

PUBLIC DISCLOSURE

March 4, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Monson Savings Bank
Certificate Number: 90245

146 Main Street
Monson, Massachusetts 01057

Division of Banks
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Boston, Massachusetts 02118

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

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory by the FDIC and High Satisfactory by the Division of Banks. While the agencies agree on the bank's Community Development Test performance, Part 345 of FDIC regulations does not have a High Satisfactory rating for intermediate small banks.

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

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated September 12, 2016, to the current evaluation dated March 4, 2019. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Monson Savings Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Loan Products Reviewed

The Lending Test considered home mortgage and small business lending based on the bank's business strategy and the number and dollar volume of loans originated. Bank lending and product mix remained consistent throughout the evaluation period. The bank's record of originating home mortgage loans during the evaluation period contributed more weight to overall conclusions due to larger origination volume when compared to small business lending.

As of December 31, 2018, residential real estate loans accounted for 57.9 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 37.0 percent of the loan portfolio. Small farm loans and consumer loans represent a nominal portion of the loan portfolio; therefore, they provided no material support for conclusions or ratings and are not considered in this analysis.

The evaluation considered all home mortgage loans reported on the bank's HMDA LARs from January 1, 2017, through December 31, 2017. In 2017, the bank reported 349 home mortgage loans totaling \$49.7 million. This evaluation compares the bank's performance against aggregate lending data and considers demographic data from the 2015 American Community Survey (ACS).

Examiners also evaluated the bank's small business lending performance. The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of \$1.0 million or less. Due to its asset size, Monson Savings Bank is not required to collect and report small business lending data for CRA purposes. However, the bank collected its small business lending data during the evaluation period. Therefore, this evaluation considered all small business loans originated in 2017 and 2018. The bank originated 71 small business loans totaling \$10.0 million in 2017 and 59 small business loans totaling \$11.0 million in 2018. The evaluation compared bank 2017 small business lending activity to 2017 D&B business demographic data. 2018 D&B business data was not yet available for comparison purposes.

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

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated September 12, 2016 through the current CRA evaluation date.

DESCRIPTION OF INSTITUTION

Background

Monson Savings Bank is a state-chartered mutual savings bank established in 1872. Monson Financial Services, MHC, a mutual holding company, owns 100 percent of the stock of Monson Savings Bank through Monson Financial Services Corporation, a mid-tier stock holding company. The bank has one wholly owned subsidiary, Monson Securities Corporation, which was established for the purpose of buying, selling, and holding investment securities. The bank received a Satisfactory rating at the previous joint Division and FDIC CRA Performance Evaluation dated September 12, 2016. The rating was based on Interagency Small Institution Examination Procedures.

Operations

Monson Savings Bank operates four full-service locations, including its main office in Monson Massachusetts. The other three locations are located in Hampden, Wilbraham, and Ware. The bank did not open or close any branches since the previous evaluation.

The bank offers a variety of deposit and lending products and services. Deposit products include checking and savings accounts, certificates of deposit, and individual retirement accounts (IRAs). Additionally, the bank offers products such as Fresh Start Checking and is a participant of Basic Banking for Massachusetts. Lending products include home mortgages, home equity lines of credit, consumer loans, and construction loans. Business loans include commercial mortgages, small business loans, commercial lines of credit, commercial term loans, and commercial letters of credit. Other services include online banking, eStatements, mobile banking and deposits, telephone banking, financial planning, and cash management services.

The bank participates in the MassSave HEAT loan program. Qualified applicants can apply for a zero percent loan to assist with installing energy-efficient improvements in homes or rental properties. The bank also offers MassHousing products and through a partnership is able to offer FHA, VA, and Rural Housing loans as well. Additionally, in 2018 the bank introduced The Credit Builder and Savings Program to help customers rebuild credit and accumulate savings.

