

PUBLIC DISCLOSURE

September 19, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Norwood Co-operative Bank
Certificate Number: 26555

11 Central Street
Norwood, Massachusetts 02062

Division of Banks
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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.

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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.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the institution's assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- 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 bank demonstrated adequate responsiveness to the community development needs of its assessment area through qualified community development loans, investments, and services. Examiners considered the institution's capacity, and the need and availability of such opportunities throughout the assessment area. This rating is supported by the institution's level of involvement in community activities when compared to similarly situated institutions.

DESCRIPTION OF INSTITUTION

Background

Norwood Co-operative Bank (Norwood Bank) is a state-chartered co-operative bank headquartered in Norwood, Massachusetts (MA). Norwood Bank is a wholly owned subsidiary of 1889 Financial Service Corporation, which is wholly owned by 1889 Bancorp Mutual Holding Company. Norwood Bank has one wholly owned subsidiary, Norwood Security Corporation, which holds investments for the bank. The bank has not had any mergers or acquisitions since the previous evaluation and does not have any lending-related affiliates or subsidiaries.

The FDIC and the Massachusetts Division of Banks (Division) conducted the bank's prior CRA Performance Evaluation on September 23, 2019 using Interagency Intermediate Small Institution CRA Examination Procedures. The bank received an overall Satisfactory rating. Both the Lending Test and the Community Development Test were rated Satisfactory.

Operations

Norwood Bank operates one full-service location in an upper-income census tract in Norwood. The bank has two automated teller machines (ATMs), both located at the bank's main office. The bank has not opened or closed any branches since the previous evaluation.

The bank offers home mortgage, commercial, and consumer lending products, primarily focusing on residential mortgage lending. Deposit products include checking and savings accounts, certificates of deposit, and individual retirement accounts. Other banking services include online banking, mobile banking, and bill pay. Norwood Bank customers have access to additional ATMs through the SUM network, providing surcharge-free retail access at participating institutions nationwide.

Ability and Capacity

As of June 30, 2022, Norwood Bank reported assets totaling \$669.6 million, of which loans totaled \$561.5 million. Total loans represent 86.1 percent of average total assets and have grown 19.4 percent since the prior evaluation. As of June 30, 2022, total deposits were \$558.1 million and grew 22.9 percent since the previous evaluation.

The following table illustrates the bank's loan portfolio distribution as of June 30, 2022.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	122,692	21.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	214,955	38.3
Secured by Multifamily (5 or more) Residential Properties	62,508	11.1
Secured by Nonfarm Nonresidential Properties	146,830	26.1
Total Real Estate Loans	546,985	97.4
Commercial and Industrial Loans	15,402	2.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	63	0.0
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	956	0.2
Total Loans	561,494	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0%.</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Norwood Bank designated a single assessment area including all of Norfolk County and portions of Bristol County. Norfolk County is located in the Boston, MA Metropolitan Division (MD), and Bristol County is located in the Providence-Warwick-Rhode Island (RI)-MA Metropolitan Statistical Area (MSA). Both MSAs are part of the Boston-Worcester-Providence, MA-RI-New Hampshire-Connecticut Combined Statistical Area (CSA). The assessment area has not changed since the previous evaluation.

The bank included the following cities and towns in the assessment area:

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

Economic and Demographic Data

The assessment area is comprised of 150 census tracts with the following income designations according to the 2015 American Community Survey (ACS):

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

The low-income census tract is located in Quincy. The 13 moderate-income census tracts are located in Braintree (1), Holbrook (1), North Attleborough (1), Quincy (6), Randolph (2), Stoughton (1), and Weymouth (1). Because Quincy contains the only low-income census tract and nearly half of the moderate-income census tracts, lending activity in Quincy has a significant effect on the bank's Geographic Distribution performance under the Lending Test.

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	84,943	0.1	6.8	32.3	60.8	0.0
Farms by Geography	1,625	0.1	5.2	27.6	67.1	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%
<i>Source: 2015 ACS and 2021 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>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of total housing units in the assessment area, 66.4 percent are owner-occupied, 28.8 percent are occupied rental units, and 4.8 percent are vacant units. The low- and moderate-income census tracts in the assessment area have lower owner-occupancy rates, which indicates there are fewer opportunities for home mortgage lending.

