

PUBLIC DISCLOSURE

April 27, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northern Bank & Trust Company
Certificate Number: 18266

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Woburn, Massachusetts 01801

Division of Banks
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Boston, Massachusetts 02118

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**.

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

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			
<p><i>* The Lending Test weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i></p> <p><i>** FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the terms “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low satisfactory” rating.</i></p>			

The Lending Test is rated Satisfactory.

- Lending levels reflect adequate responsiveness to assessment area credit needs.
- An adequate percentage of loans are made in the institution’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution exhibits adequate record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals and/or very small businesses, consistent with safe and sound banking practices.

- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

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

The Service Test is rated High Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 1, 2017, to the current evaluation dated April 27, 2020. Examiners used the Interagency Large Institution Examination Procedures to evaluate Northern Bank & Trust Company's (NBTC's) CRA performance. The procedures include the Lending, Investment, and Service Tests. Examiners used full-scope procedures to evaluate the bank's CRA performance in its assessment area. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's two 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. Although the bank originated more residential mortgage loans by number and dollar during the evaluation period than small business loans, the commercial loan portfolio (72.2 percent) is larger than the residential mortgage loan portfolio (15.4 percent). Therefore, for this evaluation, examiners weighted home mortgage and small business lending equally when determining overall conclusions. Small farm and consumer loans do not represent major product lines and provide no material support for conclusions or ratings; therefore, examiners did not analyze these loan types.

Examiners analyzed three years of loan data (2017, 2018 and 2019). Although the Assessment Area Concentration table presents activity for 2017, 2018, and 2019, examiners did not include 2017 data under the Geographic Distribution or Borrower Profile criteria, as examiners did not identify any trends between 2017, 2018, and 2019 that materially affected conclusions. The 2018 data, the most recent year for which aggregate data is available, contributed more weight to overall conclusions than other years.

This evaluation considered all home mortgage entries on the bank's 2017, 2018 and 2019 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). In 2017, the bank reported 298 total loans totaling approximately \$180.3 million. In 2018, the bank reported 321 loans totaling approximately \$168.8 million. However, in 2019, due to a refocused lending and marketing strategy, the bank reported 693 loans totaling \$274.2 million in 2019. Examiners compared the bank's 2018 HMDA lending performance to the 2018 aggregate lending data. Aggregate lending data was not available for 2019. In addition, examiners compared the bank's home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria to 2015 American Community Survey (ACS) demographic data.

This evaluation also considered small business loans reported on the bank's 2017, 2018, and 2019 CRA Loan Registers. In 2017, the bank reported 217 small business loans totaling approximately \$46.6 million. In 2018, the bank reported 192 small business loans totaling approximately \$46.2 million. In 2019, as stated previously, a refocused lending strategy including hiring additional loan officers led to increases in loans, by number and dollar amount. As a result, the bank reported 344 loans totaling approximately \$52.2 million in 2019.

Examiners compared the bank's 2018 small business lending performance to aggregate lending data. Aggregate lending data was not available for 2019. In addition, examiners compared the bank's small business lending performance to D&B business demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners placed more emphasis on the bank's performance by the number of loans as it is a better indicator of the number of individuals and businesses served. Examiners compared the bank's Geographic Distribution and Borrower Profile performances to 2018 aggregate loan data and the 2015 ACS demographic data.

Examiners also reviewed community development loans, innovative and flexible lending practices, qualified investments, and community development services, since the previous evaluation dated May 1, 2017, to the current evaluation dated of April 27, 2020.

DESCRIPTION OF INSTITUTION

Background

NBTC is a \$2.2 billion Massachusetts chartered institution headquartered in Woburn, Massachusetts. The bank is wholly owned by Northern Bancorp, Inc., a single bank holding company. The bank has ten subsidiaries: five hold bank premises, two are Massachusetts securities corporations, one entity holds other real estate owned, one was created for charitable purposes, and one was established for the 1031 exchange deposit program.

The bank received a Satisfactory CRA rating at its previous evaluation dated July 1, 2017. The Massachusetts Division of Banks (DOB) and Federal Deposit Insurance Corporation (FDIC) conducted the evaluation utilizing Interagency Large Institution Examination Procedures.

Operations

The bank operates primarily throughout Middlesex County and maintains 12 full-service offices including the main office headquartered in Woburn. In addition, the bank operates two websites, www.nbtc.com and www.northernbankdirect.com. All offices have drive-up facilities, except for the Burlington and Melrose offices. All branches have Automated Teller Machines (ATMs). In addition, the bank participates in the SUM program. Cardholders of financial institutions who are part of the SUM program can withdraw funds from designated ATMs belonging to other SUM program members, without a surcharge fee. Other alternative banking services include mobile banking, online banking, and remote deposit capture.

The bank focuses on commercial and industrial and commercial real estate lending, as well as residential home mortgage lending. The bank's assets are concentrated in commercial loans. As of December 31, 2019, commercial loans represented 72.2 percent, and residential loans represented 15.4 percent of the bank's total loan portfolio. Consumer loans represented 0.1 percent. The bank offers both business and personal deposit products, including business checking accounts, money market accounts, and savings accounts, as well as personal checking, savings, health savings, and money market accounts.

