

PUBLIC DISCLOSURE

August 6, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northmark Bank
Certificate Number: 27119

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North Andover, Massachusetts 01845

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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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.

TABLE OF CONTENTS

| | |
|---|----|
| Institution Rating | 1 |
| Scope of Evaluation | 2 |
| Description of Institution | 4 |
| Description of Assessment Area | 6 |
| Conclusions on Performance Criteria | 10 |
| Discriminatory or Other Illegal Credit Practices Review | 20 |
| Division of Banks Fair Lending Policies and Procedures | 21 |
| Glossary | 23 |

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Needs to Improve**. An institution in this group needs to improve its overall 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.

Northmark Bank's poor Community Reinvestment Act (CRA) performance under the Lending Test and satisfactory CRA performance under the Community Development Test support the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Needs to Improve.

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

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 8, 2015, to the current evaluation dated August 6, 2018. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Northmark Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-deposit (LTD) ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

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

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

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage lending contributed more weight to overall conclusions due to a larger volume of originations during the evaluation period compared to small business lending. No other loan types, such as small farm or consumer loans, represent major product lines; therefore, they provide no material support for conclusions or ratings and are not presented.

Examiners considered all home mortgage loans reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Northmark Bank originated 150 home mortgage loans totaling \$65.5 million in 2016 and 140 home mortgage loans totaling \$69.9 million in 2017. Examiners compared Northmark Bank's 2016 HMDA lending to 2016 HMDA aggregate data and demographic data from the 2010 United States (U.S.) Census. Demographic data from the 2015 American Community Survey (ACS) and 2017 HMDA aggregate data provided a standard of comparison for the bank's 2017 HMDA lending.

Although the CRA does not require ISI's to collect and report small business loan data, the bank collects small business loan data. As a result, examiners considered all small business loans originated by Northmark Bank in 2016 and 2017. Small business loans include commercial real estate and commercial and industrial loans with original loan amounts of \$1 million or less. In 2016, the bank originated 96 small business loans totaling \$11.7 million. In 2017, the bank originated 88 small business loans totaling \$14.4 million. Examiners compared the bank's small business lending to D&B demographic data.

Although the Lending Test considered the number and dollar volume of home mortgage and small business loans, the evaluation emphasized performance by number of loans. The number of loans better indicates the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated June 8, 2015.

DESCRIPTION OF INSTITUTION

Background

Northmark Bank is headquartered in North Andover, Massachusetts and operates in portions of Middlesex and Essex Counties. The bank is a privately held, stock-owned institution, primarily engaged in residential and commercial real estate lending. Northmark Bank operates two wholly owned subsidiaries, Northmark Securities and Walrum, Inc., neither of which engage in retail lending. The institution received a Satisfactory rating at its previous joint FDIC and Commonwealth of Massachusetts Division of Banks (Division) Performance Evaluation dated June 8, 2015. The prior evaluation also used Interagency ISI Examination Procedures.

Operations

Northmark Bank operates three full-service branches located in North Andover and Andover in Essex County, and Winchester in Middlesex County. The bank did not open or close any branches since the prior evaluation, and no merger or acquisition activities occurred since the previous evaluation. Each branch maintains a deposit-taking automated teller machine (ATM). Northmark Bank also operates a stand-alone deposit-taking ATM in Methuen.

Loan product offerings include residential mortgages, home equity lines of credit (LOC), automobile loans, personal loans, business LOCs, commercial real estate loans, and Small Business Administration (SBA) loans. The bank often makes residential loans to real estate trusts and limited liability companies, which results in a fair portion of HMDA loans not reflecting borrower income data.

Deposit products include checking and savings accounts for consumers and businesses, certificates of deposit, money market deposit accounts, and individual retirement accounts. Alternative banking services include online and mobile banking, mobile check deposit, and banking by mail. Additionally, Northmark Bank participates in the SUM program, which allows customers surcharge-free ATM withdrawals at thousands of ATMs located across the country. Northmark Bank also allows customers to make deposit transactions at a network of ATMs around the country through the NYCE Shared Deposit Program.

