

**PUBLIC DISCLOSURE**

**AUGUST 25, 2014**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NORTH EASTON SAVINGS BANK**

**Certificate Number: 90259**

**20 EASTMAN STREET  
SOUTH EASTON, MA 02375**

**Division of Banks  
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Boston, MA 02118**

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

<b>NOTE:</b>	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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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **North Easton Savings Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **August 25, 2014**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

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

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

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank’s performance under each of these two tests is summarized below:

**Lending Test: “Satisfactory”**

- North Easton Savings Bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs.
- A majority of the Bank’s residential loans and small business loans are inside the assessment area.
- The geographic distribution of the Bank’s loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The Bank has not received any CRA-related complaints.

**Community Development Test: “Satisfactory”**

The institution demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the need and availability of such opportunities for community development in the assessment area.

## SCOPE OF EXAMINATION

This evaluation was conducted jointly by the Division and the FDIC. Intermediate Small Bank (“ISB”) CRA procedures were utilized for the evaluation. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank’s lending and community development activities for the period of March 15, 2011 through August 25, 2014. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Bank is primarily a real estate lender. This is reflected in the Bank’s most recent Consolidated Report of Condition and Income (Call Report) as of June 30, 2014, which shows that 98.0 percent of the Bank’s loan portfolio is secured by real estate. For purposes of this evaluation, greater emphasis is placed on the Bank’s residential lending performance as it was the Bank’s primary lending focus throughout the evaluation period. Small farm loans were not considered in this analysis since the Bank did not make any small farm loans during the evaluation period. Consumer lending is not included in this analysis since it accounts for a minor portion of the Bank’s overall lending activity and the Bank does not collect information regarding such activity.

The Lending Test focused on home mortgage and small business lending. Home mortgage lending data analyzed included full-year data from January 1, 2012 through December 31, 2013. Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one-to-four family and multi-family properties (five or more units). The evaluation emphasized the Bank’s home mortgage lending performance in 2012 as this is the most recent year for which aggregate lending data is available. The Bank’s home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Bank’s designated assessment area. The Bank’s home mortgage lending performance was also compared with demographic data. Home mortgage lending data for 2013 is presented; however, the Bank’s 2012 performance is assigned more weight in arriving at overall conclusions and ratings.

Small business lending data was also analyzed. For the purposes of this evaluation, small business loans are defined as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. As an ISB, the Bank is not required to collect and report small business loan data; however, the Bank has opted to collect and report their small business loans. Therefore, 2012 and 2013 data was derived from the Bank’s CRA Loan Register (LR). The Bank’s small business lending activity performance is compared to 2012 and 2013 demographic data.

The Community Development Test included an analysis of the Bank’s qualified community development loans, investments, and services from March 15, 2011 through August 25, 2014. Qualified community development grants and donations for the same period were also included.

Demographic information is from the 2010 U.S. Census unless otherwise noted. Financial data was derived from the June 30, 2014 Call Report.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

North Easton Savings Bank was established in 1864 as a Massachusetts chartered mutual savings bank. In addition to its main office, the Bank operates eight full-service branch offices located in Easton (1), North Easton (1), South Easton (2) Mansfield (1) and Norton (3). There are no branches located in low- or moderate-income census tracts. Three of the branches are located in middle-income census tracts while the remaining six branches are located in upper-income census tracts. All nine branches are equipped with automated teller machines (ATMs); there are two ATMs located at the main office. The Bank also operates a cash-only ATM at Wheaton College in Norton. With the exception of the Mansfield ATM, which is a drive-up ATM, all branch ATMs accept deposits. North Easton Savings Bank is a member of SUM<sup>®</sup>, an alliance between many community banks that have agreed not to assess ATM surcharge fees to any of the other member banks' customers. Of the Bank's 11 ATM locations, 7 of these are connected to the SUM network.

North Easton Savings Bank is a full-service financial institution that offers multiple products and services. The Bank offers a variety of mortgage and consumers loans including fixed-rate and adjustable-rate mortgages, first-time homebuyer mortgages, MassHousing loans, Buy Brockton Program, construction loans, home equity loans, home improvement loans, personal/unsecured loans, automobile, recreational vehicle and consolidation loans. The Bank offers commercial real estate loans, builder/developer loans, time notes, letters of credit, equipment loans, commercial lines of credit and loans to associations. The Bank also offers deposit products and services, including checking accounts, savings accounts, money market accounts, certificates of deposit, ATM and VISA check cards. Services for businesses include VISA business check card, 24-hour telephone banking, Merchant MasterCard, VISA and Discover credit card programs and a simplified employee pension plan. Other services include bank-by-mail, online banking, telephone banking, wire transfers and direct deposit.

