

# **PUBLIC DISCLOSURE**

January 24, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Country Bank for Savings  
Certificate Number: 23992

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Ware, Massachusetts 01082

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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

# TABLE OF CONTENTS

Institution Rating	
Overall Rating .....	1
Performance Test Ratings Table .....	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Evaluation .....	3
Description of Institution .....	5
Description of Assessment Area .....	7
Conclusions on Performance Criteria .....	13
Discriminatory or Other Illegal Credit Practices Review .....	23
Springfield, MA Metropolitan Area (full-scope)	
Description of Institution’s Operations.....	24
Conclusions on Performance Criteria .....	25
Worcester, MA-CT Metropolitan Area (full-scope)	
Description of Institution’s Operations.....	35
Conclusions on Performance Criteria .....	36
Appendices	
Appendix A – Scope of Evaluation .....	45
Appendix B – MA Division of Banks Fair Lending Policies and Procedures and Minority Application Flow .....	46
Glossary .....	48

## INSTITUTION RATING

**INSTITUTION’S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate -income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Satisfactory**	X		X
Needs to Improve			
Substantial Noncompliance			

*\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

*\*\* FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low Satisfactory” rating.*

The following summarizes the bank’s Lending, Investment, and Service Test performances.

**The Lending Test is rated Satisfactory.**

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- The bank made an adequate percentage of residential and small business loans in the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among borrowers of different income levels and business of different sizes.
- The bank makes use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate income individuals or geographies.
- The bank made a relatively high level of community development loans.

**The Investment Test is rated High Satisfactory.**

- The bank made a significant level of qualified community development investments and donations.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Satisfactory.**

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

## SCOPE OF EVALUATION

### **General Information**

This performance evaluation assessed Country Bank for Savings' (CBS) CRA performance since the prior evaluation dated November 16, 2015, through the current evaluation dated January 24, 2019. Examiners used the Interagency Large Institution Examination Procedures, which include three performance tests: Lending Test, Investment Test, and Service Test. Examiners obtained the demographic and economic information referenced in the evaluation from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS), D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. In addition, examiners obtained CBS's financial data from its December 31, 2018, Report of Income and Condition (Call Report).

The Lending Test assessed the bank's performance according to the following criteria:

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative or flexible lending practices
- Community development lending

The Investment Test assessed the following factors:

- The dollar amount of qualified investments
- The innovativeness or complexity of qualified investments
- The responsiveness of qualified investments to credit and community development needs
- The degree to which qualified investments are not routinely provided by private investors

The Service Test assessed the following factors:

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- The extent, innovativeness, and responsiveness of community development services

The evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Based on the number and dollar volume of loans originated during the evaluation period, examiners determined that the bank's major product lines are home mortgage and small business loans. The bank originated or purchased significantly more home mortgage loans by both number and dollar amount than small business loans during the evaluation period; therefore, home mortgage lending performance carried greater weight in assigning the Lending Test rating.

The bank did not originate any small farm loans during the evaluation period; therefore, examiners did not evaluate this product line. Additionally, examiners did not review consumer loans since the bank did not collect or report this data, and these loans represented only 0.6 percent of the loan portfolio.

Examiners reviewed all loans reported on the bank’s HMDA LARs for 2016 and 2017. The bank reported 562 loans totaling \$151.1 million in 2016 and 580 loans totaling \$128.7 million in 2017. Examiners compared the bank's home mortgage lending performance against 2016 and 2017 aggregate lending data.

Examiners also reviewed all small business loans reported on the bank’s CRA Loan Registers for 2016, 2017, and 2018. The bank reported 107 small business loans totaling \$18.4 million in 2016, 86 loans totaling \$17.2 million in 2017, and 75 small business loans totaling \$9.7 million in 2018. Examiners compared the bank’s performance to 2016 and 2017 aggregate data, which excludes activity of many smaller institutions not required to report CRA data. CRA aggregate data for 2018 was not available as of the evaluation date; therefore, small business loan performance in 2016 and 2017 carried more weight in determining performance conclusions.

For the Lending Test, examiners reviewed both the number and dollar volume of home mortgage and small business loans; however, examiners focused on the number of loans when assessing bank performance, as it is a better indicator of the number of individuals and businesses served. The evaluation considered the bank’s innovative or flexible lending programs and community development loans made between November 16, 2015 and January 24, 2019. The Investment Test and Service Test considered the number and dollar amount of qualified investments and community development services during the same timeframe.

The CRA requires separate performance analyses and conclusions in each metropolitan statistical area (MSA) where the bank maintains branch offices. CBS operates 15 branch offices including the main office, of which nine are located in the Springfield, MA MSA and six are located in Worcester, MA-CT MSA. Examiners performed a full-scope review of bank performance in both assessment areas; however, performance in the Springfield, MA MSA received more weight when determining the overall rating, as the bank's main office and a majority of bank branches, deposits, and lending activity are in this MSA. The following table illustrates the distribution of bank branches, deposits, and lending activity in each assessment area.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Springfield, MA MSA	63,791	68.9	804,690	75.3	9	60.0
Worcester, MA-CT MSA	28,799	31.1	263,805	24.7	6	40.0
<b>Total</b>	<b>92,590</b>	<b>100.0</b>	<b>1,068,495</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

*Source: Bank Records; FDIC Summary of Deposits (06/30/18), 2016 and 2017 HMDA LARs*

## **DESCRIPTION OF INSTITUTION**

### **Background**

CBS is a \$1.6 billion mutual savings bank headquartered in Ware, Massachusetts, operating in the central and western part of Massachusetts throughout Hampden, Hampshire, and Worcester Counties. The institution operates three wholly owned subsidiaries: two corporations that hold investment securities for state tax purposes and one that holds foreclosed real estate properties.

The institution received a Satisfactory rating at the previous FDIC and Massachusetts Division of Banks CRA Performance Evaluation dated November 16, 2015, based on Interagency Large Institution Examination Procedures. The Lending Test, Investment Test, and Service Tests were all rated Satisfactory.

### **Operations**

The bank operates 15 full-service branches, all of which have automated teller machines (ATMs). In addition, the bank operates 5 stand-alone ATMs and 11 drive-up windows. The bank also has a business center in Worcester. CBS offers home mortgage, commercial, and consumer loans, primarily focusing on residential mortgage lending. The bank's deposit services include checking, savings, and money market deposit accounts, certificates of deposit, and retirement accounts. Other banking services include internet and mobile banking, telephone banking, electronic bill pay, and remote deposit capture.

In January 2016, the bank closed its Leicester branch in the Walmart store. In October 2018, the bank moved its Ludlow Big Y branch from Center Street to Cherry Street and made it into a full-service branch. The bank also opened its business center in Worcester in 2017. No merger or acquisition activity occurred since the previous evaluation.

### **Ability and Capacity**

CBS reported assets of \$1.6 billion as of December 31, 2018, of which loans totaled \$1.3 billion and securities totaled \$324.8 million. The bank's Call Report shows that home mortgage lending, consisting of one-to-four family and multi-family properties, represented the majority of the loan portfolio. The following table illustrates the loan portfolio distribution.

<b>Loan Portfolio Distribution as of 12/31/2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	86,475	6.9
Secured by Farmland	-	0.0
Secured by 1-4 Family Residential Properties	603,171	48.2
Secured by Multi-family (5 or more) Residential Properties	102,253	8.2
Secured by Non-farm Non-Residential Properties	420,160	33.6
<b>Total Real Estate Loans</b>	<b>1,212,059</b>	<b>96.9</b>
Commercial and Industrial Loans	31,751	2.5
Agricultural Production and Other Loans to Farmers	-	0.0
Consumer	8,088	0.6
Obligations of States and Political Subdivisions in the United States	-	0.0
Other Loans	257	0.0
Lease Financing Receivables (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
<b>Total Loans</b>	<b>1,252,155</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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



## DESCRIPTION OF ASSESSMENT AREA

CBS delineated its assessment area to include towns and cities in Hampden County and Hampshire County in the Springfield, MA MSA and Worcester County in the Worcester, MA-CT MSA. The bank included the following communities within each MSA and county.

### **Springfield, MA MSA**

- *Hampshire County* – Belchertown and Ware
- *Hampden County* – Brimfield, Chicopee, Holland/Wales, Ludlow, Monson, Palmer, Springfield, and Wilbraham

### **Worcester, MA-CT MSA**

- *Worcester County* – Brookfield, Charlton, East Brookfield, Hardwick/New Braintree, Leicester, North Brookfield, Paxton, Spencer, Warren, West Brookfield, and Worcester

Since the previous evaluation, the bank expanded its assessment area to include the remaining census tracts in the City of Worcester, and census tracts in Chicopee and Springfield.

The U.S. Census Bureau collects most demographic data used in completing CRA performance evaluations. The U.S. Census Bureau updates census data every five years, and the 2015 ACS provided updated demographic data as of 2017. The evaluation used demographic data from the 2010 U.S. Census when assessing 2016 lending and 2015 ACS data when assessing 2017 lending. The following sections describe economic and demographic information for the combined assessment area.

### **Economic and Demographic Data**

The assessment area comprises 123 census tracts that reflect the following income designations according to the 2015 ACS:

- 29 low-income census tracts
- 34 moderate-income census tracts
- 44 middle-income census tracts
- 13 upper-income census tracts
- 3 census tracts with no income designation

The bank's assessment area expansion added 70 census tracts to the previous assessment area. The increase accounts for an additional 21 low-income census tracts, 28 moderate-income census tracts, 21 middle-income census tracts, and 2 census tracts with no income designation.

