9 million. This total includes 12 equity investments totaling \$4.1 million and 215 donations totaling \$781,000. Investment activity increased since the previous evaluation where the bank made 107 investments for approximately \$1.4 million. This increase is attributed to the bank’s growth and adding resources to meet CRA strategies and objectives and identify opportunities to support its assessment area’s community development needs. In total, investments represent 0.5 percent of average total assets and 3.1 percent of average total securities. The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	1	1,000	0	0	0	0	1	1,000
2018	0	0	2	15	0	0	0	0	2	15
2019	0	0	0	0	1	5	0	0	1	5
2020	1	15	2	15	1	10	0	0	4	40
YTD 2021	0	0	1	10	3	3,060	0	0	4	3,070
Subtotal	1	15	6	1,040	5	3,075	0	0	12	4,130
Qualified Grants & Donations	21	136	194	645	0	0	0	0	215	781
Total	22	151	200	1,685	5	3,075	0	0	227	4,911

Source: Bank Data

Equity Investments

NFSB’s diverse CRA investment portfolio consists of mutual funds, mezzanine funds, tax credits, and investments. These investments require the collaboration of multiple funding partners and sources, are competitive to obtain, and involve bank technical expertise. When compared to similarly situated institutions, the bank’s diverse CRA investment portfolio positions the bank above its peers. In addition, in terms of dollar amount, NFSB’s investment activity exceeded that of comparable institutions.

The following are notable examples of qualified equity investments.

- ***Community Capital Management Community Impact Bond Fund*** - The bank maintains a \$1.0 million prior period investment in a CRA Qualified Investment Fund (Fund). The Fund accumulates money from numerous financial institutions and reinvests those funds in qualified CRA investments. The Fund invests in fixed-income securities that specifically support community development activities. NFSB’s specific investments supported affordable housing for low- and moderate-income individuals within the assessment area.
- ***New Hampshire Community Development Finance Agency (CDFA)*** - During the evaluation period, the bank purchased eight tax credits totaling \$70,500 through the NH CDFFA. The tax credits were allocated to organizations meeting a community development and economic development purpose. The CDFFA is restricted to providing support to non-profit community development organizations, cooperatives, and municipal entities.
- ***BDC Capital*** - In 2021, the bank invested \$3.0 million in a capital investment fund that supports innovative financing solutions for businesses. The fund promotes economic development by providing small business throughout New England with access to capital. NFSB’s investment specifically supported small businesses within its assessment area.

Qualified Donations

The bank donates through three avenues. First, the bank donates directly as NSFB. Second, the Charitable Foundation, founded in 2003 provides grants to non-profit organizations in the greater Newburyport and NH Seacoast areas. Third, the RAE Foundation founded in honor of a retired bank president, awards grants to the local high school athletic departments to purchase uniforms and equipment and to make athletics more affordable for local families. The RAE Foundation provided \$20,000 in grants during the evaluation period. The grants are earmarked to assist students from low- and moderate-income families. During the evaluation period, the bank and its Foundations gifted \$1.8 million, of which \$751,000, or 40.0 percent, was CRA qualified.

The following are notable examples of donations made by the bank and the Charitable Foundation during the evaluation period.

- ***Pettengill House*** – The Pettengill House supports children and families in Salisbury, Amesbury, Newbury, and surrounding MA communities. The organization, which receives 100 percent of its funding from grants and donations, provides basic emergency assistance to local residents, delivers hot meals to residents in need, and operates a food pantry. The bank and the Charitable Foundation donated \$96,750 during the evaluation period to assist the organization in carrying out its mission to serve low- and moderate-income individuals.
- ***Our Neighbors' Table*** - Our Neighbors' Table provides groceries, fresh food, and toiletries to hundreds of households and delivers groceries and hot meals to homebound individuals across northeastern Essex County. The organization is a Greater Boston Food Bank member and primarily services low- and moderate-income individuals. The Charitable Foundation donated \$61,135 during the evaluation period to this organization.
- ***Cross Roads House*** - Cross Roads House is an organization that provides emergency shelter and support services to residents in the NH Seacoast area. The bank and Charitable Foundation donations totaling \$11,850 during the evaluation period helped the organization meet the immediate needs of homeless families and individuals.

Community Development Services

During the evaluation period, the bank provided 6,453 hours of community development services to organizations that benefited low- and moderate-income individuals, affordable housing, and small businesses. This is a significant increase from the previous evaluation when the bank provided 445 hours of community development services. This increase is attributed to the bank adding resources to meet its CRA strategies and objectives and identifying opportunities to support its assessment area's community development needs. Community development services included providing financial education and first-time homebuyer seminars. Of the total services hours, bank officers and/or managers provided 4,718 hours and Board members provided 1,735 hours.