As of June 30, 2014, the Bank had total assets of \$488.7 million and total deposits of \$443.0 million. Total loans were \$304.4 million and represented 62.3 percent of total assets. Since the last CRA evaluation, the Bank's assets have grown 6.1 percent, net loans have increased 1.4 percent and deposits have grown 5.6 percent. The Bank purchases and sells loans in the secondary market to manage the interest rate risk position. During the period reviewed, the Bank sold 91 loans totaling \$20.6 million and purchased 29 loans totaling \$17.1 million.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

<b>Table 1</b>		
<b>Loan Distribution as of June 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount (\$'000s)</b>	<b>Percent of Total Loans (%)</b>
1-4 Family Construction Loans	8,077	2.7
Other Construction Loans	1,586	0.5
Secured by Farmland	0	0.0
1-4 Family Residential Loans	267,120	87.8
Multi-family (5 or more) Residential Loans	1,744	0.6
Commercial Real Estate Loans	19,431	6.4
<b>Total Real Estate Loans</b>	<b>297,958</b>	<b>98.0</b>
Commercial and Industrial	2,844	0.9
Other Revolving Credit Plans	197	0.0
Automobile Loans	2,321	0.8
Other Consumer Loans	1,086	0.3
<b>Total Loans</b>	<b>304,406</b>	<b>100.00</b>

*Source: June 30, 2014 Call Report*

The Bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in Table 1, approximately 87.8 percent of the loans are secured by residential one-to-four family properties, followed by one-to-four family construction loans at 2.7 percent, other construction loans at 0.5 percent and multi-family residential loans at 0.6 percent. Loans secured by commercial real estate accounted for 6.4 percent of the loan portfolio, while commercial and industrial loans represent 0.9 percent of loans. Total real estate loans account for 98.0 percent of the total loan portfolio. Bank management indicated the strategy is to continue focusing on the origination of residential mortgage loans, while increasing commercial lending.

The Division and the FDIC last evaluated the Bank's CRA performance using Intermediate Small Bank procedures as of March 15, 2011, which resulted in a rating of "Satisfactory."

There are no apparent 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 financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries; (5) does not reflect illegal discrimination; and, (6) does not arbitrarily exclude low- and moderate-income areas.

Table 2 depicts select demographic information about the assessment area.

Table 2 Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	65	9.2	27.7	35.4	27.7
Population by Geography	314,278	8.1	24.0	34.2	33.7
Owner-Occupied Housing by Geography	78,876	3.5	20.2	38.2	38.1
Businesses by Geography (2012)	24,386	8.0	20.0	39.1	32.9
Businesses by Geography (2013)	22,216	7.9	19.9	39.2	33.0
Family Distribution by Income Level	79,759	21.5	17.3	20.7	40.5
Median Family Income		\$78,827	Median Housing Value		\$320,600
FFIEC-Adjusted MFI Bristol County		\$71,000	Unemployment Rate		9.3%
FFIEC-Adjusted MFI Norfolk and Plymouth County		\$88,000	(2010 US Census)		
Families Below Poverty Level		7.1%	2013 Bureau of Labor Statistics		7.1%

Source: US Census Data (2010), FFIEC-Updated MFI (2013), Business Geodemographic Data (2012,2013)

## Geographies

The Bank's assessment area consists of eight cities and towns located in Bristol, Norfolk and Plymouth Counties. These include Attleboro, Easton, Mansfield, North Attleboro, Norton and Taunton, all located in Bristol County of the Providence-New Bedford-Fall River, RI-MA MSA. The assessment area also includes the Boston-Quincy, MA MSA municipalities of Stoughton (Norfolk County) and Brockton (Plymouth County). The assessment area has not changed since the last examination. The assessment area as currently defined meets the technical requirements of the regulation as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

As the data in Table 2 shows, the Bank's assessment area consists of 65 census tracts, of which 6 are low-income (9.2 percent), 18 are moderate-income (27.7 percent), 23 are middle-income (35.4 percent), and 18 are upper-income census tracts (27.7 percent). The six low-income census tracts are located in Brockton (4) and Taunton (2), while the 18 moderate-income census tracts are located in Attleboro (2), Brockton (12), Stoughton (2) and Taunton (2).

## Population

The assessment area has a total population of 314,278, which includes 79,759 families. Of all families in the assessment area, 21.5 percent are low-income, 17.3 percent are moderate-income, 20.7 percent are middle-income, 40.5 percent are upper-income, and 7.1 percent are families below the poverty level.

## Housing

The assessment area consists of 122,828 total housing units, of which 78,876 or 64.2 percent are owner-occupied, 36,401 or 29.6 percent are rental units and 7,551 or 6.2 percent are vacant. Of the 78,876 owner-occupied housing units, 2,757 or 3.5 percent are in the low-income census tracts, while 15,890 or 20.2 percent are in moderate-income census tracts. The median housing value in 2010 for the assessment area was \$320,600, and the median age of the housing stock was 48 years. Recent figures from *The Warren Group* show that the assessment area's median home prices in 2013 ranged from a low of \$179,000 in Brockton to \$374,000 in Easton.



