

PUBLIC DISCLOSURE

November 30, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northmark Bank
Certificate Number: 27119

89 Turnpike Street
North Andover, Massachusetts 01845

Division of Banks
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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.

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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.

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects poor penetration among individuals of different income levels.
- 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 needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities in the assessment area

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 6, 2018, to the current evaluation dated November 30, 2020. Examiners used the Interagency Intermediate Small Institution 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 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.

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. As of September 30, 2020, residential real estate and multi-family loans represent 52.7 percent of Northmark Bank's loan portfolio and commercial loans represent 39.0 percent.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the bank's business strategy and larger loan volume when compared to small business lending during the evaluation period. The bank did not originate any small farm loans during the evaluation period; therefore, this evaluation does not include an analysis of small farm loans.

This evaluation analyzes all home mortgage loans reported on the bank's 2018, 2019, and year-to-date June 30, 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2018, the bank reported 125 home mortgage loans totaling approximately \$71.3 million. For 2019, the bank reported 152 home mortgage loans totaling approximately \$73.0

million. For the first six months of 2020, the bank originated 152 home mortgage loans totaling \$72.3 million. Examiners compared the bank's performance to 2018 and 2019 aggregate data, as well as 2015 American Community Survey (ACS) demographic data. Examiners also used 2015 ACS demographic data as a comparison for the bank's 2020 lending performance, as aggregate data is not yet available for 2020.

As an intermediate small institution, the bank is not required to collect or report small business data. However, the bank collected small business data and examiners considered all small business loans in evaluating the bank's performance under the Lending Test. In 2018, the bank originated 60 small business loans totaling approximately \$10.1 million. In 2019, the bank originated 77 small business loans totaling approximately \$10.6 million. In first six months of 2020, the bank originated 241 small business loans totaling approximately \$32.6 million. The significant increase in volume in 2020 resulted from the bank's responsiveness to the pandemic and originating the Small Business Administration's (SBA) Payment Protection Program (PPP) loans. Since the bank did not report small business data, examiners did not compare the bank's performance to aggregate data. D&B demographic data provided a standard of comparison for small business lending.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of 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 August 6, 2018 through the current evaluation date of November 30, 2020.

DESCRIPTION OF INSTITUTION

Background

Northmark Bank is a privately held, stock-owned institution, primarily engaged in residential and commercial real estate lending. Northmark Bank is headquartered in North Andover, Massachusetts and operates in portions of Essex and Middlesex Counties.

The FDIC and Massachusetts Division of Banks assigned a Needs to Improve rating at its previous Performance Evaluation, dated August 6, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

Northmark Bank operates three full-service branches. Branches are in North Andover and Andover in Essex County, and Winchester in Middlesex County. The bank did not open or close any branches or engage in any merger or acquisition activities since the previous evaluation. Each branch maintains a deposit-taking automated teller machine (ATM). In addition, Northmark Bank operates a stand-alone deposit-taking ATM in Methuen in Essex County.

Loan product offerings include residential mortgages, home equity lines of credit, automobile loans, personal loans, business lines of credit, commercial real estate loans, and SBA loans. 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, remote deposit capture, bank by mail, and telephone banking. 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

Northmark Bank's assets totaled approximately \$417.3 million as of September 30, 2020, and included total loans of \$321.0 million and securities of \$27.9 million. Total assets increased approximately 19.6 percent since the previous evaluation. Northmark Bank's loan portfolio distribution reflects its residential lending focus and is consistent with the previous evaluation. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 9/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	24,526	7.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	157,842	49.2
Secured by Multifamily (5 or more) Residential Properties	11,289	3.5
Secured by Nonfarm Nonresidential Properties	75,297	23.5
Total Real Estate Loans	268,954	83.8
Commercial and Industrial Loans	49,626	15.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,125	0.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	292	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	320,997	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution's CRA performance. Northmark Bank designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764). The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

The assessment area includes 68 census tracts that make up the following towns in Massachusetts: Andover, Arlington, Lawrence, Lexington, North Andover, North Reading, Reading, Wilmington, Winchester, Woburn, and census tract 2526.01 in Methuen where a deposit-taking ATM is located. Andover, Lawrence, Methuen, and North Andover are all located in Essex County and the remaining municipalities are in Middlesex County. The bank expanded its assessment area since the prior evaluation to include all of Lawrence rather than a portion, increasing from 54 to 68 census tracts. The census tracts reflect the following income designations according to 2015 ACS data.