Demographic data for the low- and moderate-income census tracts in the assessment area also indicates limited opportunities for home mortgage lending. Specifically, the median housing values are as high as \$406,000 and the median family income is as low as \$23,669. Additionally, the owner-occupancy rate within these tracts is as low as 21.3 percent, and the percentage of rental units is as high as 72.9 percent. This high percentage of rental units illustrates a lack of opportunity for owner-occupied home mortgage lending in low- and moderate-income geographies. In addition, 4.1 percent of families in the assessment area are below poverty level, which is a subset of the low-income category. Families in this category likely face challenges qualifying for traditional residential mortgages to purchase homes.

Examiners use the Federal Financial Institutions Examination Council's updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the median income family ranges in the Boston, MA MD and the Providence-Warwick, RI-MA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
2020 (\$89,000)	<\$44,500	\$44,500 to <\$71,200	\$71,200 to <\$106,800	≥\$106,800
2021 (\$87,500)	<\$43,750	\$43,750 to <\$70,000	\$70,000 to <\$105,000	≥\$105,000
<i>Source: FFIEC</i>				

According to 2021 D&B data, 84,943 non-farm businesses are located in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR). GARs for these businesses are below:

- 87.6 percent have GARs of \$1.0 million or less,
- 4.7 percent have GARs of more than \$1.0 million, and
- 7.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 39.9 percent, followed by non-classifiable establishments (19.4 percent); finance, insurance, and real estate (11.4 percent); retail trade (10.4 percent); and construction (7.7 percent). Top employers in the area include hospitals, health care providers, and universities.

As shown in the following table, unemployment rates increased from 2019 to 2020 due to the effects of the COVID-19 pandemic, and then they decreased from 2020 to 2021.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Bristol County	3.9	10.8	6.5
Norfolk County	2.7	8.8	5.1
Massachusetts	3.1	9.4	5.7
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

Competition

Norwood Bank operates in a highly competitive market for financial services. The presence of national, regional, and community banks and credit unions creates significant competition in the area.

According to peer mortgage data, a high level of competition for home mortgage loans exists among banks, non-depository mortgage lenders, and credit unions in the assessment area. According to 2020 Home Mortgage Disclosure Act (HMDA) aggregate data, 495 lenders reported originating or purchasing 56,150 home mortgage loans in the assessment area. Norwood Bank originated 253 loans and ranked 54th with a 0.5 percent market share. The top 10 institutions are large national and regional lenders with a combined market share of 33.0 percent.

The bank also faces a high level of competition for small business loans among banks and non-depository lenders in the assessment area. Norwood Bank is not required to collect or report its small business loan data, so the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data for small business loans provides context about demand for small business loans. Since the FFIEC releases peer small business data at the county level, the following 2020 CRA aggregate data reflects activity in the entirety of Bristol and Norfolk Counties: 173 institutions reported originating or purchasing 39,775 small business loans. The top three institutions, American Express National Bank; Bank of America, NA; and Citizens Bank, NA, are large national lenders with a combined market share of 37.0 percent.

Lastly, according to the June 30, 2021 FDIC deposit market share data, 42 institutions operated 228 offices within the assessment area. Norwood Bank ranked 15th with a market share of 1.7 percent. The top two institutions, Bank of America, National Association (NA) and Citizens Bank, NA, are large national banks with a combined deposit market share of 38.8 percent.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. Examiners utilized two recent contacts, both from local nonprofit organizations.

One contact represented a community development financial institution (CDFI) that supports entrepreneurs, local economies, and small businesses in MA and RI. The organization's clients are primarily small businesses and start-ups that have been denied for traditional financing. The contact noted the post-pandemic economic conditions continue to present challenges for small businesses that require financial and business education. Additionally, the contact stated that a need exists for grants, monetary donations, and financial literacy education programs for commercial borrowers. The contact also suggested commercial lending products with no prepayment penalties could benefit low- and moderate-income entrepreneurs.