Ability and Capacity

Assets totaled \$348.8 million as of June 30, 2018, and included total loans of \$302.3 million and securities totaling \$26.8 million. This represents an increase in total assets of approximately \$14.7 million (4.5 percent) since the previous evaluation. The following table illustrates the bank's loan portfolio.

| Loan Portfolio Distribution as of 6/30/18 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction and Land Development | 25,624 | 8.5 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 169,750 | 56.1 |
| Secured by Multifamily (5 or more) Residential Properties | 11,382 | 3.8 |
| Secured by Nonfarm Nonresidential Properties | 68,283 | 22.6 |
| Total Real Estate Loans | 275,039 | 91.0 |
| Commercial and Industrial Loans | 25,845 | 8.5 |
| Agricultural Loans | 0 | 0.0 |
| Consumer Loans | 840 | 0.3 |
| Other Loans | 537 | 0.2 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 302,261 | 100.0 |
| <i>Source: Call Report</i> | | |

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Northmark Bank designated a single assessment area in the Cambridge-Newton-Framingham, Massachusetts Metropolitan Division. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes 54 census tracts located in portions of Middlesex (36) and Essex Counties (18). The assessment area includes Andover, Arlington, Lexington, North Andover, North Reading, Reading, Wilmington, Winchester, Woburn, and portions of Lawrence (four census tracts) and Methuen (one census tract). The 54 census tracts reflect the following income designations according to the 2015 ACS Census:

- 3 low-income census tracts,
- 2 moderate-income census tracts,
- 17 middle-income census tracts, and
- 32 upper-income census tracts.

Although the assessment area has not changed since the last evaluation, the income designations of 12 census tracts changed as a result of the 2015 ACS Census. The biggest change is a net increase of seven upper-income tracts resulting from eight tracts reclassified from middle- to upper-income, and one tract reclassified from upper- to middle-income. Two Woburn tracts (3333 and 3335.02) were reclassified from moderate- to middle-income, and tract 2531 in North Andover was reclassified from middle- to moderate-income. There were no changes to the other moderate-income tract (2518) or the three low-income tracts (2515, 2516, and 2517), all of which are located in Lawrence.

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) | 54 | 5.6 | 3.7 | 31.5 | 59.3 | 0.0 |
| Population by Geography | 298,577 | 6.0 | 4.4 | 32.6 | 57.1 | 0.0 |
| Housing Units by Geography | 114,814 | 5.6 | 4.9 | 33.7 | 55.8 | 0.0 |
| Owner-Occupied Units by Geography | 77,615 | 1.8 | 4.2 | 30.1 | 63.9 | 0.0 |
| Occupied Rental Units by Geography | 31,798 | 14.4 | 6.8 | 42.2 | 36.6 | 0.0 |
| Vacant Units by Geography | 5,401 | 8.9 | 3.2 | 34.5 | 53.4 | 0.0 |
| Businesses by Geography | 24,496 | 3.8 | 3.0 | 37.2 | 56.0 | 0.0 |
| Family Distribution by Income Level | 77,671 | 17.0 | 13.3 | 18.6 | 51.0 | 0.0 |
| Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA MD | | \$100,380 | Median Housing Value | | | \$483,451 |
| | | | Median Gross Rent | | | \$1,309 |
| | | | Families Below Poverty Level | | | 4.6% |
| <i>Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

According to 2017 D&B data, there were 24,496 businesses. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. GAR levels for these businesses are below.

- 83.4 percent have \$1 million or less.
- 7.9 percent have more than \$1 million.
- 8.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 51.9 percent; followed by retail trade (10.2 percent); and finance, insurance, and real estate (9.5 percent). According to D&B, the majority of assessment area businesses are small businesses with limited operations. A significant portion of area businesses (71.4 percent) has four or fewer employees, and 90.8 percent operate from a single location. Additionally, 79.7 percent of businesses have GARs of \$500,000 or less.

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

| 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) | | | | |
| 2016 (\$98,600) | <\$49,300 | \$49,300 to <\$78,880 | \$78,880 to <\$118,320 | ≥\$118,320 |
| 2017 (\$104,800) | <\$52,400 | \$52,400 to <\$83,840 | \$83,840 to <\$125,760 | ≥\$125,760 |
| <i>Source: FFIEC</i> | | | | |

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the area’s 114,814 housing units, 67.6 percent are owner-occupied, 27.7 percent are rental, and 4.7 percent are vacant. While 10.5 percent of total housing units are located in low- or moderate-income tracts, only 6.0 percent of owner-occupied units are in these geographies. Low owner-occupancy rates in the low-income tracts limit opportunities for lenders to make owner-occupied home mortgage loans in the area’s low-income tracts.

