

PUBLIC DISCLOSURE

July 31, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Reading Co-operative Bank

Certificate Number: 26620

180 Haven Street
Reading, Massachusetts 01867

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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 concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

This document is an evaluation of the CRA performance of Reading Co-operative Bank (the bank) prepared by the Division, the institution's supervisory agency as of July 31, 2023. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

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 neighborhood, in a manner consistent with its resources and capabilities.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of home mortgage loans inside the assessment area.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating. Reading Co-operative Bank has an adequate record relative to fair lending policies and practices.

The Community Development Test is rated Satisfactory.

The institution demonstrated adequate 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 covers the period from the prior evaluation dated December 2, 2019, to the current evaluation dated July 31, 2023. The Massachusetts Division of Banks (Division) conducted this evaluation concurrently with the Federal Reserve Bank of Boston using the Interagency Intermediate Small Institution Examination Procedures to evaluate Reading Co-operative Bank's CRA performance. These procedures include two tests: the 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 and record related to fair lending practices.

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

Lending and community development performance were evaluated based primarily on activities inside the bank's assessment area. The bank's assessment area is comprised of portions of Middlesex and Essex Counties both under the Cambridge-Newton-Framingham, MA MSA.

Activities Reviewed

Examiners reviewed the lending activity and determined the bank's major product lines are home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2021 and 2022 Application Registers (LARs). Aggregate data for 2021 and 2022 includes the lending activity of all institutions subject to HMDA reporting within the banks assessment area.

For the Lending Test, examiners analyzed the number and dollar volume of loans. Although this evaluation presents the number and dollar volume, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals served.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services since the prior CRA evaluation date of December 2, 2019.

DESCRIPTION OF INSTITUTION

Background

Reading Co-operative Bank, established in 1886, is a full-service mutual bank headquartered in Reading, Massachusetts (MA). The bank operates two wholly owned subsidiaries, 180 Haven Street Securities Corporation and 230 Lowell Street Securities Corporation. Both security corporations buy, sell, and hold securities. The bank also maintains the Reading Cooperative Charitable Foundation dedicated to grant-making to non-profit 501(c)(3) organizations or public schools serving Andover, Burlington, North Reading, Reading, or Wilmington.

Reading Co-operative Bank operates in the eastern part of MA in the counties of Essex, MA and Middlesex, MA. Reading Co-operative Bank received a “Satisfactory” rating from the Division of Banks during its prior evaluation, dated December 12th, 2019.

Operations

In November of 2021, Reading Co-operative Bank acquired two branches from Coastal Heritage Bank.

The bank’s corporate headquarters is located at 55 Walkers Brook Drive, Reading, MA. The bank operates a total of nine full-service branches, four in Essex County, MA and five in Middlesex County, MA. The branches are located in the following cities and towns in Massachusetts: Andover, Burlington, Lawrence, Lynn, Nahant, North Reading, Reading (2), Wakefield, Wilmington (2.) All branches, except Burlington, have drive-up facilities and offer Saturday hours. Also, all branches, except Lynn and Nahant have 24-hour automated teller machine (ATM) access. The bank operates two stand-alone walk-up ATMs. One is located at 55 Walkers Brook Drive, Reading (cash-dispensing only) and another at 917 Lynnfield Street, Lynnfield (deposit-taking). Additionally, two of the bank’s branches are high school branches located in Reading (restricted non-public access) and Wakefield and operate during school hours.

The main office, located in Reading, is an upper-income census tract as are the Andover, North Reading, both high school branches, and the two stand-alone ATMs. The Burlington, both Wilmington, and the Nahant branches are in middle-income census tracts. The Lynn branch is in a moderate-income census tract. The Lawrence branch is in a low-income census tract.

Ability and Capacity

As of June 30, 2023, Reading Co-operative Bank’s assets totaled approximately \$858.4 million, including total loans of \$651 million (75.8 percent of total assets) and total securities of \$152.4 million. The bank had total deposits of \$700.9 million. Following the previous evaluation, since

December 2, 2019, total assets increased by approximately \$266.9 million, or (45.1 percent) and total deposits increased by \$222.9 million or (46.7 percent). The increases are primarily due to the acquisition of two Coastal Heritage Bank branches as well as the bank’s branch expansion to the City of Lawrence. The following table shows that loans secured by 1-4 family residential properties represent the largest portion of the portfolio at 59.0 percent and the total of all loans secured by real estate accounted for 93.6 percent. This shows a slight decrease of 1.5 percent from the prior evaluation. Loans secured by nonfarm nonresidential properties were the next largest portion at 13.8 percent. This slightly decreased from the prior evaluation. Consumer Loans showed a slight increase from the prior evaluation.