The other contact, from a local nonprofit organization dedicated to managing and developing affordable housing properties, explained that affordable housing is a critical need in the area. Given the area's high housing prices, it is often difficult for elderly, disabled, and low-income individuals to afford housing. Additionally, the affordable housing stock in the area requires renovation. The contact also emphasized the negative impact of the COVID-19 pandemic on low- and moderate-income individuals due to employment instability. Furthermore, the contact stated there is a need for adult and youth financial literacy programs in the area.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contacts and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, financial literacy for individuals and small businesses, and increased community organization partnerships are primary community development needs. Additionally, direct charitable donations would support community service organizations serving low- and moderate-income individuals.

Pandemic relief through community development programs remained a need for residents and businesses throughout much of the evaluation period. Financial institutions had many opportunities to provide much-needed grants to community development organizations that specialize in providing community services to low- and moderate-income individuals who have been negatively impacted by the COVID-19 pandemic. Finally, economic development opportunities existed in the form of loans to small businesses to support job retention of low- and moderate-income individuals and within low- and moderate-income geographies.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, assessed Norwood Bank's CRA performance since the prior evaluation dated September 23, 2019, to the current evaluation dated September 19, 2022. Examiners used the Interagency Intermediate Small Institution CRA Examination Procedures. These procedures include two tests, the Lending Test and the Community Development Test.

Activities Reviewed

Examiners determined that the bank's major products lines are home mortgage and small business loans based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. As of June 30, 2022, residential real estate loans accounted for 49.4 percent of the bank's loan portfolio. Commercial lending, consisting of nonfarm nonresidential real estate and commercial and industrial loans, represented 28.9 percent of the bank's loan portfolio. The bank's record of originating home mortgage loans during the evaluation period contributed more weight to overall conclusions due to larger origination volume, when compared to small business lending. Small farm loans represent a nominal portion of the bank's loan portfolio; therefore, they provided no material support for conclusions or ratings and are not considered in this analysis.

This evaluation considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 HMDA Loan Application Registers (LARs). Norwood Bank originated 257 home mortgage loans totaling \$109.8 million in 2019, 365 home mortgage loans totaling \$159.2 million in 2020, and 276 home mortgage loans totaling \$159.3 million in 2021. This evaluation compares the bank's performance against 2019 and 2020 aggregate lending data and considers demographic data from the 2015 ACS. At the time of this evaluation, 2021 aggregate data was not available.

Examiners reviewed bank records for small business loans originated in 2021 to draw conclusions about small business lending performance. Norwood Bank originated 85 small business loans totaling approximately \$14.3 million. Of these loans, 72 were Small Business Administration (SBA) Paycheck Protection Program (PPP) loans totaling approximately \$8.6 million. As a non-reporter, aggregate small business lending data does not serve as an appropriate comparator for bank lending; therefore, examiners only compared the bank's small business lending performance to D&B business demographic data.

Although Lending Test tables reflect the number and dollar volume of loans, examiners emphasized performance by the number of loans originated because it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners evaluated community development loans, qualified investments, and community development services from the prior evaluation date of September 23, 2019, to the current evaluation date of September 19, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Norwood Bank demonstrated Satisfactory performance under the Lending Test. Satisfactory performance under the loan-to-deposit ratio, assessment area concentration, and borrower profile criteria support this conclusion. The following sections summarize the bank's performance under each criterion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.

Examiners analyzed the bank's LTD ratio for the past 12 quarters from September 30, 2019 to June 30, 2022. The bank's average quarterly net LTD ratio is 94.0 percent and ranged from a high of 102.9 percent as of September 30, 2019 to a low of 84.6 percent as of December 31, 2021. Residential mortgage sales on the secondary market affected the bank's LTD ratio.