Unemployment rates in the assessment area slightly decreased since the prior evaluation. In April 2015, unemployment rates in Essex and Middlesex Counties were 4.3 percent and 3.3 percent respectively. The 2017 unemployment rates were 3.8 percent for Essex County and 3.0 percent for Middlesex County. The 2017 unemployment rate in Lawrence (6.8 percent) was notably higher than the Essex County rate. Top employers in the assessment area include Raytheon Systems, Home Health Visiting Nurses Association, Philips Healthcare, Analog Devices Inc., and the Massachusetts Institute of Technology Lincoln Laboratory.

Competition

The assessment area is a highly competitive financial services market. According to 2017 FDIC Deposit Market Share reports, 42 financial institutions operated 130 full-service branches within the assessment area. Northmark Bank ranked 14th with a 2.3 percent market share. Institutions ranked above Northmark Bank include large national banks and local institutions, such as Citizens Bank, NA; Reading Co-operative Bank; Northern Bank & Trust Company; and Winchester Savings Bank.

The assessment area also has significant competition for home mortgage loans from many banks, credit unions, and non-depository lenders. In 2016, 376 lenders reported 13,590 home mortgage loans originated or purchased. Northmark Bank ranked 49th with a market share of 0.5 percent. Lenders include large national banks and mortgage companies, as well as state and local institutions. The top three lenders, JP Morgan Chase Bank, NA; Leader Bank; and Wells Fargo Bank, NA each held a market share of approximately 5.5 percent. Although home mortgage lending activity declined in 2017, competition remained high with 360 lenders reporting 9,897 loans originated or purchased. Northmark Bank’s performance improved in 2017, ranking 32nd with a market share of 0.7 percent. The top lenders again consisted of large national banks and mortgage companies, such as Wells Fargo Bank, NA and Guaranteed Rate, Inc.

The bank is not required to nor has it elected to report small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to

aggregate data. However, aggregate data for small business loans provides insight into small business loan demand. In 2016, 153 lenders reported 59,389 small business loans in Middlesex and Essex Counties. Top-ranked lenders consisted of large national banks that primarily offer credit card loans. American Express, FSB ranked first with a 26.2 percent market share.

Community Contact

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

Examiners contacted representatives from a community development corporation operating in Essex County. The contact identified affordable housing as a significant need, noting that housing costs for both buyers and renters have increased, while wages have remained stagnant. Additionally, housing demand exceeds the supply of housing stock, applying further pressure for housing cost increases. The contact indicated that potential low- and moderate-income homebuyers typically find suitable financing, but finding an affordable home to purchase is difficult. The contact cited Federal Housing Administration loans and Massachusetts Housing Partnership loans as popular mortgage financing options for lower-income individuals.

The contact also discussed the need for financing and technical assistance to very small or start-up businesses. According to the contact, insufficient primary employment wages have led to a high level of entrepreneurship and self-employment in the area. Consumer loans, particularly affordable automobile loans and emergency personal loans, also represent notable credit needs.

Finally, the contact also discussed community development opportunities, including financing real estate development projects through construction loans or community investment tax credits. The contact also noted that many community organizations serve low- and moderate-income people and areas, and that financial institutions could support these organizations through grants and donations. Additionally, community development service opportunities exist, such as participating in job training programs and homebuyer workshops.

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 represents the area's primary community development need. The cost of housing compared with income levels, as well as community contact comments, support this conclusion. The primary credit need is home purchase financing; however, first-time homebuyer opportunities are limited due to high home prices and the limited availability of affordable units.

Opportunities exist for funding housing projects and initiatives that assist potential low- and moderate-income homeowners. Economic development, revitalization, and stabilization needs also exist in Lawrence. Technical assistance and financing for very small start-up businesses also represent assessment area needs. There is also need for investments, donations, and service work in support of the many community service organizations operating in and around the bank's assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Northmark Bank demonstrated poor performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 100.0 percent over the past 12 calendar quarters from June 30, 2015, to March 31, 2018. The ratio ranged from a low of 97.6 percent as of December 31, 2017, to a high of 104.9 percent as of June 30, 2015. The ratio remained generally stable during the evaluation period, with slight seasonal fluctuations. Northmark Bank maintained a ratio similar to, or higher than, those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

| Loan-to-Deposit Ratio Comparison | | |
|---|--|--|
| Bank | Total Assets as of 3/31/2018 (\$000s) | Average Net LTD Ratio (%) |
| Northmark Bank | 355,483 | 100.0 |
| Haverhill Bank | 392,536 | 82.9 |
| BankGloucester | 247,912 | 98.9 |
| Beverly Bank | 460,791 | 97.2 |
| <i>Source: Call Reports (6/30/15 through 3/31/18)</i> | | |