In April 2017, NBTC introduced a new website: www.northernbankdirect.com. Northern Bank Direct (NBD) is the bank's nationwide online deposit gathering platform and division of NBTC. NBD resulted from management's strategy to attract new nationwide depositors. NBD account offerings include certificates of deposits and money market and health savings accounts.

Ability and Capacity

NBTC's assets totaled approximately \$2.2 billion as of December 31, 2019 consisting total loans of approximately \$1.9 billion, and United States (U.S.) Treasury & Agency securities and other investments totaling approximately \$51 million.

The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	213,487	11.1
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	290,074	15.2
Secured by Multifamily (5 or more) Residential Properties	4,115	0.2
Secured by Nonfarm Nonresidential Properties	619,678	32.4
Total Real Estate Loans	1,127,353	58.9
Commercial and Industrial Loans	761,875	39.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,598	0.1
Obligations of State and Political Subdivisions in the U.S.	23,679	1.2
Other Loans	603	.04
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,914,505	100.0
Source: Reports of Condition and Income		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. NBTC designated a single assessment area in the Cambridge-Newton-Framingham, Massachusetts (MA) Metropolitan Division (MD), which is part of the Massachusetts-New Hampshire Metropolitan Statistical Area (MSA). NBTC's assessment area is Middlesex County. The assessment area did not change since the previous evaluation.

Economic and Demographic Data

The assessment area consists of 54 municipalities and 318 census tracts. These tracts reflect the following income designations according to 2015 ACS data:

- 22 low-income census tracts,
- 55 moderate-income census tracts,
- 126 middle-income census tracts,
- 114 upper-income census tracts, and
- 1 census tract without an income designation.

The U.S. Census Bureau updates census data every five years. The most recent update was the 2015 ACS, which became effective in 2017. As a result, several census tract designations within the assessment area changed since the previous evaluation. Specifically, the 2015 ACS reclassified nine moderate-income and one middle-income census tract to low-income. Examiners evaluated the bank’s lending performance considering the demographic data applicable in each year. There are no designated underserved or distressed census tracts in the assessment area.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	318	6.9	17.3	39.6	35.8	0.3
Population by Geography	1,556,116	6.2	16.9	41.4	35.4	0.0
Housing Units by Geography	617,089	6.1	17.2	42.4	34.3	0.0
Owner-Occupied Units by Geography	365,501	2.4	11.9	43.1	42.6	0.0
Occupied Rental Units by Geography	220,141	12.0	25.5	41.5	21.0	0.0
Vacant Units by Geography	31,447	7.6	21.2	40.1	31.1	0.0
Businesses by Geography	138,140	5.4	13.2	41.0	40.4	0.0
Farms by Geography	2,536	2.6	9.7	41.4	46.4	0.0
Family Distribution by Income Level	376,456	20.5	15.7	19.8	44.1	0.0
Household Distribution by Income Level	585,642	24.0	14.3	16.3	45.4	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$448,925
			Median Gross Rent			\$1,359
			Families Below Poverty Level			5.6%
<i>Source: 2015 ACS Census and 2019 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of the bank’s small business loans to the distribution of businesses by gross annual revenue (GAR) level. According to 2019 D&B data, there were 138,140 non-farm businesses operating in the assessment area. The GARs for these businesses are:

- 85.7 percent have \$1 million or less
- 6.3 percent have more than \$1 million
- 8.0 percent have unknown revenues

Service industries represent the largest portion of businesses in the assessment area at 45.2 percent; non-classified businesses at 15.3 percent; retail trade at 10.5 percent; finance, insurance, and real estate at 9.0 percent; and construction at 7.9 percent. In 2019, 88.3 percent of businesses had nine or fewer employees, and 90.1 percent of the businesses operated from a single location.

According to the U.S. Bureau of Labor and Statistics, the average unemployment rate in Middlesex County was 2.2 percent in 2018 and 1.8 percent in 2019. Both years were below statewide unemployment rates of 2.8 percent in 2018 and 2.4 percent in 2019.

Examiners used the 2018 and 2019 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories relevant to the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
<i>Source FFIEC</i>				

Low- and moderate-income census tracts, by number, comprise 24.2 percent of the total number of census tracts within the assessment area. The population consists of 23.1 percent low- or moderate-income individuals, with 5.6 percent of families in the assessment area below the poverty level. This data indicates that community development opportunities exist within the assessment area.

The median housing value within the assessment area is \$448,925. Given the median family income figures for low- and moderate-income families in the assessment area, borrowing opportunities for families within these income designations are likely limited.

Competition

The assessment area encompasses all of Middlesex County and is highly competitive for financial services. As of June 30, 2019, FDIC Deposit Market Share data reflected 53 financial institutions operated 503 full-service branches within the assessment area. Of these, NBTC

ranked 9th with a 2.8 percent deposit market share. The top three financial institutions were national banks and made up 41.6 percent of the deposit market share.

There is a high level of competition for home mortgage loans in the assessment area. According to the 2018 aggregate home mortgage lending data, the bank ranked 52nd out of 491 lenders that originated or purchased 49,470 home mortgage loans, by number, for \$21.4 billion in the assessment area. Institutions ranking above NBTC were larger financial institutions, credit unions, and mortgage companies. Also, several state-chartered community banks that ranked ahead of NBTC were larger in asset size, such as, Eastern Bank, Middlesex Savings Bank, Cambridge Savings Bank, and Century Bank and Trust Company. In addition, Middlesex Savings Bank, Cambridge Savings Bank, and Century Bank and Trust Company maintain greater deposit market share within the assessment area.