Examiners also compared the bank's average quarterly net loan-to-deposit ratio to that of three similarly situated institutions based on asset size, geographic location, and lending focus. These institutions operate in Bristol and Norfolk Counties and are predominantly residential mortgage lenders. Norwood Bank's LTD ratio was third highest of the four institutions, which is reasonable considering its secondary market sales.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$000s)	Average Net LTD Ratio (%)
Norwood Bank	669,552	94.0
Envision Bank	774,355	104.2
Mechanics Cooperative Bank	641,750	103.1
Dean Co-operative Bank	445,829	79.4
<i>Source: Reports of Condition and Income 9/30/2019 – 6/30/2022</i>		

Assessment Area Concentration

The bank made a majority of loans and performed other lending-related activities within the institution's assessment area. The table below shows Norwood Bank's lending inside and outside of the assessment area by loan category.

For home mortgage lending, the percentage of loans made inside the assessment area remained generally consistent by number of loans throughout the evaluation period. The percentage of home mortgage loans made in the assessment area by dollar volume was below 50.0 percent in 2019 and 2021; however, in 2020, it was more than a majority.

For small business lending, the percentage of loans made inside the assessment area in 2021 was 72.9 percent by number of loans and 59.1 percent by dollar volume of loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	166	64.6	91	35.4	257	51,341	46.8	58,428	53.2	109,769
2020	253	69.3	112	30.7	365	91,587	57.5	67,634	42.5	159,221
2021	175	63.4	101	36.6	276	75,279	47.3	84,018	52.7	159,297
Subtotal	594	66.1	304	33.9	898	218,207	50.9	210,080	49.1	428,287
Small Business										
2021	62	72.9	23	27.1	85	8,447	59.1	5,845	40.9	14,292
Subtotal	62	72.9	23	27.1	85	8,447	59.1	5,845	40.9	14,292
Total	656	66.7	327	33.3	983	226,654	51.2	215,925	48.8	442,579
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. Poor performance in both home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. The bank did not originate any home mortgage loans in low-income census tract over the three-year period. However, there are limited opportunities in the low-income census tract due to area's limited owner-occupied housing units, as noted under the Description of Assessment Area section. Additionally, the bank's performance was similar to the aggregate market performance in 2019 and 2020.

Greater lending opportunities exist in the moderate-income census tracts compared to low-income census tracts. However, the bank's performance was significantly below demographic data in all three years and below the aggregate market performance in 2019 and 2020. Additionally, the bank's lending in moderate-income census tracts decreased from two loans in 2019 to only one loan in 2020 and one in 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.2	0.1	0	0.0	0	0.0
2020	0.2	0.1	0	0.0	0	0.0
2021	0.2	--	0	0.0	0	0.0
Moderate						
2019	6.3	6.1	2	1.2	324	0.6
2020	6.3	5.4	1	0.4	220	0.2
2021	6.3	--	1	0.6	603	0.8
Middle						
2019	32.5	31.8	47	28.3	11,279	22.0
2020	32.5	30.1	74	29.2	20,161	22.0
2021	32.5	--	56	32.0	19,044	25.3
Upper						
2019	61.0	62.0	117	70.5	39,739	77.4
2020	61.0	64.4	178	70.4	71,206	77.7
2021	61.0	--	118	67.4	55,632	73.9
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	166	100.0	51,341	100.0
2020	100.0	100.0	253	100.0	91,587	100.0
2021	100.0	--	175	100.0	75,279	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. As shown in the table below, the bank did not originate any small business loans in the low-income census tract and originated only one small business loan in the moderate-income census tracts in 2021. The bank's performance was similar to the demographic data in the low-income census tract but was significantly lower than the demographic data in the moderate-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	0.1	0	0.0	0	0.0
Moderate					
2021	6.8	1	1.6	166	2.0
Middle					
2021	32.3	22	35.5	3,395	40.2
Upper					
2021	60.8	39	62.9	4,886	57.8
Not Available					
2021	0.0	0	0.0	0	0.0
Totals					
2021	100.0	62	100.0	8,447	100.0
<i>Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Reasonable performance in both home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income). While the bank's lending performance to low-income borrowers was lower than demographic data in all three years, it was comparable to aggregate data in 2019 and higher than aggregate data in 2020. Additionally, the bank's performance improved in 2021. As noted under the Description of Assessment Area section, the demand and opportunities for lending to low-income families in the assessment area are limited.