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by combined number and dollar amount, within its assessment area. However, a slight majority of home mortgage loans by number were outside the assessment area. The following table shows loan distributions inside and outside the assessment area.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|------------|---------------------------------|-------------|---------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2016 | 69 | 46.0 | 81 | 54.0 | 150 | 36,362 | 55.5 | 29,127 | 44.5 | 65,489 |
| 2017 | 73 | 52.1 | 67 | 47.9 | 140 | 35,251 | 50.4 | 34,675 | 49.6 | 69,926 |
| Subtotal | 142 | 49.0 | 148 | 51.0 | 290 | 71,613 | 52.9 | 63,802 | 47.1 | 135,415 |
| Small Business | | | | | | | | | | |
| 2016 | 61 | 63.5 | 35 | 36.5 | 96 | 7,074 | 60.5 | 4,619 | 39.5 | 11,693 |
| 2017 | 59 | 67.0 | 29 | 33.0 | 88 | 9,660 | 67.2 | 4,720 | 32.8 | 14,380 |
| Subtotal | 120 | 65.2 | 64 | 34.8 | 184 | 16,734 | 64.2 | 9,339 | 35.8 | 26,073 |
| Total | 262 | 55.3 | 212 | 44.7 | 474 | 88,347 | 54.7 | 73,141 | 45.3 | 161,488 |
| <i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i> | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Northmark Bank’s poor performance of home mortgage lending and reasonable performance of small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. The bank did not originate any home mortgage loans in low-income census tracts in 2016 or 2017. Market share reports show that in 2016, 77 lenders originated 272 home mortgage loans in low-income census tracts. In 2017, 81 lenders originated 242 loans in low-income census tracts. These reports reflect significant competition for a limited number of loans.

In 2016, bank lending in moderate-income tracts by number of loans was similar to the aggregate performance and the percentage of owner-occupied units. Nonetheless, the 2016 market share report indicates that bank lending in moderate-income tracts trailed Northmark Bank’s lending throughout the assessment area. The bank was just in the top half of lenders reporting home mortgage loan originations or purchases in moderate-income tracts, ranking 63rd out of 132 lenders, but was among the top 15.0 percent of lenders for overall home mortgage lending in 2016.

In addition, despite slight demographic and economic improvements for residential lending, Northmark Bank did not originate any home mortgage loans in moderate-income census tracts in 2017. The percentage of owner-occupied housing units in moderate-income tracts increased from 53.6 percent in 2016 to 57.9 percent in 2017. Additionally, the median housing value in

moderate-income census tracts decreased, and aggregate data reflects a higher percentage of moderate-income tract lending in 2017 than in 2016.

While limited, market share reports reflect some opportunity for home mortgage lending in moderate-income census tracts. In 2017, 108 lenders originated 377 residential mortgage loans in moderate-income census tracts. Despite not originating any home mortgage loans in moderate-income tracts in 2017, the bank originated loans in two middle-income census tracts that were classified as moderate-income census tracts prior to the 2015 ACS.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 2.8 | 2.8 | 0 | 0.0 | 0 | 0.0 |
| 2017 | 1.8 | 3.5 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2016 | 4.3 | 4.5 | 3 | 4.3 | 320 | 0.9 |
| 2017 | 4.2 | 5.1 | 0 | 0.0 | 0 | 0.0 |
| Middle | | | | | | |
| 2016 | 43.8 | 45.2 | 39 | 56.5 | 17,138 | 47.1 |
| 2017 | 30.1 | 31.4 | 28 | 38.4 | 12,618 | 35.8 |
| Upper | | | | | | |
| 2016 | 49.1 | 47.4 | 27 | 39.1 | 18,904 | 52.0 |
| 2017 | 63.9 | 60.0 | 45 | 61.6 | 22,633 | 64.2 |
| Not Available | | | | | | |
| 2016 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2017 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 69 | 100.0 | 36,362 | 100.0 |
| 2017 | 100.0 | 100.0 | 73 | 100.0 | 35,251 | 100.0 |
| <i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 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 reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in low-income census tracts in 2016 or 2017. However, bank lending in moderate-income tracts compared favorably to demographic data. In 2016, Northmark Bank's lending in moderate-income tracts was slightly above the percentage of businesses. In 2017, the bank's performance improved to more than double demographic data with one more origination compared to 2016. The slight decline in the

percentage of businesses in moderate-income tracts from 2016 to 2017 contributed to the bank's improved lending percentage compared to the percentage of businesses.