Loan Portfolio Distribution as of 6/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	55,168	8.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	383,930	59.0
Secured by Multifamily (5 or more) Residential Properties	79,795	12.3
Secured by Nonfarm Nonresidential Properties	90,039	13.8
Total Real Estate Loans	608,932	93.6
Commercial and Industrial Loans	31,636	4.9
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	10,292	1.6
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	72	0.01
Less: Unearned Income	0	0.0
Total Loans	650,932	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank’s assessment area is primarily comprised of the Cambridge-Newton-Framing, MA MSA. The bank designated a single assessment area comprised of 26 municipalities, fourteen in Essex County and twelve in Middlesex County.

Assessment Area Towns			
Essex County, MA			
Andover	Haverhill*	Lawrence	Lynn*
Lynnfield	Marblehead*	Methuen	Middleton
Nahant*	North Andover	Peabody*	Salem*
Saugus*	Swampscott*		
Middlesex County, MA			
Bedford	Billerica	Burlington	Lexington
North Reading	Reading	Stoneham	Tewksbury
Wakefield	Wilmington	Winchester	Woburn

**Added to assessment area since prior evaluation.*

The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

Reading Co-operative Bank’s assessment area consists of 180 census tracts and reflect the following income designations according to the 2020 ACS U.S. Census:

- 31 Low-income tracts,
- 36 Moderate-income tracts,
- 69 Middle- Income tracts,
- 43 Upper-Income tracts, and
- 1 tract with no income designation

The assessment area’s low-income census tracts are primarily concentrated in Lynn, Lawrence, Haverhill, Methuen, Peabody, Salem, Woburn, and Saugus, MA. Billerica, Tewksbury, Burlington, Wakefield, North Andover, Stoneham, Swampscott, Wilmington, Marblehead, Middleton, Nahant, North Reading, and Reading have moderate-income tracts. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the bank’s assessment area. However, there are several opportunity zones within portions of the Massachusetts assessment area. Together, federal and state officials designate opportunity zones as areas of high economic need, with many opportunity zones having the lowest median family income in the state. Opportunity zone locations in the bank’s assessment area include Haverhill, Lawrence, Lynn, Methuen, Peabody, Salem, and Saugus. The one census tract with no income designation is in the town of Swampscott. The majority of the census tract is taken up by Harold A. King Town Forest as well as a local commercial quarry business.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	180	17.2	20.0	38.3	23.9	0.6
Population by Geography	895,247	15.5	20.1	38.4	25.8	0.2
Housing Units by Geography	336,853	14.5	19.7	40.3	25.4	0.2
Owner-Occupied Units by Geography	213,248	5.4	16.5	45.7	32.2	0.2
Occupied Rental Units by Geography	110,661	31.5	25.5	30.1	12.8	0.1
Vacant Units by Geography	12,944	18.4	21.4	38.8	20.7	0.6
Businesses by Geography	92,699	12.2	16.5	40.2	31.0	0.1
Farms by Geography	1,641	7.6	18.8	45.2	28.0	0.4
Family Distribution by Income Level	221,342	25.0	17.8	20.5	36.8	0.0
Household Distribution by Income Level	323,909	28.3	15.6	17.6	38.6	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Housing Value			\$470,213
Families Below Poverty Level		6.2%	Median Gross Rent			\$1,422

*Source: 2020 ACS, 2022 D&B Data, and FFIEC Estimated Median Family Income.
 (*) The NA category consists of geographies that have not been assigned an income classification.*

According to 2020 US Census data, housing unit statistics in low and moderate-income census tracts show an owner occupancy rate of 34.1 percent and rental unit rate of 57.0 percent. The moderately low owner-occupancy rates and higher rental rates indicate limited owner-occupied home mortgage lending opportunities in those census tracts. Both factors may also signal a need for affordable rental housing in these areas. The percentage of vacant properties, 39.8 percent, in low and moderate-income census tracts, however, demonstrates opportunities for rehabilitating and renovating properties in the assessment area.

Examiners used the FFIEC- updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low, moderate, middle, and upper-income categories. These categories are based on the 2020 and 2021 FFIEC updated median family income for each MD in the assessment area. According to 2020 US Census data, the percentage of families below the poverty level in the assessment area is 6.2 percent. This may limit these families from qualifying for a home mortgage loan, which limits lending opportunities.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<i>Source: FFIEC</i>				