The bank's lending to moderate-income borrowers was comparable to demographic data in 2020 and higher in 2019 and 2021. The bank's performance was comparable to aggregate performance in 2019 and 2020. Additionally, the bank's percentage of loans made to moderate-income borrowers improved in 2021.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	14.6	3.5	4	2.4	398	0.8
2020	14.6	2.8	14	5.5	2,055	2.2
2021	14.6	--	10	5.7	1,433	1.9
Moderate						
2019	13.2	14.0	23	13.9	3,949	7.7
2020	13.2	13.6	33	13.0	7,585	8.3
2021	13.2	--	26	14.9	6,079	8.1
Middle						
2019	18.7	21.6	45	27.1	9,910	19.3
2020	18.7	22.1	65	25.7	19,775	21.6
2021	18.7	--	42	24.0	13,580	18.0
Upper						
2019	53.5	48.3	82	49.4	29,548	57.6
2020	53.5	50.3	118	46.6	41,198	45.0
2021	53.5	--	74	42.3	31,449	41.8
Not Available						
2019	0.0	12.6	12	7.2	7,536	14.7
2020	0.0	11.3	23	9.1	20,974	22.9
2021	0.0	--	23	13.1	22,738	30.2
Totals						
2019	100.0	100.0	166	100.0	51,341	100.0
2020	100.0	100.0	253	100.0	91,587	100.0
2021	100.0	--	175	100.0	75,279	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. As noted in the table below, the bank's lending percentage to businesses with GARs of \$1.0 million or less fell far below the percentage of businesses with GARs of \$1.0 million or less. However, revenue data was not available for the PPP loans, which represent the majority of the bank's small business loans. Therefore, examiners analyzed the bank's PPP loans by size following the table below.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	87.4	2	3.2	359	4.3
>\$1,000,000					
2021	4.8	5	8.1	2,398	28.4
Revenue Not Available					
2021	7.8	55	88.7	5,690	67.4
Totals					
2021	100.0	62	100.0	8,447	100.0
<i>Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Of the bank's 62 small business loans originated in 2021 in the assessment area, 55, or 88.7 percent, were PPP loans for which the bank did not collect borrower revenue data. Because the lack of borrower revenue data impacted the analysis of the bank's 2021 small business lending performance under this criterion, examiners evaluated the PPP loans using loan size as a proxy for business size. Over two-thirds of the bank's PPP loans were in amounts of \$100,000 or less, which suggests that the majority of the borrowers were most likely small businesses.

Distribution of PPP Loans by Loan Size (2021)				
Loan Size	Count	Percent	Dollars (000s)	Percent
<\$100,000	38	69.1	1,725	30.3
\$100,000-\$249,999	14	25.5	2,428	42.7
\$250,000-\$1,000,000	3	5.5	1,537	27.0
Totals	55	100.0	5,690	100.0
<i>Source: 2021 Bank Data Due to rounding, totals may not equal 100.0%</i>				

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Norwood Bank demonstrated adequate responsiveness to the community development needs of 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 for community development activities in the assessment area.

Community Development Loans

Norwood Bank originated 22 community development loans totaling approximately \$8.3 million during the evaluation period, which represents 1.2 percent of average total assets and 1.6 percent of

average total loans. The total volume of community development lending is greater than the previous evaluation, where the bank originated 6 community development loans totaling \$2.1 million.

The bank’s community development lending activity exceeded those of comparable institutions who received a Satisfactory rating on the Community Development Test. As examiners determined that the bank met the assessment area’s overall needs, examiners also considered the community development loans made outside the assessment area, but in the broader regional area. Of the 22 community development loans, the bank made 14 loans totaling \$4.4 million inside the assessment area, and 8 community development loans totaling \$3.9 million outside the assessment area.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	3	1,095	0	0	0	0	0	0	3	1,095
2020	3	1,760	0	0	0	0	0	0	3	1,760
2021	6	3,294	0	0	6	281	0	0	12	3,575
YTD 2022	4	1,882	0	0	0	0	0	0	4	1,882
Total	16	8,031	0	0	6	281	0	0	22	8,312

Source: Bank Data

Below are notable examples of qualified community development loans.