| Geographic Distribution of Small Business Loans | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2016 | 3.9 | 0 | 0.0 | 0 | 0.0 |
| 2017 | 3.8 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | |
| 2016 | 3.5 | 3 | 4.9 | 642 | 9.1 |
| 2017 | 3.0 | 4 | 6.8 | 525 | 5.4 |
| Middle | | | | | |
| 2016 | 49.6 | 50 | 82.0 | 5,496 | 77.7 |
| 2017 | 37.2 | 32 | 54.2 | 5,931 | 61.4 |
| Upper | | | | | |
| 2016 | 43.0 | 8 | 13.1 | 936 | 13.2 |
| 2017 | 56.0 | 23 | 39.0 | 3,204 | 33.2 |
| Not Available | | | | | |
| 2016 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2017 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2016 | 100.0 | 61 | 100.0 | 7,074 | 100.0 |
| 2017 | 100.0 | 59 | 100.0 | 9,660 | 100.0 |

*Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of loans reflects poor penetration among individuals of different income levels and businesses of different sizes. The bank's poor home mortgage lending performance and reasonable small business lending performance supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers. Examiners also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is poor. The bank's performance of lending to low-income borrowers in 2016 was slightly below aggregate performance and well below demographic data. However, demographic and economic conditions explain the disparity between bank lending to low-income borrowers and the percentage of low-income families. A low-income family in the

assessment area, earning less than \$49,300, would have difficulty qualifying for a mortgage under conventional underwriting standards considering the median housing value of \$483,450.

The bank's market share ranking for lending to low-income borrowers fell behind the bank's overall market share ranking in 2016. Northmark Bank ranked 66th of 122 lenders who reported home mortgage loans to low-income borrowers in the assessment area, much lower than its ranking in the top 15.0 percent of lenders for overall home mortgage lending.

In 2017, Northmark Bank's low-income borrower lending slightly declined, falling farther behind aggregate performance and demographic data. Although factors such as increased housing prices presented challenges for lending to low-income individuals, aggregate performance improved in 2017. The increased aggregate performance of lending to low-income borrowers shows demand and opportunities for lending exist, despite economic challenges. Northmark Bank performed worse in market share rankings for lending to low-income borrowers than in overall market share ranking in 2017. The bank ranked 59th out of 120 lenders who reported home mortgage loans to low-income borrowers in 2017, but placed in the top 10.0 percent of lenders for overall home mortgage lending.

The bank's lending percentage to moderate-income families was well below the percentage of moderate-income families and aggregate lending. Northmark Bank's market share ranking for home mortgage lending to moderate-income borrowers fell far behind its ranking for overall home mortgage lending in 2016. The bank ranked 97th out of 177 lenders who originated or purchased 1,478 home mortgage loans to moderate-income borrowers in 2016.

Northmark Bank's lending to moderate-income borrowers declined in 2017, again trailing both aggregate performance and the demographic comparator. Market share rankings further support the bank's poor performance, as Northmark Bank ranked 110th out of 177 lenders who reported home mortgage loans to moderate-income borrowers in 2017.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2016 | 15.9 | 3.4 | 2 | 2.9 | 202 | 0.6 |
| 2017 | 17.0 | 4.7 | 2 | 2.7 | 375 | 1.1 |
| Moderate | | | | | | |
| 2016 | 14.1 | 10.9 | 3 | 4.3 | 286 | 0.8 |
| 2017 | 13.3 | 13.3 | 2 | 2.7 | 500 | 1.4 |
| Middle | | | | | | |
| 2016 | 20.3 | 20.3 | 2 | 2.9 | 312 | 0.9 |
| 2017 | 18.6 | 20.3 | 3 | 4.1 | 960 | 2.7 |
| Upper | | | | | | |
| 2016 | 49.7 | 54.3 | 40 | 58.0 | 22,087 | 60.7 |
| 2017 | 51.0 | 50.5 | 35 | 47.9 | 17,889 | 50.7 |
| Not Available | | | | | | |
| 2016 | 0.0 | 11.3 | 22 | 31.9 | 13,475 | 37.1 |
| 2017 | 0.0 | 11.2 | 31 | 42.5 | 15,527 | 44.0 |
| Totals | | | | | | |
| 2016 | 100.0 | 100.0 | 69 | 100.0 | 36,362 | 100.0 |
| 2017 | 100.0 | 100.0 | 73 | 100.0 | 35,251 | 100.0 |
| <i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i> | | | | | | |