The assessment area is also extremely competitive for small business lending. In 2018, according to aggregate small business lending data, the bank ranked 30th out of 139 lenders that originated or purchased 43,085 small business loans, by number, for \$1.3 billion in the assessment area. Institutions ranked above NBTC were mostly large national banks and credit card companies; however, some larger community banks, including Eastern Bank and Middlesex Savings Bank, also ranked above NBTC.

Community Contact

As part of the evaluation process, examiners contacted third party organizations 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 those needs and helps examiners ascertain what credit and community development opportunities are available.

Examiners contacted a nonprofit organization dedicated to providing housing options and stability to low- and moderate-income individuals and families. The contact indicated that the most glaring ongoing issue is the need for affordable housing. Low- and moderate-income individuals and families seeking housing in the Greater Boston area are often unable to meet underwriting criteria due to the high cost of residential real estate. The contact further suggested that the economic impact of the response to the COVID-19 pandemic would exacerbate this problem, as low- and moderate-income individuals are prone to the negative financial consequences of business closures and the economic downturn. The contact believed that the emergency loan programs implemented in response to the public health crisis would be critical to securing economic stability for those affected, and that, in the organization's experience, community banks have been more responsive than larger national banks. Examiners noted NBTC provides these emergency loans.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and economic development are the primary community development opportunities of the assessment area. Examiners also identified a need for first-time homebuyers and low- and moderate-individual loan products.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs, considering the bank's performance context and competition for loans.

Home Mortgage Loans

In 2018, NBTC originated 192 loans, by number, totaling \$82.1 million in the assessment area. The bank's home mortgage lending increased nearly 22.0 percent, by number, and nearly 44.0 percent, by dollar amount, from the prior year. As stated previously, the bank ranked 52nd out of 491 home mortgage lenders that reported at least one home mortgage loan originated or purchased that year. The institutions that ranked above NBTC were larger financial institutions, credit unions, and mortgage companies.

In 2019, residential mortgage loan volume increased to 334 loans representing a 74.0 percent increase, by number, and increased to \$127 million, by dollar amount, representing a 56.1 percent increase compared to the 2018 lending performance. As stated previously, the bank's lending and marketing strategies changed in 2019 and lending performance increased significantly. For 2019, aggregate residential mortgage lending data was not available for any comparison analysis.

Small Business Loans

In 2018, the bank originated 130 small business loans, by number, totaling \$21.6 million in the assessment area. The bank's loan volume, by number, decreased slightly by 9.7 percent from the prior year; however, the total dollar amount remained relatively stable with 2017 lending results. However, despite the lower loan volume by number in 2018, total loan volume by dollar amount was slightly higher than 2017. As previously stated, NBTC ranked 30th out of 139 lenders reporting at least one small business loan that year. The institutions ranked above NBTC were mostly large national banks and credit card companies; however, some larger community banks, including Eastern Bank and Middlesex Savings Bank, also ranked above NBTC.

In 2019, small business lending increased to 279 loans, by number, representing a significant increase of 146.0 percent from 2018. Additionally, loans by dollar amount increased nearly 30.0 percent to approximately \$28.0 million from the prior year's results of \$21.6 million. Enhanced lending and marketing strategies in 2019 improved business lending performance. The 2019 aggregate small business lending data was not available for any comparison analysis.

Assessment Area Concentration

The bank made an adequate percentage of loans in the assessment area. Overall, NBTC originated 1,312 home mortgage loans, by number, totaling approximately \$623 million, and 753 small business loans totaling approximately \$145 million. Of this total, 684 home mortgage loans totaling approximately \$267 million, and 553 small business loans, totaling approximately \$71 million, were inside the assessment area. The bank originated nearly 60.0 percent of all home mortgage and small business lending, by number, in the assessment area.

Despite the significant increase in home mortgage and small business lending, by number and dollar amount in 2019, the percentage of home mortgage loans, by number, fell below 50.0 percent to 48.2 percent in the assessment area. The decrease in home mortgage lending was attributed to business and marketing strategies that included lending efforts throughout Massachusetts. Conversely, in 2019, the percentage of small business lending by number and dollar volume improved to 81.1 percent and 53.7 percent, respectively, in the assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	158	53.0	140	47.0	298	57,526	31.9	122,732	68.1	180,258
2018	192	59.8	129	40.2	321	82,098	48.6	86,710	51.4	168,808
2019	334	48.2	359	51.8	693	127,867	46.6	146,300	53.4	274,166
Subtotal	684	52.1	628	47.9	1,312	267,490	42.9	355,742	57.1	623,232
Small Business										
2017	144	66.4	73	33.6	217	21,126	45.4	25,449	54.6	46,575
2018	130	67.7	62	32.3	192	21,585	46.7	24,588	53.3	46,173
2019	279	81.1	65	18.9	344	28,043	53.7	24,192	46.3	52,235
Subtotal	553	73.4	200	26.6	753	70,754	48.8	74,229	51.2	144,983
Total	1,237	59.9	828	40.1	2,065	338,244	44.0	429,971	56.0	768,215
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area.