All of the area's low-income census tracts and most of its moderate-income census tracts are located in the Cities of Springfield and Worcester. Springfield contains 16 low-income census tracts and 12 moderate-income census tracts. Worcester contains 13 low-income census tracts and 12 moderate-income census tracts. The following table illustrates 2015 ACS demographic information for the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Country Bank Combined AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	123	23.6	27.6	35.8	10.6	2.4
Population by Geography	547,483	21.8	26.5	38.8	12.0	0.9
Housing Units by Geography	226,485	21.4	27.4	39.3	11.2	0.7
Owner-Occupied Units by Geography	114,572	7.7	22.8	51.1	18.3	0.1
Occupied Rental Units by Geography	91,930	37.4	31.9	25.8	3.6	1.3
Vacant Units by Geography	19,983	26.6	33.6	33.3	5.3	1.2
Businesses by Geography	28,406	21.4	26.5	34.0	13.4	4.7
Farms by Geography	658	7.0	14.4	53.0	25.1	0.5
Family Distribution by Income Level	129,610	31.0	18.3	18.4	32.3	0.0
Household Distribution by Income Level	206,502	32.7	16.0	16.6	34.7	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$188,195
Median Family Income MSA – 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$868
			Families Below Poverty Level			14.9%

*Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data. Due to rounding, totals may not equal 100.0*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

The high poverty level (14.9 percent) indicates that many low-income families would not likely qualify for a home mortgage loan. Median family income ranges are as follows.

<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>Springfield, MA MSA Median Family Income (44140)</b>				
2016 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800

*Source: FFIEC*

According to 2017 D&B data, 28,406 non-farm businesses are located in the assessment area, of which 81.8 percent reported revenue of less than \$1 million, 6.6 percent reported revenues of more than \$1 million, and 11.6 percent had unknown revenues. The service industry accounts for 45.6 percent of all businesses, followed by retail and finance at 14.6 percent and 9.0 percent,

respectively. Additionally, 68.2 percent of businesses employ four or fewer employees, and 86.6 percent have a single location.

According to the U.S. Bureau of Labor and Statistics, the 2017 year-end unemployment rate was 4.5 percent for the Springfield, MA MSA and 3.9 for the Worcester, MA-CT MSA compared to 3.7 percent statewide, and 4.4 percent nationwide. Unemployment rates have decreased since the previous evaluation.

According to Moody's Analytics, the largest employers in the Springfield, MA MSA are University of Massachusetts, Baystate Health, and Big Y Supermarkets. Economic challenges in the area include underrepresentation in high tech and financial services, persistent out-migration of skilled youth, and low labor force participation. Employment gains in the Springfield, MA MSA are expected to decelerate following the opening of the MGM Springfield casino. Hospitality jobs recently skyrocketed as the MGM Springfield hired 3,000 workers in preparation for its August opening. The new casino provided a one-time boost to hospitality and tax revenue from the casino, which will offer a small benefit to local governments.

Furthermore, the largest employers in the Worcester, MA-CT MSA are UMass Memorial Health Care, University of Massachusetts Medical School, and Reliant Medical Group. Economic weaknesses include over dependence on manufacturing, insurance industry is in a long-term decline, and high business costs, especially energy. Robust demand and a lack of homes for sale have propelled house price growth past that of the nation. However, higher prices have not spurred more residential building, which has shown no signs of rebounding since the sharp drop during the 2008-2009 recession.

Additionally, more than one in five working residents in Worcester, MA-CT MSA commute to Boston or Cambridge, and robust wage growth there will boost demand for housing and consumer industries. However, the area lacks the specialty biotech concentration present in Greater Boston; instead, its tech industry consists mostly of pharmaceutical and semiconductor manufacturing jobs that can be found in plenty of other metro areas.

Demographics specifically within the cities of Springfield and Worcester, which contain most of the assessment area's low- and moderate-income census tracts, provide insight on opportunities in low- and moderate-income geographies. The cities have low owner-occupancy rates and high poverty levels. These conditions create challenges to making home mortgage loans, particularly considering a high level of competition from non-bank lenders in these cities.

Springfield's average median family income is \$42,847, and its median housing value is \$138,560. Springfield's low-income census tracts have incomes as low as \$13,382 and median housing values as low as \$55,900. The city has a high rental occupancy rate of 47.0 percent, with low-income tracts ranging from 50.0 percent to 89.0 percent. Owner occupied units represent 43.0 percent of total units, with individual census tracts having as few as 3.0 percent of units owner-occupied. Owner-occupancy rates are higher in middle- and upper-income census tracts compared to low- and moderate-income tracts. Springfield has 29.0 percent of families below poverty level, with some tracts having a poverty rate as high as 62.7 percent.

Worcester's average median family income is \$66,148 and has a median housing value of \$195,361. Worcester has census tracts with median family income as low as \$13,667, while median housing values are as high as \$220,700. The lack of affordability in Worcester relative to incomes impacts home mortgage lending opportunities. Over 52.0 percent of housing units are rentals, with low-income tracts ranging from 16.6 percent to 89.9 percent. Worcester has a 22.0 percent poverty rate, with individual tracts as high as 63.3 percent.

### **Competition**

CBS operates in a highly competitive market for banking services. According to FDIC Deposit Market Share data as of June 30, 2018, there were 24 institutions in the assessment area. The presence of national, regional, and community banks within the assessment area creates significant competition. TD Bank, Berkshire Bank, and Bank of America were the top three institutions with a combined deposit market share of 43.0 percent. CBS ranked fourth with a market share of 10.7 percent. CBS has the most branches compared to other banks, excluding TD Bank that also operates 15 branches in the assessment area. The community banks that trailed CBS were Westfield Bank, PeoplesBank, and Monson Savings Bank, with deposit market shares of 4.5 percent, 4.4 percent, and 2.5 percent, respectively.

As previously noted, Springfield and Worcester contain the majority of assessment area low- and moderate-income census tracts. In addition to large institutions, community banks have a higher physical presence and deposit market share in these cities compared to CBS. In Springfield, large and regional institutions such as TD Bank, Berkshire, Bank of America, and United Bank dominate the deposit market, holding 70.1 percent of the deposit market share and operating 17 offices. Additionally, PeoplesBank operates four offices with a deposit market share of 9.2 percent, and Westfield Bank operates two offices with a market share of 2.5 percent. As CBS does not have a branch presence in Springfield, other banks have a competitive advantage within the City of Springfield. This context indicates that competition has a significant effect on CBS' geographic distribution performance in the Springfield, MA MSA.

Furthermore, CBS operates one office in Worcester with a deposit market share of 1.1 percent. In comparison, the top institutions are Berkshire Bank, Bank of America, TD Bank, and People's United Bank, with a combined market share of 69.9 percent. These institutions operate 22 offices within Worcester. Additionally, community banks such as Bay State Savings Bank and Webster Five Cents Savings Bank operate four and two offices, respectively, with a combined market share of 8.2 percent. The presence of large and community banks in Worcester further reflects the significant level of competition for CBS. Similar to performance context in Springfield, competition significantly affects CBS' geographic distribution performance in the Worcester, MA-CT MSA.

In 2016, 345 HMDA-reporting lenders originated or purchased 13,545 home mortgage loans in the assessment area. The three most prominent lenders were Wells Fargo Bank, Quicken Loans, and Pennymac Loan Services LLC, with a combined 13.0 percent of total market share. CBS ranked above other community banks in the area, ranking fifth with a 2.5 percent market share. Monson Savings Bank and PeoplesBank trailed, ranking 9<sup>th</sup> and 21<sup>st</sup> with a combined 2.8 percent market share. Bay State Savings Bank ranked 62<sup>nd</sup> with a market share of 0.5 percent, Webster

Five Cents Savings Bank ranked 66<sup>th</sup> with a market share of 0.5 percent, and Westfield Bank ranked 91<sup>st</sup> with a market share of 0.3 percent.

In 2017, 352 HMDA-reporting lenders originated or purchased 13,126 home mortgage loans in the assessment area. The three most prominent lenders were Wells Fargo Bank, Quicken Loans, and Fairway Independent Mortgage Corporation, with a combined 12.5 percent market share. CBS ranked above other community banks in the area, ranking fifth with a market share of 2.7 percent. Monson Savings Bank and PeoplesBank trailed at 19<sup>th</sup> and 21<sup>st</sup> with a combined market share of 2.6 percent. Westfield Bank ranked 28<sup>th</sup> with a market share of 0.9 percent, Webster Five Cents Savings Bank ranked 56<sup>th</sup> with a market share of 0.5 percent, and Bay State Savings Bank ranked 70<sup>th</sup> with a market share of 0.4 percent.

Due to restrictions in publically available data for aggregate small business lending, market share information is only available at the county level. In 2016, CBS ranked 26<sup>th</sup> out of 117 lenders with a market share of 0.3 percent, and in 2017 the bank ranked 34<sup>th</sup> out of 117 lenders with a market share of 0.3 percent.

In comparison, in 2016, Westfield Bank ranked 11<sup>th</sup> with a market share of 1.6 percent, PeoplesBank ranked 32<sup>nd</sup> with a market share of 0.3 percent, and Webster Five Cents ranked 43<sup>rd</sup> with a market share of 0.2 percent. In 2017, Westfield Bank ranked 12<sup>th</sup> with a market share of 2.2 percent, PeoplesBank ranked 36<sup>th</sup> with a market share of 0.3 percent, and Webster Five Cents Savings Bank ranked 54<sup>th</sup> with a market share of 0.2 percent.