The following table illustrates the community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	18	377	120	0	515
2019	75	1,943	185	0	2,203
2020	45	1,805	155	0	2,005
YTD 2021	99	1,551	80	0	1,730
Total	237	5,676	540	0	6,453
<i>Source: Bank Data</i>					

The following are notable examples of community development services.

Employee Involvement

- ***The Housing Partnership*** - The chief credit administration officer serves on The Housing Partnership Board, an affordable housing organization serving the NH Seacoast communities. The organization provides diverse housing opportunities to low- and moderate-income individuals. Additionally, a residential loan officer serves as a committee member and participated in four home buying seminars during the evaluation period.
- ***Harborlight Community Partners*** - The director of retail banking participates on this community development corporation's Board. A commercial loan officer serves on the Audit and Finance Committee. Harborlight Community Partners develops, manages, and advocates for affordable housing throughout the northshore communities in MA.
- ***Granite State Community Development Corporation*** – A commercial lending officer serves on the Loan Committee. Granite State Community Development Corporation underwrites and manages SBA loans. SBA financing assists small businesses who otherwise may be unable to obtain conventional loans.

Financial Education

During the evaluation period, the bank engaged in numerous financial education programs. The following are some notable examples.

- ***NFSB Financial Wellness Business Program (FWBP)*** - To support small business owners and their employees, the bank designed the FWBP. The FWBP helps small business owners support their employees' financial wellness by offering financial education, debt and credit counseling services, and budget and coaching services. The FWBP was ready to launch in early 2020; however, due to the pandemic, the bank put the FWBP on hold until early 2021.

- ***First-Time Homebuyers Program*** – NSFB’s residential loan officers created a residential First-Time Homebuyers Program. During the evaluation period, one residential loan officer partnered with local realtors and New Hampshire Housing to present the homebuyer program via zoom.
- ***GreenPath Financial Wellness (GreenPath)*** - Since the previous evaluation, the bank entered into a new partnership with GreenPath to help educate consumers on financial health. For example, if the bank denies an applicant’s loan request due to derogatory credit, no credit trade lines, and/or high debt-to-income ratios, the bank encourages the applicant to work with GreenPath for credit counseling. GreenPath provides its one-on-one financial education and counselling services to individuals within and surrounding the bank’s assessment area. In 2019, 75.0 percent of the households served were low- and moderate-income, and in 2020, 81.0 percent of the households served were low- and moderate-income. The bank provides a \$500 lender credit for first-time homebuyers who participate in this program.
- ***Dover, NH Branch*** - The bank operates one full-service branch in a moderate-income census tract in Dover, NH. The branch provides banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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 evaluation. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners noted no evidence of disparate treatment.

MINORITY APPLICATION FLOW

Division of Bank examiners reviewed the bank's 2019 and 2020 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

According to the 2015 ACS Census Data, the assessment area contained a total population of 270,251 individuals of which 7.3 percent are minorities. The minority population represented is 2.0 percent Hispanic or Latino, 0.8 percent Black/African American, 2.4 percent Asian, 0.1 percent American Indian, and 2.0 percent Other.

Examiners compared the bank's application activity to 2019 and 2020 aggregate performance. This data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow as well as for the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2019 HMDA		2019 Aggregate Data	Bank 2020 HMDA		2020 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0	0.1
Asian	1	0.4	1.4	3	0.6	1.3
Black/ African American	0	0.0	0.4	0	0.0	0.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.0
Joint Race (White/Minority)	0	0.0	1.1	0	0.0	1.0
Total Racial Minority	1	0.4	3.2	3	0.6	2.9
White	248	85.8	78.5	388	85.7	78.0
Race Not Available	40	13.8	18.3	62	13.7	19.1
Total	289	100.0	100.0	453	100.0	100.0
ETHNICITY						
Hispanic or Latino	0	0.0	1.2	3	0.6	1.2
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.8	1	0.2	0.9
Total Ethnic Minority	0	0.0	2.0	4	0.8	2.1
Not Hispanic or Latino	250	86.5	78.5	390	86.2	76.8
Ethnicity Not Available	39	13.5	19.5	59	13.0	21.1
Total	373	100.0	100.0	441	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2019 and 2020, HMDA LAR Data 2019 and 2020

In 2019 and 2020, the bank’s application activity from ethnic and racial minority applicants was less than the aggregate performance and demographics. The bank’s strategic focus includes brand awareness campaigns to all demographics and a diversified employee population that includes various ethnic backgrounds and those fluent in other languages than English. Despite these efforts, the 2019 and 2020 data reflect a less than reasonable racial minority application flow. The bank is encouraged to continue marketing and conducting outreach to all demographics and monitoring application activity from ethnic and racial minorities.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

(1) Has as its primary purpose community development; and

(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

(1) Has as its primary purpose community development;

(2) Is related to the provision of financial services; and

(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

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

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

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

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

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