The geographic distribution of home mortgage loans reflects adequate penetration and poor penetration of small business loans throughout the assessment area. Examiners focused on the percentage of loans, by number, originated in low-and moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. In 2018, NBTC’s lending performance in low-income tracts slightly exceeded aggregate and demographic data. In 2019, although total originations increased significantly, lending in low-income tracts declined. As previously explained, lending volume increased significantly due to a refocused lending and marketing strategy.

In 2018, home mortgage lending in the moderate-income census tracts was below aggregate and comparable with demographic data. In 2019, lending in moderate-income census tracts increased by number; however, declined by percentage given the significant increase in the number of originations.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	2.4	3.3	7	3.6	1,351	1.6
2019	2.4	--	4	1.2	1,244	1.0
Moderate						
2018	11.9	13.6	23	12.0	9,198	11.2
2019	11.9	--	28	8.4	8,183	6.4
Middle						
2018	43.1	42.4	106	55.2	36,499	44.5
2019	43.1	--	189	56.6	70,161	54.9
Upper						
2018	42.6	40.8	56	29.2	35,051	42.7
2019	42.6	--	113	33.8	48,279	37.8
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	192	100.0	82,098	100.0
2019	100.0	--	334	100.0	127,867	100.0
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. The bank’s 2018 lending performance in the low- and moderate-income income census tracts was below aggregate and demographic data. In the low-income tracts, NBTC ranked 67th of 139 lenders reporting at least one small business loan. In the moderate-

income tracts, NBTC ranked 50th of 139 lenders. The 2018 small business lender market share report for loans made in low-income geographies indicated that the top seven business lenders were primarily large national credit card companies. The report also illustrated that the seven companies originated approximately 66.5 percent of loan volume, by number, in low-income tracts, with an average loan amount of approximately \$12,000. For 2018, the market share report indicated that the top eight business lenders originated approximately 33.4 percent of loan volume, by number, in moderate-income tracts, with an average loan amount of approximately \$13,000. In 2019, the bank did not originate any loans in the low-income census tracts and lending in the moderate-income tracts was less than demographics.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	5.3	5.2	1	0.8	50	0.2
2019	5.4	--	0	0.0	0	0.0
Moderate						
2018	12.9	13.7	6	4.6	758	3.5
2019	13.2	--	4	1.4	860	3.1
Middle						
2018	41.6	42.2	88	67.7	15,750	73.0
2019	41.0	--	238	85.3	20,128	71.8
Upper						
2018	40.1	38.8	35	26.9	5,027	23.3
2019	40.4	--	37	13.3	7,055	25.2
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	130	100.0	21,585	100.0
2019	100.0	--	279	100.0	28,043	100.0

*Source: 2018 & 2019 D&B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size in the assessment area. The bank's excellent performance of home mortgage and adequate performance of small business lending support the conclusion. Examiners focused on the percentage by number of home mortgage loans to low-and moderate-income borrowers.

Examiners also focused on the percentage of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to retail customers of different income levels reflects excellent penetration. In 2018, lending to low-income borrowers exceeded aggregate data. However, the number of home mortgage loans to low-income borrowers was less than the percent of low-income families in the assessment area. Although lending to low-income borrowers was less than demographics, low-income families in the assessment area have annual incomes of less than \$55,150. Therefore, some borrowers would have difficulty qualifying for a conventional mortgage, given that the median housing value is \$448,925. Lending opportunities to low-income families is further limited as 5.6 percent of families in the assessment area live below the poverty level. These factors help to explain the difference between the bank's performance and the percent of low-income families in the assessment area. In 2019, lending to low-income borrowers increased by number, but declined by percentage given the increased volume.

In 2018, lending to moderate-income borrowers exceeded aggregate and demographics. In 2019, lending to moderate-income borrowers increased by number, but declined by percentage given the increased volume.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	20.5	5.8	23	12.0	3,752	4.6
2019	20.5	--	29	8.7	5,228	4.1
Moderate						
2018	15.7	15.8	47	24.5	11,556	14.1
2019	15.7	--	58	17.4	15,867	12.4
Middle						
2018	19.8	22.5	39	20.3	12,435	15.1
2019	19.8	--	105	31.4	36,698	28.7
Upper						
2018	44.1	44.1	66	34.4	42,545	51.8
2019	44.1	--	126	37.7	58,543	45.8
Not Available						
2018	0.0	11.8	17	8.9	11,810	14.4
2019	0.0	--	16	4.8	11,531	9.0
Totals						
2018	100.0	100.0	192	100.0	82,098	100.0
2019	100.0	--	334	100.0	127,867	100.0
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among business customers of different size. In 2018, NBTC’s performance was consistent with aggregate lending data, but below demographics. The bank ranked 22nd of 139 lenders reporting at least one small business loan to businesses with GARs of \$1 million or less. In 2018, it is important to note that 84.0 percent of small businesses with GARs of \$1 million or less reflects all small businesses in the assessment area, not just those in the market for a small business loan. Overall, the bank’s performance reflects adequate penetration.