### **Business Demographic Data**

Data obtained from the 2013 Business Geodemographic Data show that there are 22,216 businesses in the assessment area, of which 72.1 percent have gross annual revenues of \$1 million or less, 5.4 percent have gross annual revenues greater than \$1 million, and the remaining 22.5 percent have unknown revenues. Of total businesses in the assessment area, 7.9 percent are in low-income census tracts, 19.9 percent are in moderate-income census tracts, 39.2 percent are in middle-income tracts, and 33.0 percent are in upper-income tracts. The highest proportion of these business establishments are engaged in the services industry (43.4 percent). Businesses involved in retail trade (13.4 percent), non-classifiable establishments (11.6 percent) and construction (9.3 percent) make up a significant share of the establishments. In terms of employees, approximately 65.3 percent of the area's businesses employ four or fewer people. Included among the largest employers in the assessment area are Covidien, Morton Hospital and Medical Center, Comcast Center and Brockton Hospital.

### **Unemployment**

The unemployment rate statewide for Massachusetts is 7.1 percent according to December 2013 statistics gathered from the Bureau of Labor Statistics. This represents an increase as compared to the annual percentage for 2012, when the unemployment rate in Massachusetts was 6.8 percent. The unemployment rate, for Norfolk County was 6.0 percent, Plymouth County was 7.2 percent, and Bristol County was 9.7 percent, as of December 2013, which shows a higher unemployment rate for the Bank's area compared to that of Massachusetts as a whole. As of December 2013, per the Bureau of Labor Statistics, the unemployment statistics for the towns in the assessment area were: 9.0 percent in Attleboro; 9.1 percent in Brockton; 6.0 percent in Easton; 6.1 percent in Mansfield; 8.1 percent in North Attleboro, 7.0 percent in Norton, 6.7 percent in Stoughton; and, 7.8 percent in Taunton.

### **Competition**

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are HarborOne Bank, Randolph Savings Bank, and Mansfield Bank. The 2012 aggregate lending data shows that 356 lenders originated 15,803 residential mortgage loans in the Bank's assessment area. North Easton Savings Bank ranked 23<sup>rd</sup> with a 1.1 percent market share. The top three lenders in the assessment area consisted of Wells Fargo Bank with 11.8 percent, JP Morgan Chase Bank with 5.8 percent and US Bank with 4.3 percent market share of home mortgage loans. The assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

### **Community Contact**

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

Examiners interviewed a contact from an organization that focuses on economic development in Brockton. The contact indicated that entrepreneurship is increasing, but funding is not always available. Microloans are particularly important for small business start-ups. The contact indicated that local financial institutions were responsive to the area's credit and community development needs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **LENDING TEST**

The Lending Test addresses North Easton Savings Bank's record of meeting the credit needs of its designated assessment area through consideration of the institution's home mortgage and small business lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the average net loan-to-deposit (LTD) ratio since the previous evaluation; 2) the concentration of lending within the assessment area; 3) the dispersion of loans to borrowers and small businesses in low-, moderate-, middle- and upper-income geographies in the assessment area; 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of different revenue sizes; and, 5) the response to CRA complaints.

The Bank's overall performance with respect to the Lending Test is Satisfactory. The following sections discuss the analysis and conclusions regarding the Bank's performance under each criterion.

#### **1. LOAN-TO-DEPOSIT ANALYSIS**

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The average net LTD ratio since the previous evaluation is reasonable given the institution's size, financial condition, and assessment area credit needs.

The average net LTD ratio of 68.3 was calculated using Call Report data for the 14 quarters since the previous evaluation. Since March 2011, this ratio has exhibited relatively minimal fluctuation. The June 30, 2012 ratio of 64.5 percent represents the lowest within this period, while the June 30, 2011 ratio of 71.6 percent represents the highest. Since the March 2011 evaluation, the ratio initially trended downward for five quarters before stabilizing near 68.0 percent for the seven quarters preceding the current evaluation. The average net LTD ratio decreased from 74.4 percent at the previous evaluation as deposit growth slightly outpaced loan growth. Specifically, net loans increased by 1.4 percent, while deposits increased by 5.6 percent during the period reviewed. Additionally, as indicated under Description of the Institution, the Bank sells loans in the secondary market, which also affects the net LTD ratio.

The institution's average net LTD ratio was compared to the average net LTD ratios of three similarly situated institutions in terms of geographic location, asset size, and loan portfolio composition. While the Bank's net LTD is somewhat lower compared to similarly situated institutions, considering North Easton Savings Bank's performance context, the average net LTD of 68.3 percent is considered reasonable. Table 3 illustrates the average net LTD ratios of North Easton Savings Bank and the similarly situated banks, by asset size of the institution.