### **Community Contact**

As part of the evaluation process, examiners contact organizations active in the assessment area to assist in identifying the credit and community development needs of the community. This information helps examiners determine whether local financial institutions are responsive to those needs. The contact may also help identify what credit and community development opportunities are available. Examiners utilized three community contacts recently conducted in the area.

A community development corporation that serves Hampshire County and an affordable housing organization that serves a broader regional area that includes the assessment area provided community insights. The contacts highlighted that low-income individuals and those on fixed-incomes depend significantly on community services. Non-profit organizations provide these individuals with affordable access to quality health services, food, and housing. Flat household incomes despite rising housing costs have increased low-income individuals' reliance on community service support.

In Hampshire County, the lack of single-room occupancy units has increased the homeless population. In addition, poor housing stock condition prevent home ownership due to deferred maintenance costs. Potential low- and moderate -income homeowners require financing beyond purchasing a home in order to address critical repairs required in affordable homes.

Examiners also contacted a director of business development of a local non-profit organization serving southern central Worcester County with housing, transportation, employment, food

pantry, and clothing services. The contact stated that its service area relies on manufacturing and has economic challenges. Low-income individuals have limited public transportation and limited employment opportunities in the area. Despite affordable home prices, the need to travel long distances for employment negatively affects families. The contact also noted that rents take up a large portion of income from low-income families, leaving little money for savings toward a down payment for a home purchase.

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

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and community service support for low- and moderate -income individuals represent the primary community development needs of the assessment area. Opportunities exist, particularly in Springfield and Worcester, to support affordable housing and community services through lending, investments, and services. These cities contain a high number of low- and moderate -income areas and individuals.

Credit products for first-time homebuyers and products that target low- and moderate -income borrowers are a credit need in the Springfield, MA MSA. In particular, residential loan products with low down payment requirements are a primary credit need. Such products allow low- and moderate-income individuals to purchase affordable homes while retaining funds to make critical repairs often required in such homes.

Furthermore, the contact in the Worcester, MA-CT MSA identified a need for flexible lending products, particularly those with a low down payment and a higher loan-to value ratio and lower credit scores to obtain mortgage loans. Local banks dominate the financial landscape of the community and they are providing financial literacy and sponsorship of local community events. When it comes to residential mortgages, however, people shop for rate and fees and are more likely to go online or to a mortgage company than walk into a local branch.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The overall Lending Test performance is rated Satisfactory. Satisfactory Lending Test performances in both assessment areas support the rating. The following sections discuss the bank's overall performance under each Lending Test factor. Refer to Lending Test conclusions for individual assessment areas for a detailed discussion of geographic distribution and borrower profile performances.

#### **Lending Activity**

Lending levels reflect excellent responsiveness to assessment area credit needs.

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

CBS's home mortgage lending activity reflects excellent responsiveness to assessment area credit needs. In 2016, CBS originated 337 home mortgage loans in the assessment area totaling \$45.4 million. In 2017, the bank's originations increased to 353 loans totaling \$47.2 million. CBS ranked above other community banks in the area during both years, ranking 5<sup>th</sup> out of 345 lenders in 2016 and 352 lenders in 2017 with market shares of 2.5 percent and 2.7 percent, respectively.

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

The bank's small business loan activity reflects good responsiveness to assessment area credit needs, particularly since these loans are the bank's secondary product. In 2016, CBS originated 71 small business loans in the assessment area totaling \$10.3 million. The bank's originations decreased in 2017 to 57 loans totaling \$9.0 million, and slightly lower to 54 loans totaling \$6.2 million in 2018.

#### **Assessment Area Concentration**

The bank made an adequate percentage of home mortgage and small business loans within its assessment area. The following table illustrates the bank's lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	337	60.0	225	40.0	562	45,428	30.1	105,693	69.9	151,121
2017	353	60.9	227	39.1	580	47,162	36.6	81,559	63.4	128,721
<b>Subtotal</b>	<b>690</b>	<b>60.4</b>	<b>452</b>	<b>39.6</b>	<b>1,142</b>	<b>92,590</b>	<b>33.1</b>	<b>187,252</b>	<b>66.9</b>	<b>279,842</b>
Small Business										
2016	71	66.4	36	33.6	107	10,349	56.3	8,039	43.7	18,388
2017	57	66.3	29	33.7	86	8,980	52.2	8,224	47.8	17,204
2018	54	72.0	21	28.0	75	6,217	63.8	3,530	36.2	9,747
<b>Subtotal</b>	<b>182</b>	<b>67.9</b>	<b>86</b>	<b>32.1</b>	<b>268</b>	<b>25,546</b>	<b>56.3</b>	<b>19,793</b>	<b>43.7</b>	<b>45,339</b>
<b>Total</b>	<b>872</b>	<b>61.8</b>	<b>538</b>	<b>38.2</b>	<b>1,410</b>	<b>118,136</b>	<b>36.3</b>	<b>207,045</b>	<b>63.7</b>	<b>325,181</b>
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data            Due to rounding, totals may not equal 100.0</i>										

The percentage of home mortgage lending activity in the assessment area has been consistent at approximately 60.0 percent during the evaluation period. As mentioned previously, examiners focused on the number rather than dollar volume of loans. Therefore, the higher percentage of loans by dollar volume outside the assessment area did not significantly affect conclusions. The bank's high concentration of MassSave HEAT loans in the assessment area, which have a maximum \$25,000 amount, primarily explains the lower dollar volume of assessment area loans. The percentage of small business loans in the assessment area remained consistent in 2016 and 2017 at approximately 66.0 percent, and increased to 72.0 percent in 2018. The concentration of assessment area lending indicates the bank has focused on assessment area credit needs.

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area. Adequate performance in both assessment areas supports this conclusion. As noted previously, the recent assessment area expansion resulted in an addition of 21 low-income census tracts and 28 moderate-income census tracts, which are mostly located in the cities of Springfield and Worcester. Significant competition and economic and demographic challenges support the bank's adequate performance in low- and moderate-income geographies within the assessment area.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area, particularly to low- and moderate-income geographies. Adequate performance in the Springfield, MA MSA and Worcester, MA-CT MSA support this conclusion. A notable increase in lending within moderate-income tracts in 2017 helped offset weaker 2016 lending in



low- and moderate-income tracts. Refer to individual assessment area performance discussions for a comprehensive analysis of the geographic distribution of home mortgage loans.

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

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Given the significant competition and branch presence of other institutions, the bank's performance is reasonable, particularly considering small business loans are the bank's secondary lending product. Refer to individual assessment area performance discussions for a comprehensive analysis of the geographic distribution of small business loans.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels and businesses of different sizes. Adequate performance in both assessment areas supports this conclusion.

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

The distribution of borrowers reflects good penetration among individuals of different income levels. Good performance in the Springfield, MA MSA and Worcester, MA-CT MSA support this conclusion. The bank's good performance in low- and moderate-income borrower lending, despite significant competition and economic and demographic challenges, supports CBS's borrower distribution performance. Refer to individual assessment area performance discussions for a comprehensive analysis of the borrower profile of home mortgage loans.

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

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Refer to individual assessment area performance discussions for a comprehensive analysis of the borrower profile of small business loans.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending programs to assist in meeting assessment area credit needs. During the evaluation period, the bank originated 834 loans totaling \$28.6 million through flexible programs. A substantial majority of these programs benefited affordable housing efforts. These loans illustrate the bank's responsiveness to the area's primary community development need. The following table highlights the total amount of innovative and flexible loans originated during the review period.

Innovative or Flexible Lending Programs								
Type of Program	2016		2017		2018		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
First-time Homebuyer	18	2,983	41	6,315	48	8,248	107	17,546
MassSave HEAT Loan	276	1,280	149	1,171	187	1,442	612	3,893
USDA Rural	11	1,956	8	1,505	4	800	23	4,261
MassHousing Mortgage	3	601	1	249	1	153	5	1,003
MassHousing Rehab	-	-	-	-	4	712	4	712
Mass Housing Home Improvement	-	-	1	19	-	-	1	19
Credit Booster	-	-	21	20	50	64	71	84
Reverse Mortgages	-	-	-	-	1	80	1	80
SBA 7A	-	-	10	1,049	-	-	10	1,049
<b>Totals</b>	<b>308</b>	<b>6,820</b>	<b>231</b>	<b>10,328</b>	<b>295</b>	<b>11,499</b>	<b>834</b>	<b>28,647</b>
<i>Source: Bank Records</i>								

The following section describes innovative and flexible loan programs offered by the bank:

- **First-time Homebuyer Program** - This in-house program provides lower interest rates than MassHousing, is serviced by the bank, and offers reduced closing costs. Underwriting criteria is similar to that of MassHousing.
- **MassSave HEAT Loan** - This product helps homeowners purchase and install energy efficient improvements in their properties. Eligible improvements include window replacement, installation of solar hot water systems, or other weatherization measures. Residential customers are eligible for zero percent interest rate loans up to \$25,000.
- **USDA Rural** - This product primarily helps low-income individuals or households purchase homes in rural areas. Funds help build, repair, renovate, or relocate a home. Funds can also be used to prepare or renovate residential sites or essential infrastructure, such as water and sewage facilities.
- **MassHousing Mortgage** - This product is an affordable 30-year fixed rate loan for first-time or repeat homebuyers, and it primarily assists low- and moderate-income borrowers. Along with a reduced rate, the product offers a low down payment, flexible underwriting, and payment protection services.
- **MassHousing Rehab** - This program covers the cost of purchasing a home in need of repairs and making the necessary improvements. A three percent down payment is required, and the minimum rehabilitation amount for applicable properties is \$7,500.
- **MassHousing Home Improvement** - The bank offers this program to borrowers for non-luxury improvements to their primary residence. These second mortgage loans are greater than \$7,500 at a five percent interest rate.