Ability and Capacity

As of December 31, 2018, Monson Savings Bank had \$421.9 million in total assets, which includes \$333.1 million in total loans, representing 79.0 percent of total assets. During the evaluation period, total assets grew by 29.4 percent. Total deposits were \$368.7 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/18		
Loan Category	\$(000s)	%
Construction and Land Development	14,300	4.3
Secured by Farmland	-	0.0
Secured by 1-4 Family Residential Properties	155,478	46.7
Secured by Multifamily (5 or more) Residential Properties	36,884	11.1
Secured by Nonfarm Nonresidential Properties	88,684	26.6
Total Real Estate Loans	295,346	88.7
Commercial and Industrial Loans	34,532	10.4
Agricultural Loans	-	0.0
Consumer Loans	3,202	1.0
Other Loans	-	0.0
Less: Unearned Income	-	0.0
Total Loans	333,080	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define an assessment area within which its CRA performance is evaluated. Monson Savings Bank's assessment area, as currently defined, meets the technical requirements of the CRA regulation.

Economic and Demographic Data

Monson Savings Bank significantly expanded its assessment area in 2018. The expanded assessment area contains 73 census tracts in Monson, Palmer, Ware, Wales, Holland, Brimfield, Belchertown, Wilbraham, Hampden, East Longmeadow, Longmeadow, Agawam, Ludlow, Springfield, and West Springfield. Examiners used this assessment area when assessing 2018 small business lending under the Lending Test. Prior to 2018, the assessment area consisted of 21 census tracts in Belchertown, Brimfield, East Longmeadow, Hampden, Holland, Ludlow, Monson, Palmer, Wales, Ware, and Wilbraham. Examiners used this smaller area when assessing 2017 home mortgage and small business lending under the Lending Test.

Assessment area census tracts represent the following income designations according to the 2015 ACS:

2017 Assessment Area:

- 0 low-income census tracts
- 2 moderate-income census tracts
- 8 middle-income census tracts
- 11 upper-income census tracts

2018 Assessment Area:

- 16 low-income census tracts
- 15 moderate-income census tracts
- 23 middle-income census tracts
- 19 upper-income census tracts

In addition to the expanded assessment area, 2015 ACS data also contributed to changes in income designations for census tracts since the previous evaluation. The following table illustrates select demographic characteristics of the 2017 assessment area, as 2017 lending performance received the most weight when determining the Lending Test rating.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	9.5	38.1	52.4	0.0
Population by Geography	110,706	0.0	6.9	37.5	55.6	0.0
Housing Units by Geography	45,860	0.0	8.1	39.6	52.3	0.0
Owner-Occupied Units by Geography	34,328	0.0	4.5	38.3	57.3	0.0
Occupied Rental Units by Geography	8,487	0.0	19.6	41.6	38.8	0.0
Vacant Units by Geography	3,045	0.0	17.3	48.9	33.8	0.0
Businesses by Geography	6,710	0.0	7.3	31.1	61.6	0.0
Farms by Geography	294	0.0	1.7	33.3	65.0	0.0
Family Distribution by Income Level	29,703	14.0	14.1	18.3	53.5	0.0
Household Distribution by Income Level	42,815	18.5	13.1	15.1	53.3	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$235,633
			Median Gross Rent			\$848
			Families Below Poverty Level			4.7%
Source: 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.						

Within the 2017 assessment area, the median housing value was \$235,633 and the median family income (MFI) was \$66,600, making housing relatively affordable. Examiners used 2017 FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Springfield, MA Metropolitan Statistical Area (MSA).

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
<i>Source: FFIEC</i>				

Low- and moderate-income families represented 28.1 percent of the population in the 2017 assessment area, and 4.7 percent of families had incomes below the poverty level. In the 2018 expanded assessment area, the percentage of low- and moderate-income families was 43.1 percent, and the percentage below the poverty line grew to 13.9 percent. This indicates that a large portion of the population may require financial assistance or community services.