<b>Table 3</b> <b>Average Net Loan-to-Deposit Comparison</b>		
<b>Bank Name</b>	<b>Total Assets \$(000s) as of 6/30/14</b>	<b>Average Net Loan-to-Deposit Ratio (%) 3/31/11 - 6/30/14</b>
Mansfield Cooperative Bank	433,238	86.3
<b>North Easton Savings Bank</b>	<b>446,301</b>	<b>68.3</b>
Bridgewater Savings Bank	499,838	75.6
Winchester Co-operative Bank	564,445	71.6

Source: Call Report Data

## 2. ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

A majority of home mortgage and small business loans made during the evaluation period were located within the designated assessment area. As illustrated in Table 4, 64.5 percent of the number and 54.9 percent of the dollar volume of the Bank's 2012 and 2013 HMDA and small business loans were located within the assessment area.

<b>Table 4</b> <b>Distribution of Loans Inside and Outside of Assessment Area</b>										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>2012</b>										
Home Purchase	36	50.0	36	50.0	72	7,959	36.3	13,990	63.7	21,949
Refinance	118	70.7	49	29.3	167	26,666	59.5	18,142	40.5	44,808
Home Improvement	22	75.9	7	24.1	29	2,959	58.8	2,073	41.2	5,032
<b>Total 2012</b>	<b>176</b>	<b>65.7</b>	<b>92</b>	<b>34.3</b>	<b>268</b>	<b>37,584</b>	<b>52.4</b>	<b>34,205</b>	<b>47.6</b>	<b>71,789</b>
<b>2013</b>										
Home Purchase	42	56.0	33	44.0	75	11,767	48.6	12,425	51.4	24,192
Refinance	56	70.0	24	30.0	80	12,718	62.7	7,578	37.3	20,296
Home Improvement	30	69.8	13	30.2	43	4,749	68.4	2,195	31.6	6,944
<b>Total 2013</b>	<b>128</b>	<b>64.6</b>	<b>70</b>	<b>35.4</b>	<b>198</b>	<b>29,234</b>	<b>56.8</b>	<b>22,198</b>	<b>43.2</b>	<b>51,432</b>
<b>Total Home Loans</b>	<b>304</b>	<b>65.2</b>	<b>162</b>	<b>34.8</b>	<b>466</b>	<b>66,818</b>	<b>54.2</b>	<b>56,403</b>	<b>45.8</b>	<b>123,221</b>
Small Business 2012	25	67.6	12	32.4	37	2,533	89.2	306	10.8	2,839
Small Business 2013	22	53.7	19	46.3	41	1,931	52.3	1,761	47.7	3,692
<b>Total Small Business Loans</b>	<b>47</b>	<b>60.3</b>	<b>31</b>	<b>39.7</b>	<b>78</b>	<b>4,464</b>	<b>68.4</b>	<b>2,067</b>	<b>31.6</b>	<b>6,531</b>
<b>Grand Total</b>	<b>351</b>	<b>64.5</b>	<b>193</b>	<b>35.5</b>	<b>544</b>	<b>71,282</b>	<b>54.9</b>	<b>58,470</b>	<b>45.1</b>	<b>129,752</b>

Source: HMDA and CRA Small Business Data (2012 and 2013)

In 2012 and 2013, the Bank originated 65.2 and 54.2 percent of home mortgage loans by number and dollar volume of loans, respectively within the assessment area. During the same period, the Bank originated 60.3 and 68.4 percent of its small business loans by number and dollar volume of loans, respectively within the assessment area. As shown in Table 4, home mortgage loan originations decreased from 268 to 198, or 26.1 percent between 2012 and 2013; this trend is attributed to a lower demand for home refinance loans. The level of small business lending was relatively stable.

### 3. GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. The distribution of loans by census tract income was reviewed to determine the extent to which the Bank addresses the home mortgage and small business credit needs of the assessment area, including low- and moderate-income geographies. North Easton Savings Bank's overall geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

#### *Home Mortgage Loans*

Overall, home mortgage lending throughout the assessment area is reasonable. Table 5 depicts the Bank's 2012 and 2013 lending performance within census tracts of different income levels. The table also compares the Bank's performance to both 2012 aggregate lending data and the percentage of owner-occupied homes located in each census tract category as reported in 2010 U.S. Census data.