- **Credit Booster** - The bank holds loan funds as collateral until the borrower makes payments. The bank reports payments to credit bureaus to help the borrower build or improve credit. As an added incentive to make payments on time, borrowers receive an interest credit up to \$50 when they pay off the loan.
- **Home Options for Massachusetts Elders (HOME)** - The bank offers a term reverse mortgage through HOME, a nonprofit agency dedicated to protecting the equity of low- and moderate-income elder homeowners (age 62 or older). The program has counseling requirements to ensure that the reverse mortgage is an appropriate financial decision.

### **Community Development Lending**

The bank made a relatively high level of community development loans, originating 17 community development loans totaling \$98.3 million, and representing 6.5 percent of average total assets and 8.8 percent of average total loans. This level of community development loans also significantly surpasses the level at the previous evaluation, where there were seven community development loans totaling \$3.4 million.

Since the institution was responsive to the community development needs of its assessment area, examiners also gave credit for community development loans originated in the statewide area that includes the assessment area. Of the 17 loans, 10 totaling \$54.5 million benefitted the assessment area, and the remaining \$43.8 million benefitted other areas in Massachusetts. The following table illustrates the bank’s total community development loans by assessment area and purpose.

<b>Community Development Lending</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Springfield, MA MSA	2	3,274	1	150	-	-	-	-	3	3,424
Worcester, MA-CT MSA	4	3,534	1	21,360	1	15,090	1	11,067	7	51,051
Statewide Activities	3	10,568	-	-	3	1,207	1	32,000	7	43,775
<b>Total</b>	<b>9</b>	<b>17,376</b>	<b>2</b>	<b>21,510</b>	<b>4</b>	<b>16,297</b>	<b>2</b>	<b>43,067</b>	<b>17</b>	<b>98,250</b>

*Source: Bank Records*

Below are notable examples of the bank’s community development loans:

- In 2016, the bank financed the expansion of a local brewery. The \$15.1 million dollar loan allowed the brewery to expand its operations, creating new jobs. The bank made the loan in conjunction with the Massachusetts Development Finance Agency. **Worcester, MA-CT MSA**
- In 2016, the bank originated a \$21.4 million loan to finance a new building for the Central Massachusetts Special Education Collaborative (CMSEC). The CMSEC takes on at-risk students who cannot function in traditional public schools. The new building is

located in Worcester, and benefits students from the Worcester public school system, which services predominantly low- and moderate-income areas. **Worcester, MA-CT MSA**

- In 2018, the bank originated as \$11.1 million loan to build medical office spaces in Worcester. The loan allowed for the teardown of a 100-year-old manufacturing building and replaced it with a modern building. The loan revitalized the neighborhood, bringing in new businesses. **Worcester, MA-CT MSA**
- In 2016, the bank originated a \$32.0 million loan to finance the renovation of an old mill building in Lawrence. This loan helped revitalize the low-income area by financing the renovation and allowing new businesses to rent in the building. **Outside Assessment Area**

## **INVESTMENT TEST**

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

### **Investment Activity**

CBS made a significant level of qualified investments and donations. During the evaluation period, the bank made 384 qualified investments and donations totaling \$19.4 million. This activity represents 1.3 percent of average total assets since the prior evaluation. Additionally, the bank’s qualified investments have significantly increased since the prior evaluation. The following table illustrates the bank’s community development qualified investments.

<b>Overall Assessment Area Qualified Investments</b>								
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	6	1,433	<b>6</b>	<b>1,433</b>
2016	1	1,192	0	0	3	3,000	<b>4</b>	<b>4,192</b>
2017	2	2,419	0	0	4	3,600	<b>6</b>	<b>6,019</b>
2018	4	4,402	0	0	2	2,560	<b>6</b>	<b>6,962</b>
<b>Subtotal</b>	<b>7</b>	<b>8,013</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>10,593</b>	<b>22</b>	<b>18,606</b>
Qualified Grants & Donations	23	31	321	636	18	129	<b>362</b>	<b>796</b>
<b>Total</b>	<b>30</b>	<b>8,044</b>	<b>321</b>	<b>636</b>	<b>33</b>	<b>10,722</b>	<b>384</b>	<b>19,402</b>
<i>Source: Bank Records</i>								

### **Equity Investments**

Qualified equity investments totaled approximately \$18.6 million, equating to 5.3 percent of average total securities. Qualified equity investments have increased significantly since last exam, when equity investments totaled \$6.1 million.

### *Prior Period Investments*

- CBS maintains three Small Business Investment Corporation (SBIC) bonds from the prior period with a total book value of \$922,060 as of December 31, 2018. The bonds help finance small business through loans with low interest rates. The rates are set according to the cost of funds to the Federal government. **Regional Area**
- CBS retains one Massachusetts Development Finance Agency (MDFA) bond with a book value of \$250,752 as of December 31, 2018. Bond funds helped revitalize and stabilize low- and moderate-income geographies in Cambridge, Massachusetts. Because the bank has been responsive to assessment area community development needs, it also received CRA credit for this investment made outside the assessment area but within Massachusetts. **Outside Assessment Area**
- Country Bank retained two Recovery Zone Economic Development bonds with a current book value of \$259,976 as of December 31, 2018. These bonds financed qualified economic development activities in a federally-designated Empowerment Zone in Boston, as authorized under the American Recovery and Reinvestment Act of 2009. CBS receives credit for the bonds because the bank has been responsive to its assessment area's community development needs. **Outside Assessment Area**

### *Current Period Investments*

- During the evaluation period, the bank purchased eight CRA targeted mortgage backed securities (MBS) totaling \$8.0 million. These MBS are securitized by home mortgage loans originated in the institution's assessment area. The majority of underlying mortgages in each MBS were to low- and moderate- income borrowers. **Regional Area**
- Country Bank purchased nine additional SBIC bonds totaling \$8.9 million during the evaluation period. The bonds financed small businesses in the assessment area and statewide area through small business loans with low interest rates. Rates are set according to the cost of funds to the Federal government. These equity investments promote economic development. **Regional Area**

### Donations and Grants

During the evaluation period, the bank made qualified donations totaling approximately \$796,000. The majority of donations benefited community services to low- and moderate-income individuals. The following are examples of organizations that received qualified donations.

- **Quaboag Valley Community Development Corporation** – The Quaboag Valley CDC is a member-based non-profit organization committed to economic development and helping small businesses grow and prosper. The Quaboag Valley CDC serves the 15 towns of the Quaboag Region and Southern Worcester County, offering many programs and services with a focus on community and economic development. **Regional Area**

- **Friends of the Homeless** – Friends of the Homeless provides shelter for adult men and women and operates a resource center. The organization also manages 110 low-income housing units in Springfield. The organization houses the chronically homeless, homeless, and low-income individuals either by providing permanent supportive housing in their properties or in the community at large. *Springfield, MA MSA*
- **Worcester County Food Bank (WCFB)** – The Worcester County Food Bank, together with a network of 118 local agencies, WCFB provides food to low-income families. *Worcester, MA MSA*
- **Nonmonetary Building Donation** – In 2017, the bank donated a building located in Ware to the Quaboag Valley CDC to aid in the organization’s efforts to assist low- and moderate-income individuals. *Regional Area*

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community economic development needs. The bank’s current period investments directly benefitted the assessment area. The bank’s equity investments helped promote affordable housing and economic development, which were both identified as critical community development needs by community contacts. In addition, the bank’s donations and grants helped provide community services to low- and moderate-income individuals throughout the area.

### **Innovativeness or Complexity of Qualified Investments**

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The bank’s current period investments include the purchase of MBS, which are a common equity investment. The bank also invested in SBIC funds that operate regionally in an area including the bank’s assessment area. SBICs manage investment funds consisting of their own private funds and funds borrowed from the Small Business Administration to provide financing to small businesses.

### **SERVICE TEST**

CBS is rated Satisfactory under the Service Test. The following sections address the bank’s Service Test performance under each factor.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the institution’s assessment area. Alternative delivery systems supplement the bank’s branches. Country Bank operates 15 full-service branches located in Belchertown, Brimfield, Charlton (2), Palmer (2), Leicester, Ludlow, Ware (3), Paxton, West Brookfield, Wilbraham, and Worcester. The following table illustrates the distribution of full-service branches and deposit-taking ATMs.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	29	23.6	119,124	21.8	1	6.7	1	5.6
Moderate	34	27.6	145,326	26.5	1	6.7	1	5.6
Middle	44	35.8	212,288	38.8	10	66.6	13	72.2
Upper	13	10.6	65,954	12.0	3	20.0	3	16.6
NA	3	2.4	4,791	0.9	0	0.0	0	0.0
<b>Total</b>	<b>123</b>	<b>100.0</b>	<b>547,483</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>

*Source: 2015 ACS Data & Bank Records*

The bank’s branch percentage in low- and moderate-income tracts is lower than the population percentage and tract distribution. As discussed previously, Springfield and Worcester contain all low-income tracts and most moderate-income tracts. The lack of branches in Springfield contributes to the unfavorable demographic comparisons. The bank operates 18 deposit-taking ATMs, 15 of which are located at the branches and three are standalone. Of the three standalone ATMs, one is located in a middle-income census tract in Brookfield, one is located in a middle-income tract in Hardwick, and one is located in a middle-income tract in Rochdale.