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

All 17 low-income census tracts, as well as one moderate-income census tract, are concentrated in the City of Lawrence. The rest of the assessment area is primarily middle- and upper-income except for one moderate-income census tract in North Andover.

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)	68	25.0	2.9	25.0	47.1	0.0
Population by Geography	351,984	20.2	3.7	27.6	48.5	0.0
Housing Units by Geography	133,391	18.8	4.2	29.0	48.1	0.0
Owner-Occupied Units by Geography	81,830	6.9	3.9	28.6	60.6	0.0
Occupied Rental Units by Geography	45,094	39.6	4.8	29.8	25.8	0.0
Vacant Units by Geography	6,467	24.0	2.7	28.8	44.6	0.0
Businesses by Geography	33,367	11.4	2.8	33.3	52.5	0.0
Family Distribution by Income Level	89,873	23.6	14.0	17.5	44.9	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$442,010
			Median Gross Rent			\$1,194
			Families Below Poverty Level			7.7%
<i>Source: 2015 ACS Census and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2018, 2019, and 2020 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

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
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<i>Source: FFIEC</i> <i>Due to rounding, totals may not equal 100.0</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are opportunities for home mortgage lending in the assessment area, as 61.3 percent of the 133,391 housing units are owner-occupied. The remaining units are occupied rental units (33.8 percent) and vacant units (4.9 percent). However, only 9.1 percent of owner occupied housing units in the assessment area are located in Lawrence, where all of the low- and moderate-income census tracts are located. Additionally, 70.1 percent of the housing units in Lawrence are rental units. The limited percentage of owner occupied housing units and high volume of rental units in Lawrence presents limited opportunities for home mortgage lending in those geographies. In addition, housing is expensive in the assessment area. The median housing cost of \$442,010 is well above the United States (U.S.) average of \$224,511.

According to 2020 D&B data, there were 33,367 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 86.5 percent have \$1 million or less
- 5.9 percent have more than \$1 million
- 7.6 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 42.7 percent; followed by non-classifiable at 18.9 percent; finance, insurance and real estate at 9.9 percent, retail trade at 9.5 percent; and construction at 6.7 percent. The vast majority of businesses in the assessment area are very small. This is supported by the fact that 82.8 percent of businesses have GARs of less than \$0.5 million, 62.5 percent of businesses have four or less employees, and 90.8 percent of businesses operate from a single location.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that in October 2020, the unemployment rate was 7.4 percent statewide. The unemployment rate in Essex County was slightly above the statewide rate at 7.7 percent and Middlesex County was below the statewide rate at 6.1 percent in October 2020. For the previous evaluation, the unemployment rates were 3.8 percent in Essex County and 3.0 percent in Middlesex County. The increase in the unemployment rate in 2020 is a direct result of the pandemic. The unemployment rate prior to 2020 was lower and similar to the previous evaluation.

Major employers in Essex County are Raytheon Systems in Andover, Methuen Holy Family Hospital, and Lawrence General Hospital. Major employers in Middlesex County include Winchester Hospital, Massachusetts Institute of Technology in Lexington, and Teradyne in North Reading.

Competition

The bank operates in a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, 33 financial institutions operated 132 offices in the assessment area. Of these, Northmark Bank ranked 15th with 1.9 percent deposit market share. The top three banks were Bank of America, Citizens Bank, and TD Bank. Collectively, these three banks held 41.0 percent of market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 366 lenders reported 15,423 residential mortgage loans originated or purchased. Northmark Bank ranked 41st with a market share of 0.56 percent by number. The top 25 lenders were primarily large national and regional banks and mortgage companies. Institutions closer in size to Northmark Bank, such as Winchester Co-operative Bank and Winchester Savings Bank, ranked 34th and 47th, respectively. Citizens Bank, National Association; Bank of America; and Wells Fargo were the top three lenders and accounted for 17.0 percent of total market share.