In 2020, the bank originated two loans totaling \$4.5 million to a housing developer within the assessment area. Loan proceeds during this multi-phase project were used for the acquisition and construction of 26 single-family homes. The loans demonstrate the bank’s responsiveness to affordable housing needs as 6, or 23 percent, of the units are considered affordable. Since a percentage of the project was considered affordable, the bank received CRA consideration of \$1,035,000.

In 2021, the bank originated two loans totaling \$4.2 million to develop 44 duplexes and single-family homes within the assessment area. The loan proceeds were responsive to affordable housing needs as 11, or 25 percent, of the 44 units are affordable. Based on the percentage of affordable units, the bank received CRA consideration of \$1,050,000.

In response to the COVID-19 pandemic in 2021, the bank originated 6 PPP loans totaling approximately \$280,737 within its assessment area. The SBA administered these loans as part of the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans helped businesses retain staff during the economic crisis due to the COVID-19 pandemic. These loans are particularly responsive as they provided funding to businesses in order to retain jobs for low- and moderate-income individuals during the pandemic.

Qualified Investments

Norwood Bank made 39 qualified investments totaling approximately \$8.4 million. This amount includes 5 new equity investments totaling \$8.3 million and 34 donations totaling \$106,350. Investment activity increased since the previous evaluation where the bank made 35 investments for approximately \$2.8 million. In total, the bank’s investments represent 1.3 percent of average total assets and 7.3 percent of average total securities. When compared to similarly situated institutions, the bank performed above those that received a Satisfactory performance. The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	2	3,525	0	0	0	0	0	0	2	3,525
2020	1	1,714	0	0	0	0	0	0	1	1,714
2021	2	3,084	0	0	0	0	0	0	2	3,084
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	5	8,323	0	0	0	0	0	0	5	8,323
Qualified Grants & Donations	0	0	33	105	1	1	0	0	34	106
Total	5	8,323	33	105	1	1	0	0	39	8,429

Source: Bank Data

Equity Investments

The bank purchased 5 new CRA qualified mortgage-backed securities totaling \$8.3 million. The investments are securitized by home mortgage loans made to low- and moderate-income individuals in the assessment area. These investments supported affordable housing efforts within the assessment area, demonstrating the bank’s responsiveness to community development needs.

Qualified Donations

During the examination period, the bank gifted \$121,000, of which \$106,350, or 87.9 percent, were considered CRA qualified.

Norwood Bank continues its commitment and responsiveness to community development needs in the area. The following are notable examples of donations made by the bank during the examination period.

Norwood Food Pantry – Norwood Food Pantry serves 350 families in the Towns of Norwood and Westwood who need access to its services. The bank’s contributions provide community services to low-income individuals and those below the poverty line.

Norwood Circle of Hope – Norwood Circle of Hope is a nonprofit organization that offers financial aid to residents of Norwood who are in need of such aid and who are stricken with a catastrophic illness. The bank’s contribution helps the organization meet the critical needs of Norwood residents.

Young Life – Young Life is a multicultural ministry, focused on kids in diverse cultural communities and those in economically depressed areas. Norwood Bank extends yearly donations to benefit children from low- and moderate-income families.

Ricky, Inc. – Ricky, Inc. is a nonprofit organization that provides personal needs items to individuals who are experiencing homelessness. The bank’s contribution is new since the last evaluation and gives relief to those needing assistance.

House of Possibilities – House of Possibilities (HOPE) supports the needs of over 300 children and adults and their caregivers in over 60 communities across Massachusetts. Based out of Easton, HOPE offers day programs, recreational programs, and overnight respite care. Additionally, HOPE expanded to the Boston area, and the organization continues to provide a career and employment pathway for young adults with disabilities. The bank’s contribution helps the organization meet the immediate needs of low- and moderate-income individuals and families needing support services.