### Alternative Delivery Systems

In addition to the branch network and ATMs, the institution provides a variety of alternative delivery systems:

- Online Banking allows customers to open accounts, view account activity, print statements, transfer funds, and pay bills.
- Mobile and Text Banking services allow customers to view balances, retrieve account history, pay bills, mobile deposit, and transfer funds.
- The bank has employees that speak languages other than English to assist customers. Languages spoken include Chinese, Polish, Portuguese, and Russian.

### Changes in Branch Locations

To the extent that changes have been made, the bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. In 2016, the bank closed one branch located in a middle-income tract in Leicester. In 2018, the bank relocated a branch in a middle-income census tract in Ludlow. The relocated branch is located in the same middle-income tract.

### Reasonableness of Business Hours and Services

The bank’s business hours and services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are consistent at each location. The bank operates one branch at a retirement home community in Charlton, MA. This branch has limited hours and is not accessible to the public.

The retirement home is located in a middle-income tract. All full-service branches offer the bank’s complete line of products and services, and a majority offer drive-up services.

**Community Development Services**

The bank provides an adequate level of community development services. During the evaluation period, bank management contributed 65 instances of community development services to organizations that support affordable housing and neighborhood revitalization efforts, economic and community development projects and programs, first-time homebuyer seminars, financial literacy, and mortgage education activities. Community development services targeted the Worcester, MA MSA; Springfield, MA MSA; and a broader regional area that includes the assessment area.

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

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2016	3	14	3	5	0	<b>25</b>
2017	1	14	3	5	0	<b>23</b>
2018	1	11	2	3	0	<b>17</b>
<b>Total</b>	<b>5</b>	<b>39</b>	<b>8</b>	<b>13</b>	<b>0</b>	<b>65</b>

*Source: Bank Records, # represents instances of community development services*

Examples of the bank’s community development services include:

**Employee Involvement**

- **Springfield Partners for Community Action** – This organization supports low-income families in the Greater Springfield area through financial services and educational programs aimed at economic stability. Programs offered include credit counseling, affordable housing services, financial literacy workshops, tax preparation services, and emergency fuel and food assistance. During the evaluation period, a bank vice president served as the chair of the organization’s finance committee. In addition, two members of bank management periodically served as volunteer tax preparers to assist the organization’s clients. *Springfield, MA MSA*
- **Salvation Army** – This organization assists the unemployed, homeless, and families facing an unexpected crisis. A senior vice president and vice president of the bank served as board members. In addition, a loan officer served as the fundraising coordinator. *Regional Area*
- **Buy Ware Now** – This initiative established collaboration between public, nonprofit, and private sector organizations to promote homeownership opportunities in Ware, with an



emphasis on low- and moderate-income ownership. A bank senior vice president served as a committee member and a bank trustee served as the organization's treasurer.

***Springfield, MA MSA***

- **Springfield Neighborhood Housing Services** – This CDC is a certified HUD counseling agency that provides credit counseling, homeownership education, flexible financing products, technical assistance, and foreclosure prevention to low- and moderate-income individuals in the Springfield area. A bank loan officer served on the organization's loan committee during the evaluation period. ***Springfield, MA MSA***

Financial Education

During the evaluation period, bank employees participated in first-time homebuyer and financial education seminars in conjunction with community development organizations that support low- and moderate-income individuals. These community development organizations included HAP Housing, Neighborworks, Worcester Family Resource Center, Valley CDC, Ware Housing Authority, and Wayfinders. Bank employees supported 12 classes and seminars throughout the combined assessment area during the evaluation period.

Other Services

- **Country Bank Matched Savings Program** – This program provides special savings accounts to assist low- and moderate-income individuals with developing a savings history. The bank matches each dollar saved by the individual up to a maximum of \$5,000. The funds must be used to purchase a primary residence.
- **Massachusetts Community & Banking Council (MCBC) Basic Banking** – The bank is a participant in the *Basic Banking for Massachusetts* program, which was launched in 1994 as a voluntary program to expand access to bank products and services and to encourage low- and moderate-income individuals to establish banking relationships.
- **Interest on Lawyers Trust Account Program**- The bank participates in the Interest on Lawyers Trust Account program. Interest paid on these accounts is used to provide legal assistance to low- and moderate-income individuals in need of legal services.

**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 bank's overall CRA rating.

## **SPRINGFIELD, MA METROPOLITAN STATISTICAL AREA** *(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN SPRINGFIELD, MA MSA**

The Springfield, MA MSA portion of the assessment area represents a majority of CBS's lending, investment, and service activity. In addition to including the main office and a majority of branches, this portion contains significantly more bank deposits and loans than the Worcester, MA-CT MSA.

CBS delineated the following 10 towns in Hampden County and Hampshire County in the Springfield, MA MSA: Belchertown, Ware, Brimfield, Chicopee, Holland/Wales, Ludlow, Monson, Palmer, Springfield, and Wilbraham. The Springfield, MA MSA portion of the assessment area comprises census tracts that reflect the following income designations according to the 2015 ACS:

- 16 low-income census tracts
- 20 moderate-income census tracts
- 21 middle-income census tracts
- 9 upper-income census tracts

The expansion of the assessment area resulted in an addition of 49 census tracts in this portion of the assessment area, which accounts for an additional 16 low-income census tracts, 19 moderate-income census tracts, and 14 middle-income census tracts. The upper-income census tracts have remained the same. The bank's recent expansion into all but one of the area's low- and moderate-income tracts affected the bank's geographic distribution performance.

The following table demonstrates the demographic information of the Springfield, MA MSA portion of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	66	24.2	30.3	31.8	13.7	0.0
Population by Geography	299,643	21.3	28.4	34.7	15.6	0.0
Housing Units by Geography	124,012	20.1	29.1	36.0	14.8	0.0
Owner-Occupied Units by Geography	67,068	7.0	25.2	45.0	22.8	0.0
Occupied Rental Units by Geography	46,428	37.1	33.8	24.2	4.9	0.0
Vacant Units by Geography	10,516	28.1	32.8	31.4	7.7	0.0
Businesses by Geography	14,618	24.8	28.9	28.1	18.2	0.0
Farms by Geography	348	5.5	14.4	46.3	33.8	0.0
Family Distribution by Income Level	73,443	30.7	17.9	17.5	33.9	0.0
Household Distribution by Income Level	113,496	31.4	15.7	16.1	36.8	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$172,598
			Median Gross Rent			\$818
			Families Below Poverty Level			16.1%
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;B Data. 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>						

As noted in the overall description of the bank’s assessment area, Springfield contains most of the low- and moderate-income census tracts of the combined assessment area. Demographics in this area present challenges for individuals to qualify for home purchase loans. Additionally, low- and moderate-income census tracts in Springfield have low owner-occupancy rates. Furthermore, large institutions and other community banks have physical locations in Springfield whereas CBS does not. These factors combined with significant competition for home mortgage loans create challenges for CBS to make home mortgage loans in the area’s low- and moderate-income tracts.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN SPRINGFIELD, MA MSA**

### **LENDING TEST**

CBS’ Lending Test performance in the Springfield, MA MSA is consistent with its overall performance.

## **Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs. During the evaluation period, the bank originated 45.4 percent of total home mortgage and small business loans in this area. CBS originated 256 out of 562 home mortgage loans in 2016 and 262 loans out of 580 in 2017 in the Springfield, MA MSA. For small business loans, the bank originated 50 in 2016, 38 in 2017, and 47 in 2018.

In 2016, the bank ranked third out of 261 home mortgage lenders with a market share of 3.6 percent in this assessment area. The other two institutions that ranked above CBS were Wells Fargo and Quicken Loans with a combined market share of 10.7 percent. Similarly, in 2017, the bank ranked third out of 243 lenders with a market share of 3.7 percent. Wells Fargo and Quicken Loans were the two top lenders with a combined market share of 9.9 percent.

## **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout this portion of the assessment area. As previously noted, the level of competition, along with economic and demographic challenges, supports the bank's adequate performance in low- and moderate-income areas within this portion of the assessment area.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout this portion of the assessment area.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Springfield, MA MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	5.4	5.7	4	1.6	1,239	3.7
2017	7.0	7.7	2	0.8	121	0.4
Moderate						
2016	26.4	25.6	18	7.0	1,147	3.5
2017	25.2	27.2	26	9.9	2,054	6.7
Middle						
2016	43.3	41.6	110	43.0	8,942	27.1
2017	45.0	44.1	135	51.5	14,682	47.8
Upper						
2016	24.8	27.1	124	48.4	21,726	65.7
2017	22.8	21.0	99	37.8	13,880	45.1
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>256</b>	<b>100.0</b>	<b>33,054</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>262</b>	<b>100.0</b>	<b>30,737</b>	<b>100.0</b>

*Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0*

Despite unfavorable comparisons to aggregate performance and demographics, performance context indicates that the bank’s geographic distribution is reasonable. The bank’s lack of a physical presence in Springfield and the fact that its assessment area only recently expanded to include Springfield are significant factors affecting bank performance in low- and moderate-income geographies. Furthermore, market share reports show that mortgage companies and national bank lenders significantly outperformed all community banks, including those with branches in Springfield.