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. Per 2018 demographics, of the 19,198 businesses in the assessment area, 82.1 percent have GARs of \$1 million or less, 6.4 percent have GARs greater than \$1 million, and 11.6 percent did not report revenue data.

According to the U.S. Bureau of Labor and Statistics, the Springfield, MA MSA unemployment rate was 4.5 percent in 2017 and 4.2 percent in 2018. These figures are slightly higher than the statewide unemployment rates of 3.8 percent in 2017 and 3.4 percent in 2018.

Competition

The assessment area is moderately competitive in the market for financial services. According to 2018 FDIC deposit market share data, 27 depository institutions operated 115 branches within the assessment area. Of these institutions, Monson Savings Bank ranked 11th with a deposit market share of 3.5 percent. The top three depository institutions were large national banks with a combined market share of 36.6 percent.

The bank faces a high level of competition for home mortgage lending among credit unions, mortgage companies, and large banks in the assessment area. In 2017, 212 lenders originated 3,342 loans. Monson Savings Bank originated 175 loans and ranked second with a market share of 5.2 percent. The top mortgage lender in the assessment area was Country Bank for Savings, which originated 236 loans for a market share of 7.1 percent.

Community Contact

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

Examiners contacted a non-profit organization focused on the development of Quaboag-area businesses. The contact expressed concern about the current economic climate and significant competition from large businesses threatening area small businesses. The community presents significant infrastructure needs (e.g. public parking space and building facades), which prevent business growth. Areas like Palmer and Ware are in need of revitalization. While much of the commercial space is owned, commercial property owners in the area have unrealistic expectations regarding rents, reducing occupancy.

According to the contact, other community needs include transportation and development of affordable housing near metropolitan areas. These would allow low-income individuals easier access to work and local services. The contact noted Monson Savings Bank and Cornerstone Bank maintain significant involvement in the community, with Monson Savings Bank noted as particularly responsive and involved in commercial business development. While other local banks have a presence in the area, Worcester receives more attention as a growth opportunity, exposing needs in Three Rivers, Palmer, and Ware. Credit literacy classes for individuals and

businesses are helpful, and educational programs for first-time entrepreneurs or first-time commercial property owners would also help meet community needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that economic development is a primary community development need. The expanded 2018 assessment area emphasizes the need for community service support for low- and moderate-income families. Opportunities exist for banks to address the area's credit and community development needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Monson Savings Bank demonstrated reasonable performance under the Lending Test. Reasonable geographic distribution and borrower profile performances support this conclusion. The following summarizes the bank's performance under each Lending Test criterion.

Loan-to-Deposit Ratio

Monson Savings Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Examiners analyzed the bank's LTD ratio for the past 10 quarters from September 30, 2016 to December 31, 2018. The bank's average quarterly net LTD ratio was 90.2 percent and ranged from a low of 88.7 percent as of March 31, 2018, to a high of 92.5 percent as of December 31, 2017. Examiners compared the bank's LTD ratio to that of four similarly situated banks that operate in western and central Massachusetts and are predominantly residential mortgage lenders. The following table illustrates the bank's ratio compared to the other institutions.