Table 5 Distribution of HMDA Loans by Census Tract Income Level						
Census Tract Income Level	% Owner-Occupied Housing Units	Aggregate Lending Data 2012	Bank 2012		Bank 2013	
		%	#	%	#	%
<b>Low</b>	3.5	2.5	11	6.3	3	2.3
<b>Moderate</b>	20.2	14.0	9	5.1	5	3.9
<b>Middle</b>	38.2	35.9	50	28.4	42	32.8
<b>Upper</b>	38.1	47.6	106	60.2	78	61.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data , HMDA Data 2012 and 2013*

As illustrated in the table above, North Easton Savings Bank's lending performance in low-income geographies in 2012 exceeded demographic data and aggregate lending performance. A decline in the percentage of loans made in low-income census tracts between 2012 and 2013 is noted. It is noted that while the Bank's overall market share of home mortgage loans made inside the assessment area for 2012 was 1.1 percent; the Bank's market share of loans made in low-income census tracts was 2.8 percent.

The Bank's level of lending in moderate-income geographies within the assessment area lagged behind both aggregate lending and owner-occupied housing statistics in both 2012 and 2013. As indicated under the Description of the Assessment Area, there is strong competition for home mortgage loans within the assessment area. North Easton Savings Bank's strong performance in low-income census tracts mitigates its weaker performance in moderate-income census tracts and the overall distribution of home mortgage loans by census tract income level is reasonable.

### *Small Business Loans*

North Easton Savings Bank's small business lending performance across census tracts of different income levels is reasonable given its performance context. Table 6 depicts the distribution of the Bank's small business loans, as well as businesses, by census tract income level.

<b>Table 6</b>						
<b>Distribution of Small Business Loans by Census Tract Income Level</b>						
<b>Census Tract Income Level</b>	<b>2012 % of Total Businesses</b>	<b>2012 Bank</b>		<b>2013 % of Total Businesses</b>	<b>2013 Bank</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
<b>Low</b>	8.0	0	0.0	7.9	1	4.5
<b>Moderate</b>	20.0	0	0.0	19.9	1	4.5
<b>Middle</b>	39.1	8	32.0	39.2	7	31.8
<b>Upper</b>	32.9	17	68.0	33.0	13	59.1
<b>Total</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

*Source: Small Business Loan Data and D&B Data (2012 and 2013)*

Table 6 shows that North Easton Savings Bank's lending levels in the assessment area's low- and moderate-income census tracts is below demographic for 2012 and 2013. Given that the institution originates few small business loans, the strong level of competition for small business lending within the assessment area, and the positive trend, performance is reasonable.

## **4. BORROWER PROFILE**

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GARs) of \$1 million or less.

The distribution of borrowers reflects, given the demographics of the assessment area and the institution's performance context, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The following sections discuss the Bank's performance under this criterion by loan type.

### *Home Mortgage Loans*

The distribution of loans by borrower income level reflects adequate penetration to low- and moderate-income borrowers. Table 7 depicts the Bank's 2012 and 2013 lending performance to borrowers of different income levels. The table also compares the Bank's performance to 2012 aggregate lending data and the percentage of families by income level as reported in 2010 U.S. Census data.

<b>Table 7</b>						
<b>Distribution of HMDA Loans by Borrower Income</b>						
<b>Median Family Income Level</b>	<b>% Families</b>	<b>Aggregate Lending Data 2012</b>	<b>Bank 2012</b>		<b>Bank 2013</b>	
		<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	21.5	6.2	4	2.3	1	0.8
<b>Moderate</b>	17.3	17.0	28	15.9	14	10.9
<b>Middle</b>	20.7	21.1	30	17.0	28	21.9
<b>Upper</b>	40.5	39.3	101	57.4	76	59.4
<b>N/A</b>	0.0	16.4	13	7.4	9	7.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data, 2012 and 2013 HMDA LAR Data*

As the table illustrates, the institution's lending to low-income borrowers in 2012 lagged aggregate and demographic data. However, North Easton Savings Bank's lending to moderate-income borrowers was comparable to aggregate lending data in 2012. It is noted that both the Bank and aggregate lending performance to low- and moderate-income borrowers was below demographic data. The Bank's level of lending to low- and moderate-income borrowers declined somewhat between 2012 and 2013.

The Bank operates in a very competitive market for home mortgage loans, accounting for some measure of the institution's slight lag in performance as compared to aggregate institution lending data. In 2012, North Easton Savings Bank ranked 23<sup>rd</sup> in loan originations within the assessment area, generating a 1.1 percent market share of home mortgage loans. The Bank maintained a similar market share in terms of loan originations to low- and moderate-income borrowers, accounting for approximately 1.0 percent of originations to borrowers of these income levels.

Additionally, the high cost of housing within the assessment area presents challenges for the Bank in terms of lending to low- and moderate-income borrowers. Based on 2010 U.S. Census data, low-income borrowers earn less than \$39,414 and the moderate-income threshold is \$63,062. Given the median housing value of \$320,600 within the assessment area, it is likely that the average low- and moderate-income individual would have difficulty qualifying for a mortgage using conventional underwriting guidelines.

