

# **PUBLIC DISCLOSURE**

September 23, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Norwood Co-operative Bank  
Certificate Number: 26555

11 Central Street  
Norwood, Massachusetts 02062

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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

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 .....	18
Division of Banks Fair Lending Policies and Procedures .....	19
Glossary .....	21

## 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.

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio (LTD) is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage loans and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among different income levels and businesses of different sizes
- The bank 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 community development needs in 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, conducted jointly by the FDIC and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated January 23, 2017, to the current evaluation dated September 23, 2019. The Division and the FDIC used the Interagency Intermediate Small Institution Examination Procedures to evaluate Norwood Co-operative 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. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Based on the number of dollar volume of loans originated during the evaluation period and the bank's business strategy, examiners determined that the bank's major product lines are home mortgage and small business loans. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to larger origination volume when compared to small business lending. No other loan types, such as small farm loans or consumer loans, represent a major product line; therefore, they provided no material support for conclusions or ratings, and examiners did not present these products.

The evaluation considered all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2017 and 2018. The bank reported 190 home mortgage loans totaling \$81.3 million in 2017 and 235 loans totaling \$83.3 million in 2018. This evaluation compared the bank's home mortgage lending performance against 2017 aggregate lending data and 2017 and 2018 demographic data. Aggregate data for 2018 was not available as of the evaluation date; therefore, performance in 2017 carried more weight in determining performance conclusions.

Due to its asset size, Norwood Co-operative Bank is not required to collect and report small business lending data for CRA purposes. However, the bank provided a list of all small business loans originated in 2017 and 2018. Therefore, examiners validated the information and evaluated the bank's small business lending performance for both years. The bank originated 10 small business loans totaling \$4.3 million in 2017 and 25 loans totaling \$5.8 million in 2018. The evaluation compared bank 2017 and 2018 small business lending activity to business demographic data.

Although Lending Test tables reflect the number and dollar volume of loans, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served. For demographic comparisons, examiners used the 2015 American Community Survey (ACS), D&B, and the U.S. Bureau of Labor Statistics (BLS). Financial data about the bank came from the June 30, 2019 Report of Income and Condition (Call Report).

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between January 23, 2017 and September 23, 2019.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Norwood Co-operative Bank is a state-chartered wholly owned subsidiary of 1889 Financial Service Corporation, wholly owned by 1889 Bancorp Mutual Holding Company. The bank has one wholly owned subsidiary, Norwood Security Corporation, which holds investments for the bank. The bank received a Satisfactory rating at the previous joint Division and FDIC CRA Performance Evaluation dated January 23, 2017. Examiners based the rating on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

Norwood Co-operative Bank operates one full-service location in Norwood, Massachusetts, with one ATM and drive-up service. The bank did not open or close any branches and has had no merger or acquisition activity since the previous evaluation. The bank offers a variety of lending products and services, but primarily focuses on home mortgage lending. Lending products include home mortgages, home equity loans and lines of credit, construction loans, and commercial real estate loans. In addition, Norwood Co-operative Bank offers “Home for the Brave” loans for veterans, a no down-payment home loan product via MassHousing’s special veterans program. The bank also offers other MassHousing products that target low- to moderate- income borrowers, and it offers a first-time homebuyers program.

Deposit products include checking, savings, certificates of deposit, and money market accounts. In addition, Norwood Co-operative Bank offers Basic Banking through the Massachusetts Community and Banking Council, which helps expand access to bank products and services to those with modest incomes. The bank also offers investment and insurance products and participates in the Interest on Lawyers’ Trust Accounts (IOLTA) program.

Norwood Co-operative Bank offers several alternative systems for delivering retail-banking services including online banking, mobile banking, and ATMs offered through an ATM network.