In 2019, lending to small businesses declined, and the total percentage of small business loans with GARs of \$1 million or less declined to 17.9 percent. However, as stated previously, refocused lending and marketing strategies increased small business lending significantly, by number, in 2019. In addition, despite the lower percentage of loans, by number, the total dollar amount increased 14.3 percent or, \$867,000 in 2019.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2018	84.0	41.8	53	40.8	6,052	28.0
2019	85.7	--	50	17.9	6,919	24.7
>\$1,000,000						
2018	7.2	--	75	57.7	14,800	68.6
2019	6.3	--	229	82.1	21,124	75.3
Revenue Not Available						
2018	8.8	--	2	1.5	733	3.4
2019	8.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	130	100.0	21,585	100.0
2019	100.0	--	279	100.0	28,043	100.0
<i>Source: 2018 & 2019 D&B Data; 1/1/2018 - 12/31/2019 Bank Data; 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending Practices

NBTC uses innovative and/or flexible lending programs to serve assessment area credit needs. The bank originated 120 innovative and flexible loans totaling approximately \$40.2 million. Compared to the previous examination, innovative and flexible loans increased 27.7 percent from 94 loans and doubled in total dollar amount from \$20.0 million. The programs are primarily government-related subsidies and loan guarantees, including Massachusetts Housing programs, Federal Housing Administration (FHA), Veterans Affairs (VA), and the Small Business Association (SBA). Of the 120 loans, 37 were SBA loans totaling \$20.0 million compared to one SBA loan for \$195,000 at the previous examination.

NBTC compared favorably to similarly situated banks such as Avidia Bank, The Lowell Five Cents Savings Bank, and Enterprise Bank.

The following table summarizes the bank’s innovative and flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2017		2018		2019		2020		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Residential										
MassHousing Partnership (MHP) ONE Mortgage	1	134	30	5,763	19	3,674	5	831	55	10,402
MassHousing Mortgage	0	0	5	1,729	3	821	0	0	8	2,550
MassHousing Right Rate – No Mortgage Insurance	0	0	2	629	0	0	0	0	2	629
MassHousing Lender Paid Mortgage Insurance	0	0	1	439	0	0	0	0	1	439
MassHousing Welcome Home	0	0	0	0	1	213	0	0	1	213
FHA	0	0	2	659	7	2,304	0	0	9	2,963
VA	0	0	5	2,060	2	1,109	0	0	7	3,169
Sub-Total Residential	1	134	45	11,279	32	8,121	5	831	83	20,365
Commercial										
SBA - 504	2	700	12	8,357	19	10,075	0	0	33	19,132
SBA – 7A	0	0	1	250	3	500	0	0	4	750
Sub-Total Commercial	2	700	13	8,607	22	10,575	0	0	37	19,882
Totals	3	834	58	19,886	54	18,696	5	831	120	40,247
<i>Source: Bank Data</i>										

The following highlights some innovative and flexible loan programs offered by the bank.

Home Mortgage Lending Programs

- **Federal Housing Administration (FHA):** Borrowers must meet certain FHA income requirements to qualify. FHA loans benefit low- and moderate-income buyers due to low down payments, low closing costs, and relaxed credit qualifications.
- **Veterans Administration (VA):** VA loans require no down payment and the U.S. Department of Veterans Affairs guarantees them. Borrowers must meet both service requirements and credit/income requirements to be eligible. VA allows sellers to pay all mortgage loan-related closing costs, up to 4.0 percent in concessions, which can cover expenses such as property taxes and homeowner’s insurance.

NBTC is a MassHousing approved lender. MassHousing is a nonprofit, public agency working to support affordable housing for low- and moderate-income Massachusetts residents. MassHousing loan programs offer low down payments, competitive rates, and discounted mortgage insurance. The following describes some of the MassHousing programs NBTC offers.

- **MHP ONE Mortgage:** The One Mortgage program is a first time homebuyers program from the Mass Housing Partnership. This program offers a low fixed-rate with as little as 3.0 percent down. In addition, this program offers financial assistance for eligible low- and moderate-income buyers.

- **MassHousing Mortgage:** This program offers a traditional 30-year fixed-rate mortgage. Borrowers may finance up to 97.0 percent loan-to-value. The MassHousing Mortgage Insurance Fund insures loans with down payments of less than 20.0 percent. Borrowers benefit from flexible underwriting, low down payments, and quick processing due to automated underwriting and online mortgage insurance approvals.
- **MassHousing Mortgage with No Mortgage Insurance:** Eligible borrowers can obtain affordable, fixed-rate financing without mortgage insurance. This product provides up to 97.0 percent loan-to-value financing without mortgage insurance on single-family homes and condominiums and 95.0 percent loan-to-value financing on two-to-four family homes.

Small Business Lending Programs

In addition to its standard commercial loan programs, the bank also offers the following flexible small business loan programs, in cooperation with the SBA and the Massachusetts Business Development Corporation.