Community Contact

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

Examiners contacted a representative from a community development organization. The contact indicated that affordable housing is a primary credit need in the community, noting that it is difficult to find jobs that pay enough for people to afford housing in the area. The contact also discussed the need for small business financing and counseling. Lastly, the contact noted the need for more financial literacy programs.

Credit and Community Development Needs and Opportunities

Based on demographic and economic information, discussions with management, and conversations with community contacts, examiners determined that affordable housing is the community's primary credit need. Rising real estate costs and the lack of available affordable housing units support this need.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Northmark Bank demonstrated reasonable performance under the Lending Test. The LTD Ratio, Assessment Area Concentration, and Geographic Distribution 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 99.3 percent over the past nine calendar quarters from September 30, 2018 to September 30, 2020. The ratio ranged from a low of 90.7 percent as of September 30, 2020, to a high of 104.4 percent as of September 30, 2018. Northmark Bank maintained a loan-to-deposit ratio above other similarly situated institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table contains the bank's ratio and those of similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 9/30/2020 (\$000s)	Average Net LTD Ratio (%)
Northmark Bank	\$417,301	99.3
Winchester Savings Bank	\$594,712	88.6
The Savings Bank, Wakefield	\$655,631	93.9

Source: Reports of Condition and Income 9/30/2018 – 9/30/2020

Assessment Area Concentration

The bank made the majority of home mortgage and small business loans, by number and dollar volume within its assessment area. Please see the following table.

Lending Inside and Outside of the Assessment Area
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Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	61	48.8	64	51.2	125	36,308	50.9	34,973	49.1	71,281
2019	86	56.6	66	43.4	152	40,905	56.1	32,058	43.9	72,964
YTD 2020	74	48.7	78	51.3	152	33,936	46.9	38,348	53.1	72,284
Subtotal	221	51.5	208	48.5	429	111,150	51.3	105,380	48.7	216,529
Small Business										
2018	36	60.0	24	40.0	60	4,208	41.7	5,874	58.3	10,082
2019	50	64.9	27	35.1	77	5,145	48.5	5,472	51.5	10,617
YTD 2020	155	64.3	86	35.7	241	20,203	62.0	12,360	38.0	32,563
Subtotal	241	63.8	137	36.2	378	29,556	55.5	23,706	44.5	53,262
Total	462	57.2	345	42.8	807	140,706	52.2	129,086	47.8	269,791
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage of loans by number originated in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion. Lending in low-income census tracts was below aggregate and the percentage of owner-occupied housing units in 2018, 2019, and 2020. Since the prior evaluation, the bank expanded its assessment area to include all of the City of Lawrence, adding 14 low-income census tracts to the assessment area. All 17 low-income census tracts in the assessment area are located in Lawrence, where the bank does not maintain a branch presence. Additionally, there is significant competition for loans in Lawrence, where there is a limited number of owner-occupied units. Of the 141 lenders who reported a loan in low-income census tracts in 2019, half reported only one or two loans. The top ranked lenders consisted of mortgage companies and large national banks. For example, Santander Bank, National Association; and Citizens Bank, National Association, respectively ranked 2nd and 3rd in lending in low-income tracts, and both institutions maintain branches in Lawrence. Lending in moderate-income census tracts was below aggregate and demographic data in 2018; however, increased and was above aggregate, as well as the percentage of owner-occupied housing units in 2019. Additionally, for the first six months of 2020, the bank's percentage of lending in moderate-income census tracts shows a positive trend. Given these factors, the bank's performance is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	6.9	10.9	3	4.9	365	1.0
2019	6.9	9.9	4	4.7	609	1.5
YTD 2020	6.9	--	3	4.1	324	1.0
Moderate						
2018	3.9	4.1	1	1.6	379	1.0
2019	3.9	4.1	4	4.7	1,130	2.8
YTD 2020	3.9	--	4	5.4	1,421	4.2
Middle						
2018	28.6	28.5	19	31.1	9,009	24.8
2019	28.6	29.5	28	32.6	10,986	26.9
YTD 2020	28.6	--	24	32.4	9,945	29.3
Upper						
2018	60.6	56.4	38	62.3	26,555	73.1
2019	60.6	56.4	50	58.1	28,182	68.9
YTD 2020	60.6	--	43	58.1	22,246	65.6
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
YTD 2020	0.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	61	100.0	36,308	100.0
2019	100.0	100.0	86	100.0	40,905	100.0
YTD 2020	100.0	--	74	100.0	33,937	100.0
<i>Source: 2015 ACS Census; Bank Data 1/1/2018 – 6/30/2020. 2018 and 2019 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. As shown in the following table, the bank’s performance in low-income census tracts is comparable to business demographics in 2018 and 2020. The lack of small business loan originations in 2019 is due to the Columbia Gas explosions that occurred in Lawrence, North Andover, and Andover in the fall of 2018. State officials and Columbia Gas set up an emergency loan fund for affected businesses, providing loans with no required interest or principal payments for the first six months of the loan. As all low-income tracts are located in Lawrence, this emergency fund limited lending opportunities. However, the bank originated 15 loans in low-income census tracts during the first six months of 2020. The bank’s level of lending in moderate-income census tracts was above the percent of businesses in those tracts during 2018, 2019, and the first six months of 2020. These comparisons are reasonable given the bank’s capacity and overall