### **Ability and Capacity**

As of June 30, 2019, Norwood Co-operative Bank had \$558.7 million in total assets, consisting primarily of \$466.6 million in total loans. During the evaluation period, total assets grew by 17.5 percent. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 06/30/19</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	69,052	14.7
Secured by Farmland	-	0.0
Secured by 1-4 Family Residential Properties	220,951	47.0
Secured by Multifamily (5 or more) Residential Properties	35,869	7.6
Secured by Nonfarm Nonresidential Properties	134,861	28.7
<b>Total Real Estate Loans</b>	<b>460,733</b>	<b>98.0</b>
Commercial and Industrial Loans	9,650	2.1
Agricultural Loans	-	0.0
Consumer Loans	220	0.1
Other Loans	-	0.0
Less: Unearned Income	471	0.1
<b>Total Loans</b>	<b>470,132</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

There are no apparent financial or legal impediments limiting the bank's ability to help meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Norwood Co-operative Bank's contiguous assessment area includes portions of the Providence-Warwick, RI-MA MSA and the Boston-Quincy, MA MD. Both are within the larger Boston-Worcester-Providence, MA-RI-NH-CT CSA. The following sections discuss economic and demographic information, as well as the assessment area's credit needs.

### **Economic and Demographic Data**

Since the prior evaluation, Norwood Co-operative Bank expanded its assessment area to include Avon, Braintree, Brookline, Cohasset, Dover, Holbrook, Milton, Needham, Quincy, Randolph, Wellesley, and Weymouth. The following bullets group the assessment area's municipalities by county:

- Bristol County: Easton, Mansfield, North Attleboro, Norton, and Raynham
- Norfolk County: Avon, Bellingham, Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Foxboro, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham

The assessment area's 150 census tracts reflect the following income designations according to the 2015 ACS:

- 1 low-income tract,
- 13 moderate-income tracts,
- 52 middle-income tracts, and
- 84 upper-income tracts.

The low-income census tract is located in Quincy. The 13 moderate-income tracts are located in Braintree, Holbrook, North Attleboro, Quincy (six), Randolph (two), Stoughton, and Weymouth. The assessment area does not contain any designated distressed or underserved middle-income census tracts.

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)	150	0.7	8.7	34.7	56.0	0.0
Population by Geography	796,611	0.4	8.0	33.3	58.3	0.0
Housing Units by Geography	311,671	0.4	9.0	35.7	54.9	0.0
Owner-Occupied Units by Geography	207,051	0.2	6.3	32.5	61.0	0.0
Occupied Rental Units by Geography	89,780	1.0	15.0	42.4	41.6	0.0
Vacant Units by Geography	14,840	0.1	10.9	38.8	50.2	0.0
Businesses by Geography	61,980	0.1	6.8	32.4	60.7	0.0
Farms by Geography	1,263	0.1	4.9	26.8	68.2	0.0
Family Distribution by Income Level	198,277	14.6	13.2	18.7	53.5	0.0
Household Distribution by Income Level	296,831	19.6	12.1	15.1	53.2	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$438,943
Median Family Income MSA - 39300 Providence- Warwick, RI-MA MSA		\$73,950	Median Gross Rent			\$1,332
			Families Below Poverty Level			4.1%
Source: 2015 ACS and 2018 D&B Data. (*) The NA category consists of geographies that have not been assigned an income classification.						

Service industries represent the largest portion of businesses at 45.8 percent; followed by retail trade (12.1 percent); non-classifiable establishments (10.4 percent); finance, insurance, and real estate (9.9 percent); and construction (8.6 percent). The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business loans to the distribution of businesses by gross annual revenue (GAR) level. The following are the GARs for the area's businesses based on 2018 D&B data:

- 84.2 percent have GARs of \$1 million or less.
- 6.6 percent have GARs of more than \$1 million.
- 9.2 percent have unknown revenues.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories based on 2017 and 2018 FFIEC-updated median family incomes.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2017 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
<i>Source: FFIEC</i>				

BLS data indicated that the 2018 year-end unemployment rate was 4.3 percent in Bristol County and 2.7 percent in Middlesex County. The Massachusetts unemployment rate was 3.3 percent as of year-end 2018.