North Easton Savings Bank offers a variety of products and programs to meet the credit needs of low- and moderate-income borrowers, including a first-time homebuyer program, mortgage loans with waived or reduced closing costs, the Buy Brockton Program, and smaller dollar home purchase rehabilitation and construction-to-permanent loans. The institution also offers MassHousing loans and mortgage insurance products that help meet the needs of low- and moderate-income individuals.

#### *Small Business Loans*

The distribution of small business loans by GAR level reflects adequate penetration to businesses of different sizes. Table 8 depicts the Bank's 2012 and 2013 lending performance by GAR level of the business. The table also compares the Bank's performance to the distribution of businesses in the assessment area by GAR level based on 2012 and 2013 D&B data.

Table 8 Distribution of Small Business Loans by Gross Annual Revenues (GAR)						
GARs \$(000)	2012 % of Total Businesses	2012 Bank		2013 % of Total Businesses	2013 Bank	
		#	%		#	%
≤ \$1,000	72.0	19	76.0	72.1	13	59.1
> \$1,000	5.0	3	12.0	5.4	4	18.2
GARs Unknown	23.0	3	12.0	22.5	5	22.7
<b>Total</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

Source: Small Business Loan Register and D&B Data (2012 and 2013)

North Easton Savings Bank's percentage of loans to businesses with GARs of less than \$1 million is reflective of assessment area demographics in 2012. While the level of lending to small businesses declined somewhat, and is below demographic data in 2013, performance is reasonable given the institution's performance context. The Bank offers small-dollar commercial loans targeted to the credit needs of the area's small businesses, which include time notes with balances as low as \$1,000 and equipment loans with balances as low as \$1,100.

## 5. RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion did not impact the CRA rating.

## COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). As an Intermediate Small Bank, North Easton Savings Bank has the flexibility to allocate its resources among community development loans, qualified investments, and community development services in amounts that it reasonably determines are most responsive to community development needs and opportunities.

The Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area.

### Community Development Loans

A community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported or collected by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.



During the evaluation period, the Bank originated five community development loans totaling \$1.8 million. Each of the loans had affordable housing as the primary purpose. The following are details of the community development loans made during the current evaluation period:

- In 2011, the Bank originated a \$207,000 mortgage loan to purchase a multi-story, mixed-use building located in a moderate-income census tract. The building consists of one commercial unit and five residential units. The monthly rents for the five residential units are below the HUD fair market rents.
- In 2012, the Bank renewed two lines of credit totaling \$3.5 million, which related to a 44 single-family dwelling housing development. Of the 44 units, 11 (25.0 percent) were designated as affordable housing for low- or moderate-income individuals or families under the state's 40(b) requirement. Accordingly, the pro rata portion of the \$3.5 million in line of credit renewals for affordable housing was \$875,000.
- In 2013, the Bank made a \$243,750 loan secured by a six-family home located in a moderate-income census tract. The monthly rents for all six units are below the HUD fair market rents.
- In 2014, the Bank refinanced \$438,750 for a mixed-used investment property consisting of a business and five apartments. The five apartments are rented below the HUD fair market rents.

### **Qualified Investments**

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

During the period reviewed, the Bank made \$101,033 in qualified community development grants and donations. Qualified grants and donations supported initiatives and organizations that provide affordable housing, health care services, family counseling, community development and community services to the area's low- and moderate-income individuals. This amount represents an increase from the \$93,294 made during the prior evaluation period. Table 9 depicts the Bank's qualified donations and grants by community development purpose and year.

Table 9 Qualified Community Development Grants and Donations								
Activity Year	Qualifying Category						Totals	
	Affordable Housing for LMI		Community Services Targeted to LMI		Economic Development Targeted to LMI Census Tracts			
	#	\$	#	\$	#	\$	#	\$
3/15/11–12/31/11	7	5,880	14	14,100	3	1,114	24	21,094
2012	7	5,825	19	15,750	1	625	27	22,200
2013	5	4,780	23	27,700	3	1,124	31	33,604
1/1/14-8/25/14	0	0	20	23,250	2	885	22	24,135
Total	19	16,485	76	80,800	9	3,748	104	101,033

*Source: Internal Bank Records*

Examples of organizations to which the Bank made donations in the assessment area include:

**Attleboro Area Council for Children** – This organization provides day care scholarships to low- and moderate-income families.

**The Charity Guild** – Founded in 1971 by a group of concerned individuals whose goal was simple, to provide basic and necessary services to those unable to meet their primary needs of food, clothing and household goods.

**My Brother's Keeper** – Founded in 1988 by a husband and wife, from the basement of their home, this organization delivers furniture and food, free of charge, to families in need.

**Old Colony Y Family Life Center (FLC)** – FLC is a transitional housing program for 13 families living in the City of Brockton. FLC provides case management and supportive services to families and children who are experiencing multiple crises and in need of support.