strategic focus. Loan volume increased significantly in 2020 compared to prior years due to the bank's involvement with PPP loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2018	11.8	4	11.1	1,212	28.8
2019	11.3	0	0.0	0	0.0
YTD 2020	11.4	15	9.7	1,164	5.8
Moderate					
2018	2.7	2	5.6	255	6.1
2019	2.8	4	8.0	164	3.2
YTD 2020	2.9	13	8.4	2,341	11.6
Middle					
2018	33.9	16	44.4	1,266	30.1
2019	33.4	31	62.0	3,441	66.9
YTD 2020	33.3	58	37.4	9,232	45.7
Upper					
2018	51.5	14	38.9	1,475	35.1
2019	52.5	15	30.0	1,540	29.9
YTD 2020	52.5	69	44.5	7,466	37.0
Not Available					
2018	0.0	0	0.0	0	0.0
2019	0.0	0	0.0	0	0.0
YTD 2020	0.0	0	0.0	0	0.0
Totals					
2018	100.0	36	100.0	4,208	100.0
2019	100.0	50	100.0	5,145	100.0
YTD 2020	100.0	155	100.0	20,203	100.0
<i>Source: 2018, 2019, & 2020 D&B Data; Bank Data 1/1/2018 – 6/30/2020; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes in the assessment area. Examiners focused on comparisons to aggregate data and area demographics. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is poor.

The bank's lending to low- and moderate-income borrowers was below aggregate performance and demographic data in 2018 and 2019. Market share reports for 2019, the most recent year aggregate data is available, show that despite ranking 41st in overall mortgage lending, Northmark Bank ranked 67th of 132 institutions with a market share of only 0.24 percent in lending to low-income borrowers. In lending to moderate-income borrowers, Northmark Bank ranked 108th of 204 institutions with only 0.13 percent market share. Similarly situated institutions that ranked close to Northmark Bank in overall mortgage lending ranked ahead of the bank in lending to low- and moderate-income borrowers. Specifically, Winchester Savings Bank and Winchester Co-operative Bank, which ranked 47th and 34th overall, ranked 46th and 21st in lending to low-income borrowers, and 56th and 28th in lending to moderate-income borrowers, respectively. Although the bank's performance in the first six months of 2020 shows a positive trend, lending remained significantly below the percentages of low- and moderate-income families in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level

Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	23.6	6.9	1	1.6	100	0.3
2019	23.6	5.3	2	2.3	380	0.9
YTD 2020	23.6	--	2	2.7	74	0.2
Moderate						
2018	14.0	16.0	3	4.9	2,283	6.3
2019	14.0	15.5	3	3.5	325	0.8
YTD 2020	14.0	--	5	6.8	1,223	3.6
Middle						
2018	17.5	19.3	6	9.8	1,611	4.4
2019	17.5	19.8	7	8.1	1,948	4.8
YTD 2020	17.5	--	8	10.8	2,356	6.9
Upper						
2018	44.9	45.8	29	47.5	17,145	47.2
2019	44.9	47.5	40	46.5	20,294	49.6
YTD 2020	44.9	--	39	52.7	21,626	63.7
Not Available						
2018	0.0	12.0	22	36.1	15,169	41.8
2019	0.0	11.9	34	39.5	17,959	43.9
YTD 2020	0.0	--	20	27.0	8,657	25.5
Totals						
2018	100.0	100.0	61	100.0	36,308	100.0
2019	100.0	100.0	86	100.0	40,905	100.0
YTD 2020	100.0	--	74	100.0	33,936	100.0
<i>Source: 2015 ACS Census; Bank Data 1/1/2018 – 6/30/2020; 2018 and 2019 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 \$1.0 million or less. As shown in the following table, the bank made a majority of its small business loans to these businesses. Although the table appears to show a declining trend in the bank's performance in 2020, this is due to the bank originating a high volume of PPP loans, which did not have revenue information available. Specifically, the table shows that revenue information was unavailable for 14.8 percent of small business loans in 2020.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2018	83.7	23	63.9	2,312	54.9
2019	85.3	30	60.0	2,612	50.8
YTD 2020	86.5	66	42.6	4,692	23.2
>\$1,000,000					
2018	7.4	13	36.1	1,896	45.1
2019	6.6	20	40.0	2,533	49.2
YTD 2020	6.0	66	42.6	13,677	67.7
Revenue Not Available					
2018	8.8	0	0.0	0	0.0
2019	8.0	0	0.0	0	0.0
YTD 2020	7.6	23	14.8	1,834	9.1
Totals					
2018	100.0	36	100.0	4,208	100.0
2019	100.0	50	100.0	5,145	100.0
YTD 2020	100.0	155	100.0	20,203	100.0
<i>Source: 2018, 2019 & 2020 D&B Data; Bank Data 1/1/2018 – 6/30/2020; "--" 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 rating.

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates adequate responsiveness to the community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability for community development activities in the assessment area.

Community Development Loans

Northmark Bank originated nine community development loans for approximately \$3.2 million during the evaluation period. This level of activity represents approximately 1.0 percent of average total loans and 0.9 percent of average total assets over the evaluation period. Performance is similar to the previous evaluation. The majority of the community development loans supported economic development.

The flowing table illustrates the bank's community development lending activity by year and purpose inside the assessment area.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	1	89	0	0	1	89
2019	1	850	0	0	3	149	0	0	4	999
YTD 2020	1	100	0	0	3	2,045	0	0	4	2,145
Total	2	950	0	0	7	2,283	0	0	9	3,233

Source: Bank Data

Below are notable examples of community development loans.

- In 2020, the bank extended a \$1.9 million PPP loan to a small business located in Lawrence. The loan helped the business maintain their workforce during the COVID-19 pandemic. This economic development loan helped promote job retention in the low- and moderate-income area.
- In 2020, the bank provided a \$100,000 line of credit to assist the day-to-day operations of a non-profit organization dedicated to providing affordable housing to low- and moderate-income individuals in the assessment area.

Qualified Investments

During the evaluation period, Northmark Bank made 42 qualified investments totaling approximately \$37,381. All qualified investments were donations to local organizations. The bank does not hold any prior period qualified investments and did not make any new qualified equity investments during the evaluation period. The total dollar amount of qualified donations equates to less than 0.1 percent of average total assets and 0.7 percent of average pre-tax net operating income since the previous evaluation. The level of activity is an improvement over the previous evaluation when the bank made 27 qualified donations for \$13,150 over a longer period.

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)
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	2	1	40	36	0	0	0	0	42	37
Total	2	1	40	36	0	0	0	0	42	37

Source: Bank Data

The following are examples of organization to which the bank made qualified donations.