### **Competition**

The assessment area is competitive for financial services. According to FDIC Deposit Market share data as of June 30, 2019, 45 financial institutions operated 282 full-service branches within the assessment area. Of these institutions, Norwood Co-operative Bank ranked 19<sup>th</sup> with a deposit market share of 1.5 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2017, 458 lenders reported 26,178 originated or purchased residential mortgage loans. Norwood Co-operative Bank ranks 48<sup>th</sup> out of this group with a 0.5 percent market share. The majority of lenders ranked ahead of the bank were large national banks, non-depository lenders, and credit unions.

Norwood Co-operative Bank is not required to collect or report its small business loan data, and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the aggregate data reflects the level of demand for small business loans. The 2017 aggregate data shows that 128 institutions reported 30,058 small business loans in the counties of the assessment area, indicating a high degree of competition for this product.

### **Community Contact**

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

Examiners contacted a representative of a community development organization that serves a town near the bank's branch. The contact noted that as the area has changed from a blue-collar

middle-class community to one more focused on the suburban commuter rail. As a result, rising housing prices are making the market unaffordable for long-term residents. The contact noted that one of the most valuable activities that local financial institutions could be doing would be providing of financial literacy classes to low- and moderate-income individuals.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, institution management, and demographic and economic data, examiners determined that loans for affordable housing and financial education represent the primary credit and community needs of the area. The real estate market in the area is competitive and has undergone demographic change. This has led to rising housing prices across the assessment area. Examiners also determined that financial literacy classes, particularly those targeted towards low- and moderate-income individuals, represent a significant need in the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### **LENDING TEST**

Norwood Co-operative Bank demonstrated reasonable performance under the Lending Test. The bank's reasonable performance under each Lending Test factor supports this conclusion.

### **Loan-to-Deposit Ratio**

The Bank's LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 99.5 percent over the past 10 quarters from March 31, 2017 to June 30, 2019. The ratio ranged from a low of 92.4 percent as of March 31, 2017 to a high of 104.2 percent as of December 31, 2018.

Examiners compared Norwood Co-operative Bank's average net LTD ratio to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the following table, the bank maintained a ratio that was comparable to similarly situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2019 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Norwood Co-operative Bank</b>	<b>558,695</b>	<b>99.5</b>
Bridgewater Savings Bank	648,984	90.6
The Bank of Canton	675,952	95.6
Walpole Co-operative Bank	491,313	112.5
<i>Source: Reports of Condition and Income 3/31/2017 through 6/30/2019</i>		

### **Assessment Area Concentration**

When combined, the bank made a majority of its home mortgage and small business loans, by number volume, within its assessment area. By dollar, the bank made less than a majority due to its home mortgage lending activities. In 2017 and 2018, home mortgage loans originated outside the assessment area were for larger amounts given higher housing costs in those areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total  #	Dollar Amount of Loans \$(000s)				Total  \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	119	62.6	71	37.4	190	32,791	40.4	48,461	59.6	81,252
2018	161	68.5	74	31.5	235	40,933	49.1	42,379	50.9	83,311
Subtotal	280	65.9	145	34.1	425	73,724	44.8	90,840	55.2	164,563
Small Business										
2017	7	70.0	3	30.0	10	2,649	62.0	1,623	38.0	4,272
2018	20	80.0	5	20.0	25	4,662	80.9	1,104	19.1	5,766
Subtotal	27	77.1	8	22.9	35	7,311	72.8	2,727	27.2	10,038
Total	307	66.7	153	33.3	460	81,035	46.4	93,567	53.6	174,601
Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data										

## **Borrower Profile**

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

### ***Home Mortgage Loans***

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The following table shows that 2017 lending to low-income borrowers exceeded aggregate performance and was below demographics. In 2018, lending to low-income borrowers increased, yet remained below demographics. The demand and opportunity for lending to low-income families is relatively limited. First, approximately 4.1 percent of the families in the assessment area have incomes below the poverty level, a subset of the low-income category. Second, a low-income family in the assessment area would not likely qualify for a mortgage under conventional writing standards, considering the median housing value of \$438,943.