Loan-to-Deposit Ratio Comparison		
Bank Name	Total Assets as of 12/31/18 \$(000s)	Average Net LTD 9/30/16 - 12/31/18 (%)
Savers Co-operative Bank	570,232	113.8
Bay State Savings Bank	418,121	111.7
Millbury Savings Bank	228,126	90.8
Monson Savings Bank	421,885	90.2
Athol Savings Bank	441,932	84.2
<i>Source: Consolidated Reports of Condition and Income</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank's home mortgage and small business lending activity 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										
2017	175	50.1	174	49.9	349	27,525	55.4	22,175	44.6	49,700
Subtotal	175	50.1	174	49.9	349	27,525	55.4	22,175	44.6	49,700
Small Business										
2017	53	74.6	18	25.4	71	6,445	64.2	3,591	35.8	10,036
2018	44	74.6	15	25.4	59	6,602	59.8	4,439	40.2	11,041
Subtotal	97	74.6	33	25.4	130	13,047	61.9	8,030	38.1	21,077
Total	272	56.8	207	43.2	479	40,572	57.3	30,205	42.7	70,777
Source: 1/1/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Examiners emphasized the percentage by number of home mortgage and small business loans in moderate-income geographies. As mentioned previously, the bank's home mortgage lending performance carried greater weight in determining the overall geographic distribution conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2017, the assessment area included two moderate-income census tracts and no low-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.0	0.0	0	0.0	0	0.0
Moderate						
2017	4.5	4.7	7	4.0	752	2.7
Middle						
2017	38.3	37.2	35	20.0	5,038	18.3
Upper						
2017	57.3	58.0	133	76.0	21,735	79.0
Totals						
2017	100.0	100.0	175	100.0	27,525	100.0
<i>Source: 2015 ACS; 1/1/2017 - 12/31/2017 Bank Data; and 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0</i>						

The bank's percentage of loans in moderate-income census tracts slightly trailed aggregate and demographic data. Market share data reflects positively on the bank's performance, as Monson Savings Bank ranked 6th in moderate-income census tracts out of 63 lenders.

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. In 2017, the bank did not originate any small business loans in the two moderate-income census tracts despite 7.4 percent of businesses operating in these geographies. In 2018, the bank had three loans, or 6.8 percent by number, in both low- and moderate income census tracts in the expanded assessment area. This percentage was well below the percentage of businesses in these census tracts. Because small business lending is the bank's secondary product and the bank only recently expanded into most of the area's low- and moderate-income census tracts, this performance did not significantly affect the overall conclusion. The following table illustrates the geographic distribution of small business loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2017	0.0	0	0.0	0	0.0
2018	19.0	3	6.8	750	11.4
Moderate					
2017	7.4	0	0.0	0	0.0
2018	20.0	3	6.8	642	9.7
Middle					
2017	31.6	11	20.8	637	9.9
2018	27.6	18	40.9	3,031	45.9
Upper					
2017	61.0	42	79.2	5,808	90.1
2018	33.4	20	45.5	2,179	33.0
Totals					
2017	100.0	53	100.0	6,445	100.0
2018	100.0	44	100.0	6,602	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0</i>					

Borrower Profile

The distribution of borrowers reflects, given assessment area demographics, reasonable penetration among individuals of different income levels and businesses of different sizes. Reasonable home mortgage lending penetration primarily supports this conclusion. Examiners emphasized the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

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

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	14.0	3.2	7	4.0	541	2.0
Moderate						
2017	14.1	13.6	14	8.0	1,609	5.8
Middle						
2017	18.3	23.8	35	20.0	4,323	15.7
Upper						
2017	53.5	45.7	107	61.1	18,794	68.3
Not Available						
2017	0.0	13.7	12	6.9	2,258	8.2
Totals						
2017	100.0	100.0	175	100.0	27,525	100.0
<i>Source: 2015 ACS; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0</i>						

In 2017, the bank percentage to low-income borrowers slightly exceeded the aggregate percentage. The bank's moderate-income borrower performance trailed aggregate performance; however, market share data supports the bank's reasonable performance. In 2017, the bank ranked 7th out of 109 lenders with a 3.1 percent market share to moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. While the bank's percentages of loans to businesses with GARs of \$1 million or less in both years trailed the percentage of businesses with such revenues, the percentage of businesses is not a strong indicator of demand for small business loans. CRA aggregate data reflects that less than half of reported small business loans went to businesses with GARs of \$1 million or less. Although Monson Savings Bank does not report small business loans, reference to aggregate data mitigates the unfavorable comparison between bank lending and the distribution of businesses by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2017	85.6	30	56.6	3,860	59.9
2018	82.1	24	54.5	3,076	46.6
>1,000,000					
2017	5.1	23	43.4	2,585	40.1
2018	6.4	20	45.5	3,526	53.4
Revenue Not Available					
2017	9.2	0	0.0	0	0.0
2018	11.6	0	0.0	0	0.0
Totals					
2017	100.0	53	100.0	6,445	100.0
2018	100.0	44	100.0	6,602	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; Due to rounding, totals may not equal 100.0</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Monson Savings Bank demonstrated good responsiveness to assessment area community development needs through community development loans, qualified investments, and community development services. The bank was particularly responsive through new investments and services initiated during the evaluation period. Examiners also considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