**Penelope's Place** – This domestic violence shelter provides vital services such as individual and group counseling, and financial planning assistance. Child therapy, medical, legal and housing advocacy are available to residents as well as classes and workshops that support the residents' social, emotional, and economic independence.

**School on Wheels of Massachusetts (SOWMA)** – Founded in 2004 by a teacher and child advocate, SOWMA's mission is to educate children impacted by homelessness by providing academic support and one-on-one mentoring so children can reach their full potential.

### **Qualified Community Development Services**

A community development service has community development as its primary purpose and is related to the provision of financial services or technical services or assistance. The following are examples of qualified community development services.

Officers and employees of the Bank are involved in a number of local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. These organizations provide affordable housing, economic development, and other services to the area's low- and moderate-income geographies and residents. The following are examples of the organizations that the Bank was involved with during the evaluation period.

**Attleboro Area School to Career Partnership, Inc.** – This organization works with over 500 employers and provides over 1,500 internships and full-time positions to help students learn the life skills necessary to be successful in the workplace. The Mortgage Operations Manager is the Treasurer.

**Brockton Housing Partnership** – The Partnership sponsors families experiencing homelessness by contributing funds to enable families to save money to return to independent life. The Senior Vice President/Chief Lending Officer is a member of the Loan Committee.

**Buy Brockton** – Buy Brockton is a public/private partnership between the City of Brockton, Brockton Housing Partnership and local businesses who are working together to promote homeownership in the City of Brockton. The Senior Vice President/Chief Lending Officer designed and implemented the program.

**Easton Food Pantry** – Since 1978, the Easton Food Pantry has been dedicated to providing food to residents in times of need. The Assistant Vice President of Lending is a member of the Board of Directors.

**For Our Residents of Easton (F.O.R.E.)** – F.O.R.E. was formed by Easton residents to provide support to families in need of some help during the holiday season. All donations stay in town to benefit the children of Easton. The Bank President serves as the Treasurer of this organization.

**Mansfield Housing Corporation (MHC)** – Incorporated in 2010, MHC’s mission is to investigate and implement alternatives for providing affordable housing to low- and moderate-income households, act as a consultant and advisor to the Town of Mansfield in implementing affordable housing plans and create and/or provide housing. The Bank’s Vice President/IT/Compliance Officer is the Vice Chairman.

**NeighborWorks Southern Mass** – The mission of this organization is to create housing opportunities by educating and assisting first time home buyers to purchase their own homes, developing affordable housing for those in need and making home rehabilitation loans. The Senior Vice President Chief Lending Officer is the Chairman.

**South Shore Network to End Homelessness** – This organization brings together community agencies, government, faith groups and businesses to implement regional strategies to prevent, reduce and end homelessness in Brockton. The Senior Vice President and Chief Lending Officer is the Chairman.

### ***Educational Services and Seminars***

Bank officers have participated in seminars and other events sponsored by the Bank during the evaluation period. These events provide opportunities for Bank representatives to inform those in attendance about the products and services offered by the Bank and to gain information about unmet credit needs in the assessment area. The following is a sample of seminars and events performed by the Bank.

During the evaluation period, the Bank sponsored nine “Credit for Life Fairs” held at Brockton High School, Mansfield Holiday Inn and Shaw’s Center in Brockton. Students from Attleboro, North Attleboro, Brockton, Mansfield and Norton attended. The Credit for Life Fair is a financial education opportunity for high school students participating in an interactive fair in which they are given a salary and must visit vendors to decide what lifestyle choices their budget allows them.

During the evaluation period, the Bank sponsored 16 first-time homebuyer seminars. Topics included: credit and preparing a budget; understanding the mortgage process; understanding bank financing; working with a real estate agent; home inspection; homeowners insurance; purchase and sale agreement and closing on your bank loan.

In 2011, the Bank presented a “Pay Yourself First” financial seminar to the Attleboro Housing Authority. Topics included: why it is important to save; identifying saving options; and determining savings options to help reach savings goals.

In 2012, the Bank hosted a “Train the Trainer” seminar presented by FDIC. The seminar focused on providing presentation techniques to individuals in the financial and social service agencies that are engaged in presenting the FDIC “Money Smart” financial literacy program to agencies contemplating its use.

In 2012, the Bank presented a workshop, “On Common Types of Elder Financial Exploitation,” to the Brockton Housing Authority.

In 2014, the Bank presented a “Money Smart” seminar to a non-profit, charitable, educational foundation that provides affordable housing. Topics included: a description of deposit and credit services offered by financial institutions, choosing and maintaining a checking account, spending plans, the importance of saving, how to obtain and use credit effectively, and the basics of building or repairing credit.

In 2014, the Bank presented a financial seminar focused on the basics of credit to an affordable housing organization.