Norwood Co-operative Bank's lending to moderate-income borrowers was above 2017 aggregate and demographics. In 2018, the bank's lending percentage to moderate-income borrowers decreased, dropping slightly below the percentage of moderate-income families.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	14.6	3.3	7	5.9	701	2.1
2018	14.6	--	11	6.8	1,029	2.5
Moderate						
2017	13.2	13.3	18	15.1	3,587	10.9
2018	13.2	--	18	11.2	3,223	7.9
Middle						
2017	18.7	22.5	32	26.9	7,634	23.3
2018	18.7	--	45	28.0	10,019	24.5
Upper						
2017	53.5	49.3	54	45.4	18,063	55.1
2018	53.5	--	79	49.1	24,461	59.8
Not Available						
2017	0.0	11.5	8	6.7	2,806	8.6
2018	0.0	--	8	5.0	2,202	5.4
Totals						
2017	100.0	100.0	119	100.0	32,791	100.0
2018	100.0	--	161	100.0	40,933	100.0
Source: 2015 ACS; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. As shown in the following table, a majority of small business loans were to those businesses. While lending activity in both years was below demographics, the bank's performance is still considered reasonable.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2017	84.0	5	71.4	1,549	58.5
2018	84.0	12	60.0	3,337	71.6
<b>&gt;1,000,000</b>					
2017	6.8	2	28.6	1,100	41.5
2018	6.7	8	40.0	1,325	28.4
<b>Revenue Not Available</b>					
2017	9.1	0	0.0	0	0.0
2018	9.3	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>2,649</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>4,662</b>	<b>100.0</b>
<i>Source: 2017 &amp; 2018 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data.</i>					

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable home mortgage and small business lending performances support 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 reasonable distribution throughout the assessment area. Although examiners compared the bank's lending performance to aggregate and demographic data, examiners placed more weight on the comparisons to aggregate data because it better indicates opportunities and demand in the assessment area.

In 2017 and 2018, the bank did not originate any home mortgage loans in the assessment area's low-income census tract. As the following table illustrates, almost no lending opportunities exist in the low-income census tract due to limited owner-occupied housing units. Lending opportunities are greater in the moderate-income census tracts. In 2017, lending in the moderate-income tracts trailed the aggregate; However, bank lending in moderate-income tracts increased notably in 2018 to match the percentage of owner-occupied units in these census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.2	0.2	0	0.0	0	0.0
2018	0.2	--	0	0.0	0	0.0
Moderate						
2017	6.3	7.3	2	1.7	446	1.4
2018	6.3	--	11	6.8	3,506	8.6
Middle						
2017	32.5	33.6	34	28.6	6,746	20.6
2018	32.5	--	52	32.3	11,150	27.2
Upper						
2017	61.0	58.9	83	69.8	25,599	78.1
2018	61.0	--	98	60.9	26,276	64.2
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>32,791</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>161</b>	<b>100.0</b>	<b>40,933</b>	<b>100.0</b>
Source: 2015 ACS; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.						

### ***Small Business Loans***

The geographic distribution of small business loans did not affect the Lending Test rating. The bank's assessment area offers limited opportunities for small business lending in low- and moderate-income census tracts, and small business lending is the bank's secondary product.

While the bank did not make any small business loans in the low- or moderate-income census tracts during the period reviewed, only 0.1 percent of the assessment area's businesses are located in low-income tracts. The area's moderate-income tracts encompass a larger portion of businesses, though there is significant competition from national and regional-based institutions. Further, many of these institutions maintain branches in these tracts. With the bank having a single branch location, competing with these larger institutions would prove difficult, especially with the bank's small loan volume and focus on home mortgage lending.

### **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**

Norwood Co-operative Bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community developments loans, qualified investments, and community investment services, as appropriate considering the institution's capacity and the need and availability of each opportunity for community development in the assessment area.

### **Community Development Loans**

Norwood Co-operative Bank originated six community development loans within the assessment area totaling \$2.1 million during the evaluation period. This level of activity represents less than 1.0 percent of net loans. All of the community development loans benefited affordable housing efforts, which demonstrates the bank's responsiveness to the area's primary community development need.