- **Lawrence Community Works** – Lawrence Community Works provides community services to low- and moderate-income people through job training sessions, homebuyer seminars, landlord training seminars, and financial education. The organization also builds and renovates affordable housing in the assessment area.
- **Mission of Deeds** – Mission of Deeds provides beds, furniture, and household goods, without charge, to formerly homeless and low- and moderate-income individuals throughout Middlesex and Essex Counties and some of Suffolk County.
- **Lazarus House Inc.** – Lazarus House works to end poverty by providing community services to poor, underserved, and homeless individuals and families in Lawrence. Services include food, clothing, emergency shelter, job training, and outreach programs.

Community Development Services

Bank employees and trustees provided 26 instances of financial or technical assistance to 13 different community development organizations in the assessment area. This level of activity is similar to the previous evaluation. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	2	0	0	2
2019	1	12	0	0	13
YTD 2020	1	10	0	0	11
Total	2	24	0	0	26
<i>Source: Bank Data</i>					

Bank employees are involved in local community development organizations in multiple capacities. The following organizations benefited from bank employee involvement.

- **Boys and Girls Club of Lawrence (Club)** – The Club’s mission is to help children in Lawrence break the cycle of poverty by providing access to educational opportunities and recreational activities. The bank’s Chairman serves on the Club’s Board of Advisors and Scholarship Committees while another bank employee serves on the Finance Committee.
- **Budget Buddies** – Budget Buddies offers weekly financial training programs over a six-month period to low-income women throughout the Greater Lawrence area. Bank employees have served as volunteer financial coaches for the organization.
- **Bread & Roses Housing** – Bread & Roses Housing is a non-profit organization focused on creating and preserving affordable housing for low-income families and improving economically distressed neighborhoods within the Greater Lawrence area. Multiple bank

employees provided financial expertise to the organization through first time homebuyer classes.

Other Community Services and Outreach

- The bank participates in the Interest on Lawyer's Trust Accounts 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 participates 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.

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.

FAIR LENDING POLICIES AND PROCEDURES

Examiners reviewed the bank's 2018 and 2019 HMDA LARs to determine if the bank's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2015 ACS U.S. Census data, the bank's assessment area contains a population of 344,592 individuals, of which 32.3 percent are minorities. The assessment area's minority population is 2.1 percent Black/African American, 8.5 percent Asian, 0.1 percent American Indian, 19.7 percent Hispanic or Latino, and 1.9 percent Other.

In 2018, the bank received 82 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 2, or 2.4 percent, from racial minorities, 2 of which were originated. Compare to aggregate data, which indicates 14.4 percent of applications were received from racial minorities. For the same period, the bank received no applications from Hispanic applicants. The aggregate data indicated 8.9 percent of applications were received from Hispanic applicants.

In 2019, the bank received 94 HMDA-reportable loan applications from within its assessment area. Of all HMDA-reportable applications received in 2019, the bank received 2, or 2.1 percent, from racial minorities, of which, 1 was originated. Compare to aggregate data, which indicates 14.0 percent of applications were received from racial minorities. For the same period, the bank received 2 applications, or 2.1 percent, from Hispanic applicants, of which 1 was originated. Aggregate data indicates 12.2 percent of total applications were received from Hispanic applicants in 2019.

The bank's performance in 2018 and 2019 with respect to applications received from both racial and ethnic minorities fell below the aggregate.

The following table details the bank's minority application flow and aggregate data in its assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2018		2018 Aggregate Data	Bank 2019		2019 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.3
Asian	2	2.4	9.4	2	2.1	9.3
Black/ African American	0	0.0	2.8	0	0.0	2.3
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	0	0.0	1.6	0	0.0	1.8
Total Minority	2	2.4	14.4	2	2.1	14.0
White	32	39.0	63.7	37	39.4	62.1
Race Not Available	48	58.5	21.7	55	58.5	24.0
Total	82	100.0	100.0	94	100.0	100.0
ETHNICITY						
Hispanic or Latino	0	0.0	7.6	2	2.1	11.1
Not Hispanic or Latino	30	36.6	69.3	33	35.1	65.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.3	0	0.0	1.1
Ethnicity Not Available	52	63.4	21.8	59	62.8	22.7
Total	82	100.0	100.0	94	100.0	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 non-profit) 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 89 Turnpike Road North Andover, Massachusetts, 01845

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 89 Turnpike Road, North Andover, Massachusetts 01845.

[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.