### ***Other Community Development Services***

The Bank participates in the following public and privately sponsored programs that have special features that are of particular benefit to lower-income individuals:

#### **IOLTA Accounts**

North Easton Savings Bank participates in the Interest on Lawyers’ Trust Accounts (IOLTA). Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

#### **Basic Banking for Massachusetts**

The Bank continues to be involved in the Basic Banking for Massachusetts. The Bank’s checking and savings accounts meet the Massachusetts Community and Banking Council guidelines. This voluntary program expands access to Bank products and services and encourages those with modest incomes to establish banking relationships.

#### **Equity Builders**

During the evaluation period, the Bank applied for and received funding under the Federal Home Loans Bank’s Equity Builder Program (EBP). The EBP provides grant money for down payment and closing costs associated when obtaining a mortgage loan. Low- and moderate-income eligible borrowers can receive up to \$15,000 in assistance. As part of this program, the Bank works in conjunction with local housing agencies that provide affordable housing to low- and moderate-income individuals and families. The Bank works with borrowers who are looking to purchase a home by offering a lower cost first mortgage financing through an agency such as the MHFA and a grant from the EBP. In originating these loans, bank employees spend additional time and share financial expertise with these borrowers. The Bank must also apply for approval from the FHLB, which also requires additional time and financial expertise on their

part. During the examination, the Bank closed two loans totaling \$317,275 of which \$19,598 was EBP assistance.

#### **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. No discriminatory acts or illegal credit practices were identified.

**APPENDIX A**  
**Division of Banks**  
**Fair Lending Policies and Practices**

**MINORITY APPLICATION FLOW**

The Bank's HMDA LARs for 2012 and 2013 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 314,278 individuals of which 26.6 percent are minorities. The assessment areas minority and ethnic population is 11.7 percent Black/African American, 2.6 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 5.8 percent Hispanic or Latino and 6.3 percent other.

For 2012, the Bank received 276 HMDA reportable loan applications from within its assessment area. Of these applications, 14 or 5.0 percent were received from minority applicants, of which 7 or 50.0 percent resulted in originations. The aggregate received 21,620 HMDA reportable loan applications of which 2,118 or 9.8 percent were received from minority applicants and 1,347 or 63.6 percent were originated. For the same time period, the Bank also received 8 or 2.9 percent applications from ethnic groups of Hispanic origin within its assessment area of which 4 or 50.0 percent were originated; in comparison the aggregate that received 655 applications or 3.0 percent of which 371 applications or 56.6 percent were originated.

For 2013, the Bank received 191 HMDA reportable loan applications from within its assessment area. Of these applications, 6 or 3.1 percent were received from minority applicants, of which 4 or 66.7 percent resulted in originations. For the same time period, the Bank also received 8 or 4.2 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 5 or 62.5 percent were originated. The 2013 aggregate data is not available for comparison purposes.

The Bank's level of lending was compared with that of the aggregate's lending performance levels for the most recent year that data was available, the year 2012. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table 10 for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

<b>Table 10</b>					
<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2012</b>		<b>Aggregate Data 2012</b>	<b>Bank 2013</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	4	1.4	2.5	1	0.5
Black/ African American	7	2.5	6.1	2	1.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	3	1.1	0.9	3	1.6
<b>Total Minority</b>	<b>14</b>	<b>5.0</b>	<b>9.8</b>	<b>6</b>	<b>3.1</b>
White	229	83.0	68.1	172	90.1
Race Not Available	33	12.0	22.1	13	6.8
<b>Total</b>	<b>276</b>	<b>100.0</b>	<b>100.0</b>	<b>191</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>6</b>	<b>2.2</b>	<b>2.2</b>	<b>6</b>	<b>3.1</b>
Not Hispanic or Latino	236	85.5	75.3	170	89.0
Joint (Hisp/Lat /Not Hisp/Lat)	<b>2</b>	<b>0.7</b>	<b>0.8</b>	<b>2</b>	<b>1.1</b>
Ethnicity Not Available	32	11.6	21.7	13	6.8
<b>Total</b>	<b>276</b>	<b>100.0</b>	<b>100.0</b>	<b>191</b>	<b>100.0</b>

Source: US Census 2010, HMDA LAR Data 2012 and YTD2013, HMDA Aggregate Data 2012

The Bank's performance was below the 2012 aggregate's performance level for minority and was equivalent to the aggregate's performance for ethnic applicants. The Bank received 5.0 percent for minorities while the aggregate was 9.8 percent. The Bank received 2.9 percent while the aggregate received 3.0 percent for ethnic minorities. In 2013, the number of loans decreased for minority (3.1 percent) but increased for ethnic (4.2 percent) applicants.

## **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 and the Federal Deposit Insurance Corporation, at 20 Eastman Street, South Easton, MA 02375."

- 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.