Monson Savings Bank originated 38 community development loans totaling \$3.6 million during the evaluation period. This level of activity represents 1.1 percent of net loans as of December 31, 2018. Of the 38 community development loans, 36 loans totaling \$2.7 million created, improved, or retained employment for low- or moderate-income individuals. These economic development loans respond to the area's primary community development need. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0	0	0	13	563	1	400	14	963
2018	1	475	0	0	22	2,164	0	0	23	2,639
YTD 2019	0	0	0	0	1	38	0	0	1	38
Totals	1	475	0	0	36	2,765	1	400	38	3,640
Source: Bank records										

Below are notable examples of community development loans:

- In 2018, the bank made a \$1.1 million loan to purchase dental equipment for an office in East Longmeadow, MA. This loan was made in concert with the “Jobs for New England” program administered by the Federal Home Loan Bank’s Community Investment Department. The office will add six full-time and two part-time individuals because of the loan, promoting economic development.
- The bank participated in the initial financing of a community loan fund alongside six local institutions. The loan fund provides credit for organizations and small businesses in low- and moderate-income areas throughout Pioneer Valley. Monson Savings Bank’s participation totaled \$38,235, an amount determined based on its size. While not a large amount, the bank’s participation reflects responsiveness to area needs.
- In 2018, the bank made a \$475,000 loan secured by 17 housing units in Ware, MA. These units have rents below fair market rent thresholds established by the U.S. Department of Housing and Urban Development (HUD) for this area. As a result, this loan promotes affordable housing for low- or moderate-income individuals.
- In 2017, the bank originated a \$400,000 loan for a commercial property in Ware. Ware qualified for community development investment when it obtained a “slum and blight” designation in 2016. This loan operates in concert with the revitalization plan of the town by renovating a commercial property in the area, and stabilizing the adjacent moderate-income census tract.
- The bank participates in the Massachusetts Capital Access program and economic development lending initiative designed to create jobs for small businesses in MA. The bank originated 32 loans through this program and created or retained 112 jobs within Hampden and Hampshire counties.

Qualified Investments

Monson Savings Bank made 83 qualified investments totaling approximately \$832,406, equaling 0.2 percent of total assets as of December 31, 2018. The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	1	500	27	22,480	8	8,210	3	2,100	39	33,290
2018	3	755,326	25	26,510	9	11,005	7	6,275	44	799,116
YTD 2019	0	0	0	0	0	0	0	0	0	0
Totals	4	755,826	52	48,990	17	19,215	10	8,375	83	832,406
<i>Source: Bank records</i>										

Equity Investments

The bank purchased a CRA qualified mortgage-backed security in 2018 totaling \$754,326. The investment was for a 500-unit multifamily residence in Springfield, MA. Low- and moderate-income individuals occupy approximately 80 percent of the units. This investment promotes the availability of affordable housing within the assessment area, and is responsive to the community contacts stated need for affordable housing in proximity to public transportation.