- **SBA 504 Loan Program:** This loan program provides small businesses with long-term financing through a Certified Development Company (CDC) and promotes business growth and job creation. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation from the CDC, and 50.0 percent participation by the bank.
- **SBA 7a Loan Program:** The bank is a preferred lender for the SBA 7A program. This loan product offers small businesses a maximum loan amount of \$5 million with the SBA guaranteeing up to 85.0 percent of most loan values. This is the SBA's primary program for providing financing to small businesses.
- **SBA 504 Refinance Program:** This debt restructuring loan program allows small businesses to refinance qualifying 504 loans. Businesses must be in continuous operation for two years as of the application date
- **Paycheck Protection Program (PPP):** The PPP is a federal loan program that is part of the Coronavirus Aid, Relief, and Economic Security Act. PPP helps small- and medium-sized businesses affected by the COVID-19 pandemic cover payroll costs and certain other expenses. In April 2020, NBTC originated 570 loans totaling approximately \$106.3 million.

Community Development Loans

The institution provides a relatively high level of community development loans. During the evaluation period, the bank originated 17 loans totaling \$60.2 million. Of these loans, eight loans totaling \$41.8 million were within the bank's assessment area and nine loans totaling \$18.4 million were in Massachusetts, but in communities adjacent to the assessment area. This level of community development lending represents 2.8 percent of average total assets and 3.2 percent of

average total loans. Community development lending levels increased since the previous evaluation, when the bank made 16 loans totaling \$56.4 million. Compared to similarly situated Avidia Bank, Avidia Bank originated double the loans, by number, and nearly double the dollar amount. Avidia Bank was considered a community development leader in its assessment area.

The following table illustrates the bank’s community development loans by year and community development category.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	3	6,142	0	0	0	0	3	39,544	6	45,686
2018	5	9,155	0	0	0	0	0	0	5	9,155
2019	6	5,399	0	0	0	0	0	0	6	5,399
YTD 2020*	0	0	0	0	0	0	0	0	0	0
Total	14	20,696	0	0	0	0	3	39,544	17	60,240

Source: Bank Data
** Lending activity not available as bank compiles data annually at year-end.*

The following illustrates examples of the bank’s community development loans:

- In 2017, the bank originated a \$2.5 million loan to assist in redeveloping a vacant commercial building into 146 residential rental units in Lowell. The project was awarded Housing Development Incentive Zone tax credits by the Massachusetts Department of Housing and Community Development. The tax credits support neighborhood revitalization in Lowell.
- In 2018, the bank originated a \$35.3 million loan to acquire a property and construct a 70-unit multi-family rental property in Brighton. This property includes nine affordable units, which will provide affordable housing to the area’s low- and moderate-income population. The bank received credit for a pro-rated share of the loan amount, or \$4,532,142.
- In 2019, the bank originated a \$17.7 million loan to construct and develop 83 condominium units in Wakefield. This property includes 10 affordable units, which will provide affordable housing to low- and moderate-income families. The bank received credit for a pro-rated share of the loan amount, or \$2.1 million.

INVESTMENT TEST

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

NBTC has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private

investors. The bank exhibits adequate responsiveness to credit and community economic development needs. The institution occasionally uses innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

NBTC made a significant level of qualified investments, totaling approximately \$8.7 million. This total represents .4 percent of average total assets and 5.6 percent of average total securities since the previous evaluation. Since the previous evaluation, the bank made four new equity investments for approximately \$4.3 million and maintains nine prior period investments with a \$3.7 million book value. In addition, the bank made 116 qualified grants and donations totaling \$712,000. The Northern Bank Charitable Foundation (Foundation) established to promote community development initiatives in the assessment area provided a majority of the grants. Compared to the previous evaluation, new equity investments increased from \$2.7 million, and grants and donations increased from \$466,000; however, the total number of grants and donations decreased to 116 from 138. Investment activity was similar to the previous evaluation.

The following table summarizes the bank’s community development 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	8	3,360	0	0	1	335	0	0	9	3,695
2017	0	0	0	0	0	0	2	2,450	2	2,450
2018	0	0	0	0	0	0	1	1,200	1	1,200
2019	0	0	0	0	0	0	1	609	1	609
YTD 2020*	0	0	0	0	0	0	0	0	0	0
Subtotal	8	3,360	0	0	1	335	4	4,259	13	7,954
Qualified Grants & Donations	22	198	93	504	1	10	0	0	116	712
Total	30	3,558	93	504	2	345	4	4,259	129	8,666

Source: Bank Records
**Lending activity not available as bank compiles data annually at year-end.*

The following summarizes the new equity investments, examples of prior period investments, and qualified grants and donations made by the bank and its charitable foundation:

Equity Investments

Current Period

- **The Edge Lowell:** In 2017, the bank invested \$1.7 million to rehabilitate and renovate a multi-unit residential property. The investment offers a historic tax credit incentive to develop apartments to house students and young professionals. The property, known as The Edge, is in a low-income geography in Lowell. The property was developed under

the Massachusetts' Housing Development Incentive Program (HDIP - Chapter 40V). The property was designed to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated Housing Development Zones (HD) within Gateway cities.

- ***The Vault Lynn:*** In 2017 and 2018, the bank invested \$750,000 and \$1.2 million, respectively, to rehabilitate and renovate a multi-unit residential property. The property, known as The Vault, is in a low-income geography in downtown Lynn. The development qualifies for historic rehabilitation tax credits.
- ***Houghton on the Grid Worcester:*** In 2019, the bank invested \$609,000 in historic tax credits to redevelop a historic building in Worcester now used as residences. The subject property is in a moderate-income census tract with adjacent low- and moderate-income tracts. The redevelopment and the bank's investment helped to revitalize and stabilize the downtown Worcester area.