Below are notable examples of community development loans:

- In 2018, the bank made two loans of which \$620,000 was utilized to finance affordable housing in Easton, with 7 out of 28 units designated for low- and moderate-income individuals.
- In 2017, the bank made two loans of which \$600,000 was utilized to finance affordable housing in Norfolk, Massachusetts, with 8 out of 32 units designated for low- and moderate-income individuals.
- In 2017, the bank made two loans of which \$875,000 was utilized to finance affordable housing in Foxboro, Massachusetts, with 9 out of 36 units designated for low- and moderate-income individuals.

### **Qualified Investments**

Norwood Co-operative Bank made 35 qualified investments and donations totaling approximately \$2.9 million. The bank invested \$2.8 million in qualified equity investments. In addition, the bank donated \$47,683 over 33 grants and donations. This dollar amount of equity investments equates to less than one percent of average total assets and 5.1 percent of average securities since the last evaluation. These investments supported affordable housing efforts within the assessment area, demonstrating the bank's responsiveness to community development needs. In addition, the donations provide community services for low- and moderate-income individuals. The following table details qualified investments by year and purpose.

Activity Year	Affordable Housing		Community Services		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0.0	13	21.6	<b>13</b>	<b>21.6</b>
2018	1	0.1	11	15.0	<b>12</b>	<b>15.1</b>
YTD 2019	0	0.0	8	11.0	<b>8</b>	<b>11.0</b>
<b>Subtotal</b>	<b>1</b>	<b>0.1</b>	<b>32</b>	<b>47.6</b>	<b>33</b>	<b>47.7</b>
Equity Investments	2	2,822.8	0	0.0	<b>2</b>	<b>2,822.8</b>
<b>Total</b>	<b>3</b>	<b>2,822.9</b>	<b>32</b>	<b>47.6</b>	<b>35</b>	<b>2,870.4</b>
<i>Source: Bank Records</i>						

### ***Equity Investments***

The bank purchased two CRA qualified mortgage-backed securities in 2019 totaling \$2.8 million. The investments are securitized by home mortgage loans made to low- and moderate-income individuals in the assessment area.

### ***Qualified Donations***

Below are notable examples of the bank's qualified donations.

- *Circle of Hope* – Circle of Hope offers assistance for families with financial need due to catastrophic illness. Norwood Co-operative Bank provided yearly donations to provide financial assistance to low- and moderate- income families.
- *Gift of Warmth Fund* – Gift of Warmth assists individuals and families who are not able to afford heat for their homes.
- *Meals on Wheels* – Meals on Wheels provides daily meals to those in need for reasons of age, disability, or convalescence. Typically, these individuals are on fixed- or limited-income.
- *Norwood Sharing Tree* – Norwood Sharing Tree provides gifts and feeds children at Norwood schools identified by school nurses as on the free and reduced lunch program. Norwood Co-operative Bank hosts this event annually.
- *Young Life* – Young Life is a multicultural ministry, focused on kids in diverse cultural communities and those in economically depressed areas. Norwood Co-operative Bank provides yearly donations to benefit children from low- and moderate-income families.
- *Norwood Food Pantry* – Norwood Food Pantry serves 350 families in the Towns of Norwood and Westwood who need to access to its services as a stepping-stone to independence.

## **Community Development Services**

During the evaluation period, bank employees provided 10 instances of financial expertise or technical assistance to five different community development-related organizations in the assessment area that provide both affordable housing and community services to low- and moderate-income individuals. These efforts illustrate the bank's responsiveness to community development needs. The following table illustrates community development services by year and purpose.

Activity Year	Affordable Housing	Community Services	Totals
	#	#	#
2017	1	3	4
2018	1	2	3
YTD 2019	1	2	3
<b>Total</b>	<b>3</b>	<b>7</b>	<b>10</b>
<i>Source: Bank Records</i>			

### ***Employee Involvement***

Bank employees are involved in local community development organizations in multiple capacities. Employees provide service through membership and participation, providing financial expertise to the organizations they serve. The following are some organizations where bank employees are involved.