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows that the bank originated 57.4 percent of loans to businesses with GARs of \$1 million or less in 2016. The bank’s performance decreased in 2017, originating 44.1 percent of small business loans to businesses with GARs of \$1 million or less. Although the bank’s performance is far below demographic data in both years, performance is still reasonable when considering the high level of competition in the assessment area. In addition, the majority of small business loans had loan amounts of \$100,000 or less in 2016 and 2017, demonstrating the bank’s willingness to serve the credit needs of the assessment area’s smallest businesses.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2016 | 83.2 | 35 | 57.4 | 3,932 | 55.6 |
| 2017 | 83.4 | 26 | 44.1 | 3,003 | 31.1 |
| >\$1,000,000 | | | | | |
| 2016 | 8.1 | 26 | 42.6 | 3,142 | 44.4 |
| 2017 | 7.9 | 33 | 55.9 | 6,657 | 68.9 |
| Revenue Not Available | | | | | |
| 2016 | 8.7 | 0 | 0.0 | 0 | 0.0 |
| 2017 | 8.7 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2016 | 100.0 | 61 | 100.0 | 7,074 | 100.0 |
| 2017 | 100.0 | 59 | 100.0 | 9,660 | 100.0 |
| <i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i> | | | | | |

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Northmark Bank's community development performance demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities. Community development loan and service activities primarily support the bank's performance, as the bank had minimal qualified investment activity.

Community Development Loans

Northmark Bank originated fifteen community development loans totaling approximately \$2.0 million to six entities during the evaluation period. The current activity level represents 0.5 percent of average total assets and 0.6 percent of average total loans since the prior CRA evaluation. The bank's community development lending includes five loans totaling \$258,403 to an entity that serves within the broader regional area that includes the assessment area.

Of the 15 community development loans, 14 totaling \$1.8 million supported economic development. The following table illustrates the bank's community development lending activity by year and purpose.

| Community Development Lending | | | | | | | | | | |
|--------------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 6/9/2015-12/31/2015 | 1 | 280 | 0 | 0 | 3 | 229 | 0 | 0 | 4 | 509 |
| 2016 | 0 | 0 | 0 | 0 | 4 | 534 | 0 | 0 | 4 | 534 |
| 2017 | 0 | 0 | 0 | 0 | 5 | 919 | 0 | 0 | 5 | 919 |
| YTD 2018 | 0 | 0 | 0 | 0 | 2 | 72 | 0 | 0 | 2 | 72 |
| Total | 1 | 280 | 0 | 0 | 14 | 1,754 | 0 | 0 | 15 | 2,034 |
| <i>Source: Bank Records</i> | | | | | | | | | | |

The following originations represent a sample of the bank’s community development loans:

- In 2016 and 2017, the bank originated four SBA 504 loans totaling \$978,593 to two small businesses operating within the assessment area. The SBA 504 loan program provides long-term fixed asset financing made through Certified Development Corporation (CDC). The program’s main benefit is the low down payment requirement and flexible financing fees. This economic development program offers small businesses an alternative method of financing that supports business and job growth.
- In 2015, the bank originated a \$280,000 loan to refinance an eight-unit mixed-use multi-family property in North Andover. Because a majority of residential units have rents below the Housing and Urban Development Fair Market Rent, the loan has a primary purpose of providing affordable housing for low- or moderate-income individuals.
- Through BDC Capital, the bank originated five Massachusetts Business Development Corporation loans totaling \$258,403 during the evaluation period. The private company provides financing and investment capital for growing businesses and offers options that include Massachusetts Capital Access Program loans, SBA 504 and 7(A) loans, and gap financing to supplement needs not covered by conventional financing. These financing options benefit a greater statewide area that includes the bank’s assessment area.