Community Development Services

Norwood Bank demonstrated adequate responsiveness to opportunities for community development services. During the evaluation period, Norwood Bank employees and officers provided 23 instances of financial expertise or technical assistance to 8 community development organizations benefitting low- and moderate-income individuals in the assessment area. The majority of services included involvement in community development organizations that provided community services for low- and moderate-income individuals. Norwood Bank’s performance was below two similarly situated institution who received a Satisfactory performance.

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
	#	#	#	#	#
2019 (Partial)	0	0	0	0	0
2020	1	4	1	0	6
2021	1	6	1	0	8
YTD 2022	1	8	0	0	9
Totals	3	18	2	0	23
<i>Source: Bank Data</i>					

The bank continued to support its long-term community partners, as the examples below are consistent with those of prior CRA evaluations.

Metro West YMCA – This organization provides a variety of services targeting low- and moderate-income individuals including free groceries to children aged 18 and under, childcare services, and discounted membership and course fees to qualified families. A senior executive served as Chairman of the Board annually throughout the evaluation period.

Norwood Circle of Hope – Norwood Circle of Hope is a nonprofit organization that offers financial aid to Norwood residents who are stricken with a catastrophic illness. A bank vice president served on the Board of Directors annually through the evaluation period.

Norwood Housing Authority (NHA) – NHA is a non-profit corporation promoting affordable housing in Norwood. It provides housing to low- and moderate-income individuals by assembling resources available through the Commonwealth of Massachusetts, the federal government, and other resources. A bank senior executive served on the Board of Directors annually throughout the evaluation period.

Financial Education

Due to the COVID-19 pandemic, the bank was limited in the number of in-person financial education events it typically conducts.

- **Fraud and Senior Scam Task Force** – The Fraud and Senior Scam Task Force is a new initiative since the previous examination. The bank created a Fraud and Senior Scam presentation to combat the risk of financial fraud and abuse of vulnerable local seniors. The presentation is offered in conjunction with residents of Norwood Housing Authority, Norwood Police Department and Norwood Post Office. Presentation topics address local fraud types identified, how victims are found, most popular scams, and important reminders and actions.

Other Services

Massachusetts Community and Banking Council (MCBC) – The bank offers a checking product that meets the Basic Banking in Massachusetts guidelines set forth by the MCBC. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

Massachusetts Interest on Lawyers Trust Accounts (IOLTAs) – Norwood 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.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices

APPENDICES

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

Division of Bank examiners reviewed the bank’s 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the bank’s assessment area reflected 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.

Examiners compared the bank application activity with that of the 2020 and 2021 aggregate 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	2020		2020 Aggregate Data	2021		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.3	0.1	0	0.0	0.1
Asian	8	2.4	9.5	7	3.1	10.0
Black/ African American	6	1.8	3.9	4	1.8	5.0
57.5Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	1	0.4	0.1
Joint Race (White/Minority)	4	1.2	1.8	6	2.7	1.8
Total Racial Minority	19	5.7	15.5	18	8.0	17.1
White	249	74.1	62.4	158	69.9	57.5
Race Not Available	68	20.2	22.1	50	22.1	25.4
Total	336	100.0	100.0	226	100.0	100.0
ETHNICITY						
Hispanic or Latino	2	0.6	2.6	3	1.3	3.0
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.2	1.2	4	1.8	1.3
Total Ethnic Minority	6	1.8	3.8	7	3.1	4.3
Not Hispanic or Latino	214	63.7	72.6	143	63.3	69.7

Ethnicity Not Available	116	34.5	23.6	76	33.6	26.1
Total	336	100.0	100.0	226	100.0	100.0
<i>Source: HMDA Aggregate Data (2020 and 2021), HMDA LAR Data (2020 and 2021)</i>						

In 2020 and 2021, the bank’s application activity from ethnic and racial minority applicants was below the aggregate performance and demographics and reflects a less than reasonable racial minority application flow. The bank is encouraged to continue outreach to all demographics and monitor application activity from ethnic and racial minorities.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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 Area (CBSA): 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).

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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g, 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.

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 (also known as **non-MSA**): 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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.