In 2016, CBS ranked 28<sup>th</sup> out of 94 lenders in low-income geographies with a market share of 1.0 percent. In the Springfield, MA MSA, 87 banks made less than 10 loans in these geographies. CBS was outperformed by some community banks, including PeoplesBank, which ranked 23<sup>rd</sup>; however, the difference amounts to only three loans. Additionally, over half of the lenders in low-income tracts made two loans or less. Due to the decrease of originations in low-income census tracts in 2017, the bank ranked 66<sup>th</sup> out of 107 lenders with a market share of 0.4 percent.

Market share reports also show that the area's low- and moderate-income geographies had high proportions of Federal Housing Administration (FHA) loans. National mortgage companies have a dominant share of FHA loans in this area due to greater expertise and resources relative to community banks for this specialized product. The bank created an in-house first-time homebuyer program to compete with the FHA product.

The bank originated 18 home mortgage loans in moderate-income census tracts in 2016 and 26 loans in 2017. The bank's percentage of loans was below aggregate and demographic percentages. In 2016, the bank ranked 32<sup>nd</sup> out of 158 lenders with a 1.0 percent market share. The bank trailed PeoplesBank and Monson Savings Bank, which ranked 25<sup>th</sup> and 27<sup>th</sup> with a combined market share of 2.6 percent. In 2017, the bank's ranking improved 24<sup>th</sup> out of 163 lenders with a 1.4 percent market share. In comparison, PeoplesBank ranked 13<sup>th</sup> with a market share of 1.9 percent, and Westfield Bank ranked 18<sup>th</sup> with a 1.5 percent market share.

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

The geographic distribution of small business loans reflects poor penetration throughout this portion of the assessment area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	24.8	22.3	1	2.0	100	1.3
2017	24.8	23.2	2	5.3	372	7.3
2018	24.9	--	0	0.0	0	0.0
<b>Moderate</b>						
2016	25.6	23.9	7	14.0	1,020	12.9
2017	28.9	28.0	3	7.9	457	8.9
2018	29.3	--	2	4.3	114	2.3
<b>Middle</b>						
2016	27.2	29.6	14	28.0	3,496	44.3
2017	28.1	27.9	19	50.0	2,498	48.6
2018	27.5	--	25	53.2	2,766	54.6
<b>Upper</b>						
2016	22.4	24.2	28	56.0	3,268	41.5
2017	18.2	20.9	14	36.8	1,810	35.2
2018	18.3	--	20	42.5	2,182	43.1
<b>Not Available</b>						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>7,884</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>5,137</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>47</b>	<b>100.0</b>	<b>5,062</b>	<b>100.0</b>
<i>Source: 2016, 2017 &amp; 2018 D&amp;B Data; 1/1/2016 - 12/31/2018 Bank Data; 2016 &amp; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

The bank's performance was below aggregate performance and the demographic comparator for 2016 and 2017, and 2018 shows an even further decreasing trend of loans in low- and moderate-income census tracts. Lending levels in low- and moderate-income tracts reflect poor performance; however, the lack of a physical presence in Springfield and the fact that small business lending is the bank's secondary product limits the effect of this conclusion.

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels and businesses of different sizes.

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

The distribution of borrowers reflects good penetration among individuals of different income levels. The following table shows the distribution of loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	29.1	7.7	13	5.1	684	2.1
2017	30.7	7.4	19	7.3	902	2.9
<b>Moderate</b>						
2016	17.2	23.4	47	18.4	3,684	11.1
2017	17.9	23.1	46	17.6	3,879	12.7
<b>Middle</b>						
2016	19.2	24.0	66	25.8	7,242	21.9
2017	17.5	23.2	78	29.8	8,248	26.8
<b>Upper</b>						
2016	34.5	26.8	123	48.0	19,660	59.5
2017	33.9	27.6	113	43.1	16,534	53.8
<b>Not Available</b>						
2016	0.0	18.1	7	2.7	1,784	5.4
2017	0.0	18.7	6	2.2	1,174	3.8
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>256</b>	<b>100.0</b>	<b>33,054</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>262</b>	<b>100.0</b>	<b>30,737</b>	<b>100.0</b>

*Source: 2010 U.S. Census & 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0*

Despite the bank's lending to low-income borrowers slightly trailing aggregate performance and demographics, bank performance improved in 2017. Furthermore, CBS ranked 13<sup>th</sup> with a 2.4 percent market share in 2016, slightly outperforming its peers and other community banks in loans to low-income borrowers. Monson Savings Bank and PeoplesBank ranked 16<sup>th</sup> and 17<sup>th</sup>, each with a 1.8 percent market share. In 2017, CBS ranked 5<sup>th</sup> with a 3.6 percent market share, compared to PeoplesBank and Monson Savings Bank that ranked 15<sup>th</sup> with a 2.1 percent market share and 22<sup>nd</sup> with a 1.5 percent market share, respectively.



The bank's percentage of loans to moderate-income borrowers slightly trailed aggregate performance in 2016 and 2017, but was comparable to the percentage of moderate-income families. For moderate-income borrowers, CBS ranked 9<sup>th</sup> with a 2.8 percent market share in 2016, outperforming all community banks in the area. In comparison, Monson Savings Bank and PeoplesBank ranked 13<sup>th</sup> with a 2.4 percent market share and 22<sup>nd</sup> with a 1.6 percent market share, respectively. In 2017, the bank's performance was similar, and the bank outperformed all community bank peers, ranking 8<sup>th</sup> with a 2.8 percent market share. In comparison, PeoplesBank and Westfield Bank ranked 9<sup>th</sup> and 13<sup>th</sup>, respectively.

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

The distribution of small business loans reflects good penetration among businesses of different sizes. The following table illustrates the distribution of small business loans by gross annual revenue category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2016	81.1	40.4	35	70.0	3,396	43.1
2017	81.1	43.8	27	71.1	2,827	55.0
2018	80.9	--	36	76.6	3,545	70.0
<b>&gt;1,000,000</b>						
2016	6.4	--	15	30.0	4,488	56.9
2017	6.5	--	11	28.9	2,310	45.0
2018	6.3	--	11	23.4	1,517	30.0
<b>Revenue Not Available</b>						
2016	12.5	--	0	0.0	0	0.0
2017	12.4	--	0	0.0	0	0.0
2018	12.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>50</b>	<b>100.0</b>	<b>7,884</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>	<b>5,137</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>47</b>	<b>100.0</b>	<b>5,062</b>	<b>100.0</b>
<i>Source: 2016, 2017 &amp; 2018 D&amp;B Data; 1/1/2016 - 12/31/2018 Bank Data; 2016 &amp; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, the bank's percentage of loans to businesses with gross annual revenues of \$1 million or less was significantly above aggregate performance, but below the percentage of businesses. In 2017, the bank's performance remained above aggregate performance.

### **Innovative and Flexible Lending**

Innovative and flexible loan programs are consistently available throughout the combined assessment area, including the Springfield, MA MSA.

### **Community Development Lending**

During the evaluation period, the bank originated three community development loans totaling \$3.4 million in the Springfield, MA MSA. These loans primarily supported affordable housing. This represents 17.6 percent of the bank's total community development loans by number and 3.3 percent by dollar amount. The following table illustrates the bank's community development lending activity in this area by year and purpose.

<b>Community Development Lending</b>						
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2017	-	-	1	150	1	150
2018	2	3,274	-	-	2	3,274
<b>Total</b>	<b>2</b>	<b>3,274</b>	<b>1</b>	<b>150</b>	<b>3</b>	<b>3,424</b>

*Source: Bank Records*

Below are notable examples of the bank's community development loans:

- In 2018, the bank originated a \$3.1 million loan to finance the acquisition of a 48-unit apartment building in Chicopee. Based on rent rolls, all units have rents below fair market as established by the Department of Housing and Urban Development (HUD).
- In 2017, the bank originated a line of credit to an organization that provides transitional housing and work opportunities to the homeless. The LOC provided the organization with the ability to acquire additional property and expand community impact.

### **INVESTMENT TEST**

The bank's Investment Test performance in the Springfield, MA MSA is consistent with its overall Investment Test performance.

### **Investment Activity**

CBS made a significant level of qualified investments and donations in the Springfield, MA MSA. A majority of the bank's equity investments through MBS and SBICs benefitted a regional area that included the Springfield, MA MSA. Donations and grants that directly targeted this area totaled \$536,000, which represents 67.3 percent of total donations. Most donations and grants in the Springfield, MA MSA benefitted organizations that provide community services to low- and moderate-income individuals.

**Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community economic development needs of the Springfield, MA MSA. The bank’s donations and grants provided community services to low- and moderate-income individuals, a critical need in the area as identified by community contacts.

**Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development initiatives in the Springfield, MA MSA. Investments that directly targeted the area consisted of donations and grants.

**SERVICE TEST**

Country Bank’s Service Test performance in the Springfield, MA MSA is consistent with its overall Service Test performance.

**Accessibility of Delivery Systems**

The bank’s delivery systems are reasonably accessible to essentially all portions of this area. The bank operates nine full service-branches and ten deposit-taking ATMs in this area. The following table illustrates the distribution of full-service bank branches and deposit-taking ATMs in the Springfield, MA MSA. The lack of a branch in Springfield explains why the percentage of branches in low- and moderate-income tracts trails demographic data.