Qualified Investments

Northmark Bank made 27 qualified investments totaling approximately \$13,150, all of which were donations. The bank neither held any prior period investments, nor made any qualified equity investments during the review period. This dollar amount of donations equates to 0.6 percent of pre-tax net operating income, and less than 0.1 percent of average total assets.

The following table illustrates the bank’s community development investments by purpose.

| Qualified Investments | | | | | | | | | | |
|------------------------------|--------------------|----------|--------------------|-----------|----------------------|----------|-------------------------|----------|-----------|-----------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| YTD 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Qualified Grants & Donations | 0 | 0 | 27 | 13 | 0 | 0 | 0 | 0 | 27 | 13 |
| Total | 0 | 0 | 27 | 13 | 0 | 0 | 0 | 0 | 27 | 13 |

Source: Bank Records

The following are examples of qualified investment activities:

Grants and Donations

- **Council of Social Concern (CSC)** – The CSC in Woburn is a nonprofit human services agency that offers affordable programs and services to low-income families. The group offers emergency and supplemental food assistance, subsidized childcare and preschool education, parenting education, and other social services.
- **Elder Services of the Merrimack Valley (ESMV)** – ESMV serves low-income elders and disabled adults from Greater Lawrence by ensuring access to safe living arrangements, healthcare, financial education, and financial management assistance.
- **Lazarus House, Inc.** – Lazarus House is a religious nonprofit organization serving the poor, underserved, and homeless population by offering emergency shelter, food assistance, job training, and health services. These services benefit low- and moderate-income individuals in the Merrimack Valley.
- **Mission of Deeds** – Mission of Deeds is a nonprofit volunteer organization that provides beds, used furniture, and household items to low-income families. The organization serves Middlesex and Essex Counties.
- **Town of Winchester (Asa Fletcher Fund)** – The Asa Fletcher Fund benefits low-income residents of Winchester. Grants support payments for home repairs, security deposits, utilities, health insurance, and other basic expenses.
- **Uncommon Threads** – Uncommon Threads provides donated clothes, shoes and accessories to clients referred by social workers who work with domestic violence survivors and low-income women.

Community Development Services

During the evaluation period, 15 employees contributed 30 instances of financial expertise or technical assistance to 10 different community development-related organizations in the assessment area. The following table illustrates 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 |
| | # | # | # | # | # |
| 6/9/2015-12/31/2015 | 0 | 0 | 0 | 0 | 0 |
| 2016 | 0 | 10 | 0 | 0 | 10 |
| 2017 | 0 | 10 | 0 | 0 | 10 |
| YTD 2018 | 0 | 10 | 0 | 0 | 10 |
| Total | 0 | 30 | 0 | 0 | 30 |
| <i>Source: Bank Records</i> | | | | | |

The following are examples of the bank’s community development services:

Employee Involvement

- **Cor Unum** – Cor Unum is located in Lawrence and provides free nutritious meals to the working poor, low-income families with children, and the homeless. A bank manager serves as the organization’s principal financial advisor.
- **Boys & Girls Club of Greater Lawrence** – The Boys & Girls Club of Greater Lawrence is a youth development agency that primarily serves low- and moderate-income individuals. It operates two facilities, both within walking distance of public housing complexes in Lawrence. The bank’s Chairman serves on the organization’s board of advisors and scholarship committees.
- **Fina House, YWCA Northeastern Massachusetts** – Affiliated with YWCA, USA, this organization serves women and children from Greater Haverhill and provides domestic violence and sexual assault support services, crisis intervention and prevention, emergency shelter, transitional and permanent housing, and school-age programming to low-and moderate-income individuals. Fina House is one of three residences operated by YWCA in the Merrimack Valley. A bank loan officer volunteers weekly as a regular “budget buddy,” working one-on-one with clients on topics including creating a budget, financial planning, and establishing credit.
- **Society of St. Vincent de Paul** - This organization offers direct services to low-income individuals, working to break the cycles of homelessness, substance abuse, and violence. A customer service manager served as the organization’s president and treasurer during the evaluation period.