Qualified Donations

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

- *Ware Jr/Sr School* – The bank purchased essential supplies for the reading program in 2017 and 2018, including electronic book readers and glasses for students. The majority of students attending this school are from low- or moderate-income families.
- *Quaboag Valley CDC* – This Ware-based community development corporation (CDC) facilitates economic development in the assessment area by assisting small businesses and startups. The CDC provides individual counseling, professional development and training, and financing for small businesses. Monson Savings Bank provides annual donations to the Quaboag Valley CDC.
- *Midas Collaborative: MassSaves* – This statewide nonprofit provides financial education and counseling to low- and moderate-income individuals. MassSaves provides essential financial literacy education for consumers, educators, and providers. The bank sponsored multiple financial literacy events during the review period.
- *Mercy Medical Center* – This medical center provides essential services to western Massachusetts. Additionally, Mercy Medical Center is a Community Disproportionate Share Hospital, focusing on low-income individuals. Monson Savings Bank provided annual contributions during the evaluation period to the Behavioral Health Department.

Community Development Services

During the evaluation period, bank employees provided 121 instances of financial expertise or technical assistance to 28 different community development-related organizations in the

assessment area. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
09/12/2016-12/31/2016	0	8	1	0	9
2017	0	42	8	1	51
2018	0	38	8	3	49
YTD 2019	0	9	2	1	12
Total	0	97	19	5	121
<i>Source: Bank records</i>					

Employee Involvement

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

- *United Way of Pioneer Valley* – This organization provides essential social services to low- and moderate-income portions of the assessment area. The organization supports financial literacy, education, tax assistance, fuel assistance, and workforce development. The president of Monson Savings Bank currently serves as Chairman of the Board, and the bank’s Marketing Officer is part of the organization’s Marketing Team.
- *Salvation Army* – The Salvation Army provides shelter, food, and emergency services to low-income individuals, the elderly, and veterans. Monson Savings Bank’s retail operations specialist has served as treasurer of the local chapter for three years.
- *Buy Ware Now* – A bank mortgage originator serves on the Organizing Committee for the collaboration. Ware’s housing stock needs critical renovations. As of 2017, the town obtained a “slum and blight” designation to reflect its community need for revitalization and stabilization. This initiative aims to preserve and promote homeownership opportunities by coordinating the private, public, and non-profit sectors to highlight resources and benefits available in Ware.
- *YMCA of Greater Springfield* – This organization serves Greater Springfield through community service programs including summer enrichment camps, child care services, outreach programs, and health initiatives. While programs are open to all, they primarily serve low- or moderate-income individuals. The chief lending officer has been a Board member for more than 10 years and serves on the Finance Committee.
- *Western MA Economic Development Council* – This collaboration provides resources and information to businesses in the region and strategizes the economic development of

western MA. The goal is to improve the region's economy through quality job growth, capital investment, and economic advocacy. The bank's president currently serves as treasurer on the Council's Board.

Homeownership and Other Financial Education

The bank also provided educational workshops to local schools and organizations. The workshops provided financial literacy covering multiple topics. Several examples of such workshops are below.

- *Fresh Start Checking* – Monson Savings Bank developed a Fresh Start Checking program to assist individuals with damaged account history. In an effort to retain and repair the financial status of underbanked populations, this account is coupled with six educational modules regarding budgeting, credit repair, financial services, and insurance. The bank opened 73 Fresh Start Checking accounts during the evaluation period. Additionally, the bank's VP of retail administration held a 2017 information session with area nonprofits regarding the benefits of the Fresh Start Checking program.
- *Dollars & Sense: Ware Middle School* – This school retains a "title 1" designation as an institution with a high concentration of low-income students. Monson Savings Bank conducted 23 "Dollars and Sense" Financial Literacy sessions during the evaluation period. Topics covered include budgeting, saving, credit scores, credit cards and life lessons in money management.
- *Quabbin Wire and Cable Co: Bank@Work* – Monson Savings Bank held a financial literacy session at a local manufacturing facility in 2018. Topics covered include credit scores, building credit, buying a home, avoiding banking fees, college savings, and retirement. Based on available data, a large portion of the workforce (e.g. manufacturing technicians and machine operators) are moderate-income.
- *St. Johns Church Youth Group* – Monson Savings Bank provided financial literacy education on basic banking and budgeting to this group in Springfield in 2017. The group was located in a moderate-income area and geared toward youths in the area.