<b>Branch and ATM Distribution by Geography Income Level – Springfield, MA MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	16	24.2	63,778	21.3	0	0.0	0	0.0
Moderate	20	30.3	85,073	28.4	1	11.1	1	10.0
St	21	31.8	104,014	34.7	6	66.7	7	70.0
Upper	9	13.7	46,778	15.6	2	22.2	2	20.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>66</b>	<b>100.0</b>	<b>299,643</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

*Source: 2015 ACS Data & Bank Records*

**Changes in Branch Locations**

To the extent that changes have been made, the bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. In October 2018, the bank relocated a branch in a middle-income census tract in Ludlow, MA. The relocated branch is located in the same middle-income tract.

### **Reasonableness of Business Hours and Services**

The bank's business hours and services within the Springfield, MA MSA are consistent with the hours and services at its other branches. They do not vary in a way that would inconvenience individuals and businesses from within this portion of the assessment area, particularly within low- and moderate-income geographies and to low- and moderate-income individuals.

### **Community Development Services**

The bank provides an adequate level of community development services. The bank provided 36 instances of community development services during the evaluation period in this area. Please refer to the Community Development Services section under the overall Service Test for examples of activity within the Springfield, MA MSA.

## **WORCESTER, MA-CT METROPOLITAN STATISTICAL AREA** *(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WORCESTER, MA-CT MSA**

The Worcester, MA-CT MSA portion of the assessment area contains a smaller portion of CBS' lending, investment, and service activity. The bank operates six offices in this assessment area. CBS delineated the following 11 towns in Worcester County in the Worcester, MA-CT MSA: Brookfield, Charlton, East Brookfield, Hardwick/New Braintree, Leicester, North Brookfield, Paxton, Spencer, Warren, West Brookfield, and Worcester.

The assessment area comprises 57 census tracts with the following income designations according to the 2015 ACS:

- 13 low-income census tracts
- 14 moderate-income census tracts
- 23 middle-income census tracts
- 4 upper-income census tracts
- 3 census tracts with no income designation

The area's low- and moderate-income census tracts are located mostly in Worcester. According to the ACS 2015, Worcester contains 13 low-income census tracts, which increased by one from the 2010 U.S. Census, and 12 moderate-income census tracts, which decreased by one census tract. The bank has recently expanded its assessment area to include an additional 21 census tracts in the City of Worcester.

The following table illustrates 2015 ACS demographic information for this portion of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Worcester, MA-CT MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	57	22.8	24.6	40.4	7.0	5.3
Population by Geography	247,840	22.3	24.3	43.7	7.7	1.9
Housing Units by Geography	102,473	23.0	25.5	43.2	6.8	1.5
Owner-Occupied Units by Geography	47,504	8.6	19.5	59.7	12.0	0.2
Occupied Rental Units by Geography	45,502	37.7	29.9	27.5	2.3	2.6
Vacant Units by Geography	9,467	24.9	34.4	35.4	2.7	2.6
Businesses by Geography	13,788	18.1	23.9	40.1	8.3	9.6
Farms by Geography	310	8.7	14.5	60.6	15.2	1.0
Family Distribution by Income Level	56,167	31.4	18.9	19.6	30.1	0.0
Household Distribution by Income Level	93,006	34.3	16.3	17.2	32.2	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$207,071
			Median Gross Rent			\$917
			Families Below Poverty Level			13.4%
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;B Data. 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>						

As noted in the overall description of assessment area, Worcester contains most of the low- and moderate-income census tracts in this metropolitan area. Furthermore, large institutions and community banks have more physical locations and higher deposit market share in Worcester in comparison to CBS.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN WORCESTER, MA-CT MSA**

### **LENDING TEST**

CBS' Lending Test performance in the Worcester, MA-CT MSA is consistent with its overall performance.

### **Lending Activity**

The bank originated 15.1 percent of total home mortgage loans in the Worcester, MA-CT MSA assessment area. In 2016, the bank originated 81 home mortgage loans totaling \$12.4 million. The bank's originations increased by 10 loans in 2017, totaling \$16.4 million. Additionally, the bank made 17.5 percent of total small business loans in this area, with 21 loans totaling \$2.5 million in 2016, 19 loans totaling \$3.8 million in 2017, and 7 loans totaling 7.5 million in 2018.

## Geographic Distribution

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Worcester, MA-CT MSA portion of the assessment area. A significant improvement in lending to moderate-income tracts in 2017 supports the reasonable conclusion, as it offset otherwise unfavorable comparisons to aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Worcester, MA-CT MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	7.1	7.0	1	1.2	2,280	18.4
2017	8.6	11.9	4	4.4	660	4.0
Moderate						
2016	15.8	16.1	3	3.7	278	2.2
2017	19.5	21.8	19	20.9	4,109	25.0
Middle						
2016	56.7	56.3	57	70.4	7,067	57.1
2017	59.7	54.7	53	58.2	9,349	56.9
Upper						
2016	20.3	20.6	20	24.7	2,749	22.2
2017	12.0	11.1	15	16.5	2,307	14.0
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.2	0.4	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>12,374</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>16,425</b>	<b>100.0</b>

*Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0*

The bank's 2016 performance was below aggregate performance and the percentage of owner-occupied housing units in low-income tracts. In 2017, the bank increased its originations to four, but remained below aggregate and demographic percentages. For low-income geographies, CBS ranked 79<sup>th</sup> with a market share of 0.2 percent in 2016. Webster Five Cents Savings Bank ranked 5<sup>th</sup> with a market share of 2.7 percent and Bay State Savings Bank ranked 8<sup>th</sup> with a market share of 2.2 percent. In 2017, the bank ranked 56<sup>th</sup> with a market share of 0.6 percent. Bay State Savings Bank ranked 15<sup>th</sup> with a market share of 1.5 percent and Webster Five Cents Savings Bank ranked 20<sup>th</sup> with a market share of 1.5 percent.

The bank's 2016 performance was below aggregate performance and the percentage of owner-occupied housing units in moderate-income tracts. However, the bank significantly increased its lending activity in moderate-income tracts in 2017. The bank's performance was similar to aggregate data and the percentage of owner-occupied units. Despite ranking 84<sup>th</sup> with a market share of 0.3 percent in 2016 in moderate-income tracts, CBS' ranking improved to 19<sup>th</sup> with a market share of 1.4 percent in 2017. This market share exceeded that of Webster Five Cents Savings Bank, which ranked 25<sup>th</sup> with a market share of 1.1 percent.

As previously noted, the bank recently expanded its assessment area to include an additional 21 low- and moderate-income census tracts in the City of Worcester. Large institutions and community banks have a greater physical presence in Worcester compared to CBS. Given the significant competition and branch presence of other institutions, the bank's performance is reasonable.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Worcester, MA-CT MSA portion of the assessment area.



<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Worcester, MA-CT MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	27.5	25.8	5	23.8	145	5.9
2017	18.1	17.9	4	21.1	1,433	37.3
2018	18.2	--	1	14.3	600	51.9
<b>Moderate</b>						
2016	19.2	19.7	0	0.0	0	0.0
2017	23.9	24.7	1	5.3	87	2.3
2018	23.5	--	3	42.9	103	8.9
<b>Middle</b>						
2016	39.8	40.2	14	66.7	2,215	89.9
2017	40.1	40.9	13	68.4	2,310	60.1
2018	40.4	--	3	42.9	452	39.1
<b>Upper</b>						
2016	13.3	14.2	2	9.5	105	4.3
2017	8.3	8.9	1	5.3	13	0.3
2018	8.1	--	0	0.0	0	0.0
<b>Not Available</b>						
2016	0.1	0.1	0	0.0	0	0.0
2017	9.6	7.7	0	0.0	0	0.0
2018	9.9	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>2,465</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>3,843</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>7</b>	<b>100.0</b>	<b>1,155</b>	<b>100.0</b>
<i>Source: 2016, 2017 &amp; 2018 D&amp;B Data; 1/1/2016 - 12/31/2018 Bank Data; 2016 &amp; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016 and 2017, bank lending was similar to aggregate percentages and demographic data. The bank did not have much activity in moderate-income tracts, although it made three of seven loans in 2018 in moderate-income tracts. Considering the banks limited number of small business originations in this area, its performance is adequate.

## **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels. The following table shows the distribution of loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Worcester, MA-CT MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2016	29.7	6.4	11	13.6	550	4.4
2017	31.4	7.8	7	7.7	641	3.9
<b>Moderate</b>						
2016	18.3	21.6	21	25.9	2,102	17.0
2017	18.9	26.6	17	18.7	1,740	10.6
<b>Middle</b>						
2016	21.3	24.9	21	25.9	3,157	25.5
2017	19.6	24.3	32	35.2	5,599	34.1
<b>Upper</b>						
2016	30.7	28.1	26	32.1	4,229	34.2
2017	30.1	25.0	27	29.7	4,318	26.3
<b>Not Available</b>						
2016	0.0	19.0	2	2.5	2,336	18.9
2017	0.0	16.4	8	8.8	4,127	25.1
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>12,374</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>16,425</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 &amp; 2017 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

In 2016, the bank's lending to low-income borrowers exceeded aggregate performance but was below demographic data. Loans to low-income borrowers decreased in 2017, but the bank's percentage of loans was in line with aggregate. CBS ranked 9<sup>th</sup> out of 115 lenders with a 2.7 percent market share in 2016 to low-income borrowers, outperforming its peers and other community banks. In comparison, Webster Five Cents Savings Bank ranked 19<sup>th</sup> with a market share of 1.5 percent, and Bay State Savings Bank ranked 46<sup>th</sup> with a 0.7 percent market share. In 2017, CBS ranked 22<sup>nd</sup> out of 106 lenders with a 1.5 percent market share, outperforming other community banks. Webster Five Cents Savings Bank ranked 29<sup>th</sup> with a market share of 1.1 percent and Bay State Savings Bank ranked 57<sup>th</sup> with a market share of 0.4 percent. Large

institutions that outperformed CBS include Ditech Financial, Quicken Loans, and Wells Fargo Bank.