Although the new equity investments in Lowell, Lynn, and Worcester are outside of the bank's assessment area, the bank received credit for them, as it was responsive to its assessment area needs. Massachusetts designated each municipality as a Gateway city. Gateway cities are midsize urban centers that anchor regional economies around the state. In these Gateway cities, the availability of historic tax credits for certain property encourages revitalizing existing mill-type buildings into residential apartment style living. These cities and properties qualified for historic tax credits and substantiated the need to renovate and rehabilitate these properties.

Prior Period

- ***Federal National Mortgage Association Mortgage-Backed Securities:*** The bank continues to hold seven mortgage-backed securities. Residential loans made to low- and moderate-income borrowers whose properties are located within the assessment area are the security. The current book value is approximately \$2.1 million.
- ***Access Capital Strategies Community Investment Fund, Inc. (ACSCIF):*** The bank continues to hold a stake in this fund, which provides a secondary market and financing vehicle for community development loan originators. The ACSCIF invests in securities designed to promote affordable housing and economic development for low- and moderate-income individuals and geographies. The current book value is approximately \$1.3 million.

Qualified Grants and Donations

- ***Heading Home, Inc.:*** Heading Home is a nonprofit housing assistance organization whose mission is to end homelessness. It provides emergency shelter, transitional and permanent housing, and supportive services to homeless and formerly homeless families and individuals in the assessment area. Heading Home owns and operates approximately 500 affordable units and provides direct services to over 1,400 individuals, annually. During the 2018-2019 football season, for every touchdown that the New England Patriots scored, the bank donated \$1,000. Collectively, the bank and the Charitable Foundation donated \$140,000 over the evaluation period.

- **Boys & Girls Clubs:** The Boys & Girls Club is national organization with independent chapters whose goal is to help children break the poverty cycle. Throughout the evaluation period, the bank and Foundation donated approximately \$171,000 to the Boys & Girls Clubs of Billerica and Woburn. Both organizations support low- and moderate-income individuals and finance annual membership for those who cannot afford it.
- **Food Assistance:** The Foundation and bank donated to multiple food pantries and organizations providing meals and basic needs across the assessment area. The Foundation donated \$20,000 to People Helping People, which provides food, medicine, heat and utility payment assistance to low-income Burlington residents. The Foundation and bank donated an additional \$56,400 to 14 other food pantries and meal programs, including Acton Community Supper and Food Pantry, Bread of Life, Elizabeth Peabody House, Loaves and Fishes, Melrose Farmers Market, Merrimack Valley Catholic Charities, Reading Food Pantry, Sudbury Food Pantry, Table of Plenty, and others. These donations respond to the assessment area's community service needs.

Responsiveness to Credit and Community Development Needs

NBTC exhibits adequate responsiveness to credit and community economic development needs. New equity investments stimulated development in weaker real estate markets and assisted in revitalizing or stabilizing low- and moderate-income geographies. Additionally, prior period investments continued to promote affordable housing for low- and moderate-income individuals. Further, the bank's donations to Heading Home helped transition a homeless family of four into a new home. The prior period investments and donations meet a critical need for affordable housing. A community contact, examiner determination, and state and local government affordable housing initiatives illustrated a need for affordable housing.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support community development initiatives. The three new equity investments were complex in that they required multiple organizations to coordinate efforts, included barriers that made the program difficult to implement, and took years to come to fruition. For example, for the The Vault Lynn project, it was one of Lynn's first projects to leverage the HDIP. Before any revitalization could occur or any project qualify for HDIP tax incentives, the Lynn City Council had to designate and establish boundaries for the HD Zone. This occurred in January 2015. Following the designation, two Lynn-focused organizations, the Economic Development and Industrial Corporation and Lynn Economic Advancement and Development needed to coordinate efforts.

SERVICE TEST

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

The bank's delivery systems are reasonably accessible to essentially all portions of its assessment area. To the extent changes have been made, the bank is opening and closing of branches has generally not adversely affected the accessibility of its delivery systems,

particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Services (including, where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. In addition, the bank provides a relatively high level of community development services.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of its assessment area. Alternative delivery systems supplement the bank’s branches.

- Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	22	6.9	96,338	6.2	0	0.0	0	0.0
Moderate	55	17.3	263,448	16.9	0	0.0	0	0.0
Middle	126	39.6	644,764	41.4	5	41.7	5	41.7
Upper	114	35.9	551,566	35.4	7	58.3	7	58.3
NA	1	0.3	0	0.0	0	0.0	0	0.0
Total	318	100.0	1,556,116	100.0	12	100.0	12	100.0

Source: 2015 ACS Data; Bank Data

The bank operates 12 full-service offices, and each maintains an ATM. No offices or ATMs are in the low- or moderate-income census tracts. Although the bank does not maintain any offices in the low- or moderate-income tracts, the Chelmsford branch (upper-income census tracts) abut two moderate-income census tracts in Lowell. Lowell has 10 moderate-income census tracts.

In addition to the branch network, NBTC offers mobile and online banking, Northern PeoplePay (person-to-person payment system), and debit cards.