Other Services

- *Matched Savings Program* – The bank partners with the Midas Collaborative and Quaboag Valley CDC by administering individual development accounts (IDAs) for low-income individuals and small businesses in the area. These IDAs help individuals build savings for reliable transportation, equipment, education, or housing. The bank managed six accounts during the evaluation period.
- *Credit Builder & Savings Program* – Monson Savings Bank developed this program in response to a 2017 CFPB study regarding credit challenges for low-income consumers. The program's intent is to repair or establish a positive credit history by means of managed consumer loans. The bank has utilized this program for 23 individuals.

- *Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)* –Monson Savings Bank participates in the Massachusetts IOLTA Program. This program, mandated by the Supreme Judicial Court, requires lawyers and law firms to establish interest-bearing accounts for client deposits. The interest earned funds law-related public service programs that help low-income clients.
- *MCBC Basic Banking* – Monson Savings Bank participates in the Basic Banking program, an initiative to encourage those with moderate-incomes to establish banking relationships. This program utilizes free or low-cost checking and savings accounts to meet the needs of customers in the area.
- *Branch Utilization* – The bank uses its branch locations for the benefit of local community initiatives. For example, the bank hosted two training sessions in collaboration with the Quaboag Hills Substance Use Alliance.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX – MA DIVISION OF BANKS

FAIR LENDING POLICIES AND PROCEDURES

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. No evidence of disparate treatment was noted based on these procedures.

MINORITY APPLICATION FLOW

Examiners reviewed Monson Savings Bank's 2017 HMDA LAR to determine if the bank's application flow from the different racial and ethnic groups reflected the assessment area's demographics.

According to the 2015 ACS, the bank's assessment area contained a population of 110,706 individuals of which 7.1 percent are minorities. The assessment area's minority and ethnic population is 1.6 percent Black/African American, 1.1 percent Asian, 0.04 percent American Indian, 0.04 percent Hawaiian/Pacific Islander, 3.0 percent Hispanic or Latino, and 1.2 percent Other.

Refer to the following table for information on the bank's minority application flow as well as aggregate data in the bank's assessment area.

Minority Application Flow			
RACE	Bank 2017		2017 Aggregate Data
	#	%	%
American Indian/ Alaska Native	0	0.0	0.3
Asian	1	0.4	1.2
Black/ African American	1	0.4	1.1
Hawaiian/Pacific Islander	0	0.0	0.1
2 or more Minority	0	0.0	0.0
Joint Race (White/Minority)	0	0.0	1.0
Total Minority	2	0.8	3.7
White	221	89.1	75.7
Race Not Available	25	10.1	20.6
Total	248	100.0	100.0
ETHNICITY			
Hispanic or Latino	0	0.0	2.1
Not Hispanic or Latino	202	81.5	75.7
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.4	1.5
Ethnicity Not Available	45	18.2	20.7
Total	248	100.0	100.0

In 2017, the bank received 248 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 2 or 0.8 percent from racial minority applicants. The aggregate received 3.7 percent were from minority applicants. For the same period, the bank also received 1 or 0.4 percent of applications from ethnic groups of Hispanic origin within its assessment area as compared to the aggregate that received 3.6 percent.

The bank's performance for applications to racial minorities and ethnicity for Hispanic borrowers was below aggregate data. It should be noted that within the bank's 2017 assessment area, the bank was operating in a highly competitive area with no majority-minority census tracts. In the three towns with elevated minority populations, accounting for approximately 65 percent of the demographic, the bank had only had one branch and was ranked ninth out of 12 institutions. This speaks to a limited footprint in areas most likely to receive minority applications.

Bank management is aware of its minority application flow through regular monitoring and plans enhanced reporting in 2019. The bank's senior management utilized business and marketing strategies in the expanded assessment area to address increasing the minority application percentages. Analysis of the bank's 2018 data show an increasing trend in minority applications compared to 2017. The bank's minority application flow is deemed 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.