Bank lending to moderate-income borrowers exceeded aggregate and demographic percentages in 2016. In 2017, bank lending decreased, falling below the aggregate data but in line with the percentage of moderate-income families. In 2016, CBS ranked 21<sup>st</sup> with a 1.5 percent market share, outperforming all community banks in the area. In comparison, Bay State Savings Bank ranked 44<sup>th</sup> with a 0.7 percent market share and Webster Five Cents Savings Bank ranked 47<sup>th</sup> with a market share of 0.7 percent. In 2017, the bank's performance was similar, and the bank outperformed all community bank peers, ranking 27<sup>th</sup> with a 1.1 percent market share. The bank's performance in low- and moderate-income borrower lending, despite significant competition, supports CBS' borrower distribution performance.

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

The distribution of small business loans reflects excellent penetration to businesses with gross annual revenues of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Worcester MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2016	82.4	43.9	17	81.0	1,548	62.8
2017	82.5	46.8	11	57.9	2,374	61.8
2018	82.3	--	7	100.0	1,155	100.0
<b>&gt;1,000,000</b>						
2016	6.8	--	3	14.3	767	31.1
2017	6.6	--	8	42.1	1,469	38.2
2018	6.4	--	0	0.0	0	0.0
<b>Revenue Not Available</b>						
2016	10.8	--	1	4.8	150	6.1
2017	10.9	--	0	0.0	0	0.0
2018	11.3	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>2,465</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>3,843</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>7</b>	<b>100.0</b>	<b>1,155</b>	<b>100.0</b>
<i>Source: 2016, 2017 &amp; 2018 D&amp;B Data; 1/1/2016 - 12/31/2018 Bank Data; 2016 &amp; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, the bank’s percentage of loans to businesses with gross annual revenues of \$1 million or less was almost double the aggregate performance. Although the bank’s originations decreased in 2017, the bank’s performance was still significantly above aggregate data.

**Innovative and Flexible Lending**

Innovative and flexible loan programs are consistently available throughout all portions of the Worcester, MA-CT MSA assessment area.

**Community Development Lending**

During the evaluation period, the bank originated 7 community development loans totaling \$51.1 million in the Worcester, MA-CT MSA. These loans primarily supported community services, economic development, and revitalization and stabilization. This represents 41.2 percent of total community development loans by number and 52.0 percent by dollar amount. The following table illustrates the bank's community development lending activity by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2016	-	-	1	21,360	1	15,090	-	-	2	36,450
2017	2	2,300	-	-	-	-	-	-	2	2,300
2018	2	1,234	-	-	-	-	1	11,067	3	12,301
<b>Total</b>	<b>4</b>	<b>3,534</b>	<b>1</b>	<b>21,360</b>	<b>1</b>	<b>15,090</b>	<b>1</b>	<b>11,067</b>	<b>7</b>	<b>51,051</b>
<i>Source: Bank Records</i>										

The overall discussion of community development loans lists notable examples in the Worcester, MA-CT MSA.

**INVESTMENT TEST**

The bank’s Investment Test performance in the Worcester, MA-CT MSA is consistent with its overall Investment Test performance.

**Investment Activity**

CBS made a significant level of qualified investments and donations in the Worcester, MA-CT MSA. A majority of the bank’s equity investments through MBS and SBICs benefitted a regional area that included this area. Investments that directly targeted the Worcester, MA-CT MSA include one MBS for \$1.2 million, as well as donations and grants totaling \$237,000. The level of donations represents 29.7 percent of total qualified donations.

## **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community economic development needs of the Worcester, MA-CT MSA. The bank's donations and grants provided community services to low- and moderate-income individuals, and the MBS helped promote affordable housing.

## **Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development initiatives in the Worcester, MA-CT MSA. Investments that directly targeted the area consisted of donations and MBS.

## **SERVICE TEST**

The bank's Service Test performance in the Worcester, MA-CT MSA is consistent with its overall Service Test performance.

## **Accessibility of Delivery Systems**

The bank's delivery systems within the Worcester, MA-CT MSA are reasonably accessible to essentially all portions of this area. The bank operates six full service-branches and eight deposit-taking ATMs in this area. The following table illustrates the distribution of full-service bank branches and deposit-taking ATMs in this area.

<b>Branch and ATM Distribution by Geography Income Level-Worcester MSA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	13	22.8	55,346	22.3	1	16.7	1	12.5
Moderate	14	24.6	60,253	24.3	0	0.0	0	0.0
Middle	23	40.3	108,274	43.7	4	66.6	6	75.0
Upper	4	7.0	19,176	7.7	1	16.7	1	12.5
NA	3	5.3	4,791	2.0	0	0.0	0	0.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>247,840</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>

*Source: 2015 ACS Data & Bank Records*

## **Changes in Branch Locations**

To the extent that changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. In January 2016, the bank closed one branch located in a middle-income tract in Leicester.

### **Reasonableness of Business Hours and Services**

The bank's business hours and services within the Worcester, MA-CT MSA are consistent with the hours and services at its other branches. They do not vary in a way that would inconvenience individuals and businesses from within this portion of the assessment area, particularly within low- and moderate-income geographies and to low- and moderate-income individuals.

### **Community Development Services**

The bank provides an adequate level of community development services. The bank provided 11 instances of community development services during the evaluation period in this area. Please refer to the Community Development Services section under the overall Service Test for examples of activity within the Worcester, MA-CT MSA.

## APPENDIX A

### SCOPE OF EVALUATION

SCOPE OF EVALUATION		
<b>TIME PERIOD REVIEWED</b>	November 16, 2015 through January 24, 2019	
<b>FINANCIAL INSTITUTION</b>	<b>PRODUCTS REVIEWED</b>	
Country Bank for Savings	Home Mortgage and Small Business Loans	
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>	<b>PRODUCTS REVIEWED</b>
Not Applicable	Not Applicable	Not Applicable

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Springfield, MA MSA	Full Scope	0	Not Applicable
Worcester, MA-CT MSA	Full Scope	0	Not Applicable

## **APPENDIX B – MA 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 2016 and 2017 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 547,483 individuals of which 36.8 percent are minorities. The assessment areas minority and ethnic population is 9.7 percent Black/African American, 3.4 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 21.5 percent Hispanic or Latino and 2.1 percent Other.

In 2016, the bank received 453 HMDA reportable loan applications from within its assessment area. Of these applications, 12 or 2.7 percent were received from minority applicants, which is lower than the aggregate at 10.9 percent. The bank also received 8 or 1.8 percent of applications from ethnic groups of Hispanic origin within its assessment area, which is lower than aggregate at 11.0 percent.

In 2017, the bank received 485 HMDA reportable loan applications from within its assessment area. Of these applications, 18 or 3.6 percent were received from minority applicants. The aggregate received 11.8 percent of applications from minority applicants. For the same time period, the bank also received 3.1 percent of applications from ethnic groups of Hispanic origin within its assessment area as compared to the aggregate that received 12.4 percent from Hispanic applicants.

The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank receive from minority residential 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.



<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>Bank 2016</b>		<b>2016 Aggregate Data</b>	<b>Bank 2017</b>		<b>2017 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.4	3	0.6	0.4
Asian	5	1.1	2.5	5	1.0	2.9
Black/ African American	4	0.9	6.7	5	1.0	7.0
Hawaiian/Pacific Islander	0	0.0	0.2	1	0.2	0.3
2 or more Minority	0	0.0	0.1	0	0.0	0.2
Joint Race (White/Minority)	3	0.7	1.0	4	0.8	1.0
<b>Total Minority</b>	<b>12</b>	<b>2.7</b>	<b>10.9</b>	<b>18</b>	<b>3.6</b>	<b>11.8</b>
White	375	82.8	67.0	372	76.7	64.0
Race Not Available	66	14.5	22.1	95	19.7	24.2
<b>Total</b>	<b>453</b>	<b>100.0</b>	<b>100.0</b>	<b>485</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	<b>5</b>	<b>1.1</b>	<b>10.0</b>	<b>8</b>	<b>1.7</b>	<b>11.2</b>
Not Hispanic or Latino	375	82.8	68.1	371	76.5	64.7
Joint (Hisp/Lat /Not Hisp/Lat)	<b>3</b>	<b>0.7</b>	<b>1.0</b>	<b>7</b>	<b>1.4</b>	<b>1.2</b>
Ethnicity Not Available	70	15.4	20.9	99	20.4	22.9
<b>Total</b>	<b>453</b>	<b>100.0</b>	<b>100.0</b>	<b>485</b>	<b>100.0</b>	<b>100.0</b>

*Source: 2010 US Census, 2015 ACS Data, 2016 and 2017 HMDA Data*

Considering the demographic composition of the assessment area and comparisons to aggregate data, 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.