Changes in Branch Locations

The bank did not open or close any offices during the evaluation period.

Reasonableness of Business Hours and Services

Services, including, where appropriate, business hours, do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. Hours are consistent across all locations from 8:30 A.M. to 5 P.M., with extended hours on Thursdays and Fridays and limited hours on Saturdays.

Community Development Services

The institution provides a relatively high level of community development services. During the evaluation period, employees collectively provided 129 instances of community development services, devoting 1,190 services hours to qualified organizations. Employees devoted time to

community development organizations supporting affordable housing, community services, economic development, first-time homebuyer seminars, and financial literacy. The service level improved from the previous examination where services reflected 96 instances.

The following table summarizes the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	6	20	4	0	30
2018	4	22	2	0	28
2019	15	32	1	0	48
YTD 2020	6	16	1	0	23
Total	31	90	8	0	129

Source: Bank Records; # denotes instances

- Financial Literacy and First Time Homebuyer Seminars:** Several employees provided hundreds of service hours to improve the financial literacy of low- and moderate-income youths and seniors. In addition, staff assisted various organizations in conducting first time homebuyer seminars. Personnel worked with the following organizations: The Billerica Council of Aging, Budget Buddies, Citizen’s Housing and Planning Association, Community Teamwork, Friends of Milano Center, Junior Achievement, Merrimack Valley Housing Partnership, Minuteman Senior Services, Mystic Valley Elder Services, and the Woburn Senior Center.
- Woburn Redevelopment Authority (WRA):** The WRA is an independent municipal urban renewal authority established under Massachusetts General Laws Chapter 121B. It is governed by five members, including a bank vice president, who served on the WRA throughout the evaluation period, including as chairperson. The WRA serves as the city’s community development agency, whose functions currently include assisting small businesses in securing Economic Injury Disaster and PPP loans.
- Heading Home:** Heading Home provides emergency shelter, transitional and permanent housing, and supportive services to homeless and formerly homeless families and individuals in several municipalities throughout the assessment area. Several employees assisted this organization such as serving as the director, assisting with marketing, and lending their financial expertise to support the organization’s activities.
- Bay Colony Development Corporation:** Bay Colony Development Corporation is a Certified Development Company whose purpose is to stimulate economic development by creating and preserving jobs by providing fixed asset financing at affordable rates and reasonable terms. It works with loan officers, accountants, real estate brokers, and attorneys and their clients to identify and structure the most beneficial and appropriate

financing program. An employee served as a director.

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

SCOPE OF EVALUATION

SCOPE OF EVALUATION			
TIME PERIOD REVIEWED	5/1/2017 to 4/27/2020		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Northern Bank & Trust Company			Residential Home Mortgage Loans Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
NA			

FAIR LENDING POLICIES AND PROCEDURES

The Division provides comments regarding an institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment and Fair Lending Policy. Based upon a review of the bank’s public comment file and compliance with applicable fair lending laws and regulations, examiners did not identify any violations of those laws or regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2018 and 2019 HMDA LARs to determine if the application flow from different racial groups within the bank’s assessment area reflected the assessment area’s demographics. Considering the assessment area’s demographic composition and comparison to 2018 aggregate data, the bank’s minority application flow is adequate.

The bank’s assessment area contains a population of 1,556,116 individuals of which 25.2 percent are minorities. The assessment area’s minority and ethnic population is 4.6 percent Black/African American, 10.5 percent Asian, 0.1 percent American Indian, 7.3 percent Hispanic or Latino, and 2.8 percent Other.

In 2018, the bank received 237 HMDA-reportable loan applications from within its assessment area. Of these, the bank received 48 or 20.3 percent from racial minority applicants, greater than the aggregate performance of 16.1 percent. Of these 48 applications, the bank originated 85.4 percent. For the same time, the bank received 8 applications, or 3.4 percent, from ethnic groups of Hispanic origin within the assessment area, less than the aggregate performance of 5.7 percent. The bank originated all applications from Hispanic applicants.

Examiners reviewed the 2019 data, but examiners were unable to make comparisons to aggregate data, as 2019 aggregate data was unavailable at evaluation time. From 2018 to 2019, total HMDA reportable applications within the assessment area increased by 88.9 percent. In 2019, the bank received 69 or 15.3 percent of total applications from racial minorities and originated 78.3 percent. It received four or 0.9 percent of applications from Hispanic applicants and originated 56.3 percent.

Refer to the following table for specifics:

RACE	Bank 2018		2018 Aggregate Data	Bank 2019	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	39	16.5	11.5	55	12.2
Black/ African American	5	2.1	2.2	3	0.7
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	4	1.7	1.9	11	2.4
Total Minority	48	20.3	16.1	69	15.3
White	167	70.5	61.9	330	73.3
Race Not Available	22	9.3	22.0	51	11.3
Total	237	100.0	100.0	450	100.0
ETHNICITY					
Hispanic or Latino	4	1.7	4.5	3	0.7
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.7	1.2	1	0.2
Total Hispanic Minority	8	3.4	5.7	4	0.9
Not Hispanic or Latino	207	87.3	71.8	388	86.2
Ethnicity Not Available	22	9.3	22.6	58	12.9
Total	237	100.0	100.0	450	100.0

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.