- *Norwood Housing Authority* – Norwood Housing Authority provides housing for income qualified Norwood residents. The bank president serves as a member of the Board of Directors and assists with financing projects.
- *Norwood Circle of Hope* – Circle of Hope offers assistance for families with financial need due to catastrophic illness. A bank officer serves as a member of the Board of Directors and provided assistance with fundraising.
- *Meals on Wheels* – Meals on Wheels provides daily meals to those in need for reasons of age, disability, or convalescence. A bank officer has been a member of the Board of Directors since 2018 and provides fundraising assistance.

### ***Educational Seminars***

Employees of Norwood Co-operative Bank have conducted and participated in numerous seminars designed to educate consumers about banking and banking products available to meet their specific needs.

- *First-time Homebuyers Seminar* – The bank held nine first-time homebuyer seminars during the examination period, three in each year. These seminars educate first-time homebuyers on the purchase of a new home and provide awareness of available programs that offer additional assistances to first-time buyers, such as MassHousing. Seminars include topics such as budgeting, credit scores, appraisal, and home inspections.

- *Social Security Seminar* - The bank held five free information seminars on Social Security benefits in 2017 and 2018. These seminars educate individuals, near eligibility for social security, on the Social Security Administration in New England, Medicare, and retirement income.
- *Life Skills Seminar* – In 2017, the bank held one educational forum on basic banking products and savings strategies for special needs students in the Life Skills program at Norwood High School.

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

- *Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)* – Norwood Co-operative Bank participates in the Massachusetts IOLTA Program. This program, mandated by the Supreme Judicial Court, requires lawyers and law firms to establish interest-bearing accounts for client deposits. The interest earned funds law-related public service programs that help low-income clients.
- *Basic Banking* – Norwood Co-operative Bank participates in the Basic Banking program, an initiative to encourage those with moderate-incomes to establish banking relationships. This program utilizes free or low-cost checking and savings accounts to meet the needs of customers in the area.

## **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 – MASSACHUSETTS DIVISION OF BANKS**

### **FAIR LENDING POLICIES AND PROCEDURES**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

### **MINORITY APPLICATION FLOW**

The bank's HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial groups within the Bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 796,611 individuals of which 20.4 percent are minorities. The minority population represented is 5.6 percent Black/African American, 8.8 percent Asian, 0.1 percent American Indian, 3.7 percent Hispanic or Latino, and 2.2 percent other.

The bank's level of lending in 2017 was compared with that of the 2017 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2017 HMDA		2017 Aggregate Data	Bank 2018 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0
Asian	11	6.7	8.4	15	7.0
Black/ African American	2	1.2	4.5	4	1.9
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.5
2 or more Minority	0	0.0	0.1	0	0
Joint Race (White/Minority)	1	0.6	1.7	1	0.5
<b>Total Racial Minority</b>	<b>14</b>	<b>8.5</b>	<b>15.0</b>	<b>21</b>	<b>9.9</b>
White	124	75.6	64.2	163	76.5
Race Not Available	26	15.9	20.8	29	13.6
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>100.0</b>	<b>213</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	3	1.8	2.4	3	1.4
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.8	1.2	0	0.0
<b>Total Ethnic Minority</b>	<b>6</b>	<b>3.7</b>	<b>3.6</b>	<b>3</b>	<b>1.4</b>
Not Hispanic or Latino	130	79.3	75.7	162	76.1
Ethnicity Not Available	28	17.1	20.7	48	11.3
<b>Total</b>	<b>164</b>	<b>100.0</b>	<b>100.0</b>	<b>213</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018

In 2017, the bank received 164 HMDA reportable loan applications within its assessment area. Of these applications, 14 or 8.5 percent were received from minority applicants, 64.3 percent of which resulted in originations. The aggregate received 15.0 percent of its applications from minority consumers, of which 70.8 percent were originated. For the same time period, the bank received 6 or 3.7 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which 33.3 percent were originated, compared to an aggregate ethnic minority application rate of 3.6 percent with a 70.4 percent origination rate.

In 2018, the bank received 213 HMDA reportable loan applications within its assessment area. Of these applications, 21 or 9.9 percent were received from minority applicants, of which 14 or 66.7 percent resulted in originations. The bank also received 3 or 1.4 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 3 or 100.0 percent were originated.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017, the bank's minority application flow is adequate.

## 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.