Other Community Services and Outreach

- The bank participates in the Interest on Lawyer's Trust Accounts (IOLTA) program. Earned interest on certain lawyer escrow account deposits help fund improvements in administering justice and delivering legal services to low-income clients.
- The bank has six multi-lingual employees that can provide services in three different languages including Spanish, Portuguese, and Italian.
- The bank participated annually in the Massachusetts Community and Banking Council's Basic Banking in Massachusetts guidelines. This statewide program offers low-cost checking and saving accounts, which assists in increasing access to financial services for low- and moderate-income individuals.
- The bank was an approved member of the Federal Home Loan Bank's (FHLB) Equity Builder Program (EBP) in 2017 and renewed in 2018.
- The bank is a member of the SUM Network, allowing customers to avoid ATM surcharges at thousands of participating ATMs across the country.

In addition, the bank's main office is located near the assessment area's low-income census tracts, which demonstrates the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX – MA DIVISION OF BANKS

FAIR LENDING POLICIES AND PROCEDURES

Please note any comments regarding the institution’s fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

MINORITY APPLICATION FLOW

Examiners reviewed Northmark Bank’s 2016 and 2017 HMDA LARs to determine if the minority application flow reflected the assessment area’s demographics.

Examiners compared Northmark Bank’s 2016 and 2017 residential lending to 2016 and 2017 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding Northmark Bank’s minority application flow as well as the aggregates.

| MINORITY APPLICATION FLOW | | | | | | |
|----------------------------------|------------------|--------------|------------------------------------|------------------|--------------|------------------------------------|
| RACE | Bank 2016 | | 2016 Aggregate Data | Bank 2017 | | 2017 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 1 | 1.3 | 0.2 | 0 | 0.0 | 0.2 |
| Asian | 1 | 1.3 | 10.2 | 1 | 1.2 | 10.7 |
| Black/ African American | 0 | 0.0 | 1.3 | 0 | 0.0 | 1.6 |
| Hawaiian/Pacific Islander | 0 | 0.0 | 0.2 | 0 | 0.0 | 0.2 |
| 2 or more Minority | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 |
| Joint Race (White/Minority) | 1 | 1.3 | 1.7 | 1 | 1.2 | 1.8 |
| Total Minority | 3 | 4.0 | 13.7 | 2 | 2.4 | 14.5 |
| White | 25 | 32.9 | 66.3 | 21 | 25.6 | 63.9 |
| Race Not Available | 48 | 63.2 | 20.0 | 59 | 72.0 | 21.6 |
| Total | 76 | 100.0 | 100.0 | 82 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 1 | 1.3 | 4.8 | 0 | 0.0 | 5.8 |
| Not Hispanic or Latino | 18 | 23.7 | 74.3 | 17 | 20.7 | 71.8 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 1 | 1.3 | 1.1 | 0 | 0.0 | 1.0 |
| Ethnicity Not Available | 56 | 73.7 | 19.8 | 65 | 79.3 | 21.4 |
| Total | 76 | 100.0 | 100.0 | 82 | 100.0 | 100.0 |

According to the 2010 U.S. Census data, the bank’s assessment area has a population of 298,577 of which 22.2 percent are minorities. The assessment area’s minority population includes 0.1 percent American Indian/Alaska Native, 9.7 percent Asian/Pacific Islander, 2.0 percent Black or African American, 8.2 percent Hispanic, and 2.1 percent other race.

In 2016, the Bank received 76 HMDA reportable loan applications within its assessment area. Of these applications, 3, or 4.0 percent, were received from racial minority applicants, of which

3, or 4.4 percent resulted in originations. This is compared with aggregate data where 13.7 percent were received from minority applicants and also 13.7 percent were originated. For the same year, the Bank received 2 applications, or 2.6 percent, from Hispanic or Latino ethnic groups. This was below the 2016 aggregate performance of 5.9 percent.

In 2017, the Bank received 82 HMDA reportable loan applications within its assessment area. Of these applications, 2, or 2.4 percent, were received from racial minority applicants. This is compared with aggregate data where 14.5 percent were received from minority applicants and 14.0 percent were originated. For the same year, the Bank received 0 applications from Hispanic or Latino ethnic groups. This was below the 2017 aggregate performance of 6.8 percent.

Market competition is generally strong and with regard to Asian applicants, market competition is concentrated among a few lenders. The bank maintains a limited marketing strategy creating a challenge to reaching minority and ethnic applicants. Closer review of the area demographics shows the majority of minorities reside in Lawrence and Methuen, which are adjacent census tracts outside the bank's assessment area.

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.