Competition

Reading Co-operative Bank operates in a highly competitive market for home mortgage loans. According to Deposit Market Share data as of June 30, 2022, 41 financial institutions operated 265 branches in the bank’s assessment area. Of these institutions, the bank ranked 10th with a deposit market share of 1.6 percent.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2022, aggregate home mortgage lending data showed 457 lenders originated or purchased 26,079 home mortgage loans in the assessment area. Reading Co-operative Bank ranked 41st with a 0.6 percent market share and was the top-ranked community bank. The top five lenders were primarily large banks or mortgage companies and collectively held approximately 21.8 percent of the market share and included Citizens Bank, N.A., Eastern Bank, Guaranteed Rate, Inc., TD Bank, N.A., and Crosscountry Mortgage, Inc.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the credit and community development needs of the area. The information helps determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a representative of a local non-profit organization operating in the assessment area. The organization provides homeownership and landlord education, financial and credit counseling, technical support, and advocacy for affordable housing. Potential first-time home buyers and access to credit are challenged by a number of factors. Increased mortgage interest rates, home sale prices, limited availability of affordable inventory, and strict zoning laws inhibiting new development present obstacles to long-term investments for these potential buyers. Insufficient or poor credit remains a challenge based on conventional underwriting standards. Further, with more than four dozen languages spoken in the area, language and cultural barriers challenge underserved and underbanked residents.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing financing assistance and development of affordable housing units are primary community development needs. Reduced mortgage interest rates, more flexible underwriting standards, alternative credit scoring methods, and use of down payment assistance programs are areas of opportunity. Additionally, there are opportunities for providing technical expertise and financial literacy opportunities to those of diverse backgrounds allowing them to feel welcome.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Reading Co-operative Bank demonstrated a reasonable performance under the Lending Test. Loan to Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 88.6 percent over the past 15 calendar quarters ending from December 31, 2019, to June 30, 2023. The ratio ranged from a low of 82.3 percent as of September 30, 2021, to a high of 98.3 percent as of June 30, 2020. These percentages were impacted in 2020 and in 2021 as a result of the bank's branch acquisitions, changing business strategy focus to increase commercial lending coupled with the temporary deposit growth due to economic stimulus payments in connection with the COVID-19 pandemic. Examiners selected three comparable institutions based on their asset size, geographic location, and lending focus. The following table shows that Reading Co-operative Bank's ratio ranked above two and below one of those similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2023 (\$000s)	Average Net LTD Ratio (%)
Savings Bank, Wakefield	746,883	89.1
Reading Co-operative Bank	858,404	88.6
Cape Ann Savings Bank	911,348	84.1
Winchester Savings Bank	752,960	80.3
<i>Source: Reports of Condition and Income 12/31/2019- 06/30/2023</i>		

Assessment Area Concentration

Reading Co-operative Bank originated a majority of its home mortgages loans within its assessment area. During the review period, Reading Co-operative Bank originated 329 loans, or 63.5 percent, within its 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										
2021	167	67.1	82	32.9	249	63,323	57.6	46,678	42.4	110,001
2022	162	60.2	107	39.8	269	79,871	54.0	67,914	46.0	147,784
Total	329	63.5	189	36.5	518	143,194	55.5	114,592	44.5	257,786
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion amongst census tracts within its assessment area. Reading Co-operative Bank’s 2021 performance among low-income census tracts was in line with the aggregate and above demographic data. The 2022 performance showed a notable increase by both number and percentage and were well above aggregate and demographic data. The percentage of 2021 lending in moderate-income tracts was well below the aggregate and demographic data however, a similar trend to the low-income performance is seen here, showing a notable increase into 2022 with performance close to yet below the aggregate and demographic data. The acquisition of the two Coastal Heritage branches and expansion of the bank’s physical presence into the Lawrence market increased the number of low and moderate-income branches and census tracts which allowed for increased opportunity.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	6.6	8.3	14	8.4	14,207	22.4
2022	5.4	8.1	21	13.0	22,516	28.2
Moderate						
2021	13.2	13.2	5	3.0	1,744	2.8
2022	16.5	18.9	24	14.8	11,753	14.7
Middle						
2021	51.1	48.6	78	46.7	22,454	35.5
2022	45.7	42.5	58	35.8	21,062	26.4
Upper						
2021	29.2	29.8	70	41.9	24,919	39.4
2022	32.2	30.3	59	36.4	24,539	30.7
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.2	0.2	0	0.0	0	0.0
Totals						
2021	100.0	100.0	167	100.0	63,323	100.0
2022	100.0	100.0	162	100.0	79,871	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low-to-moderate income borrowers. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

The following table shows that in 2021, the bank's lending to low-income borrowers was below aggregate and demographic data. However, the bank's 2022 performance increased to slightly under aggregate performance. Notably, low-income families in the assessment area, earning less than \$69,350 in the Cambridge-Newton-Framingham, MA MSA most likely would have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$470,213. Additionally, the percentage of low-income families in the assessment area includes families living below the poverty level (6.2 percent.) These facts help explain the disparity between the bank and aggregate lending data versus the percentage of families.

In 2021, the bank's performance in lending to moderate-income borrowers matched aggregate data and was above the demographic. In 2022, showing a small decrease, lending performance was slightly below aggregate yet remained above the demographic.

The bank offers several programs designed to benefit low- and moderate-income borrowers, including the bank’s own first-time home buyer mortgage product that offers a \$500 closing cost credit, the Federal Home Loan Bank of Boston’s Equity Builder and Housing Our Workforce Program, and MassHousing ONE Mortgage Program. All programs assist low and moderate income-eligible borrowers to purchase a primary residence with a variety of benefits including low down payment, minimum credit score, interest rates, and allows down payment assistance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	25.4	6.9	9	5.4	1,594	2.5
2022	25.0	9.0	14	8.6	2,247	2.8
Moderate						
2021	16.9	21.0	35	21.0	7,864	12.4
2022	17.8	22.2	31	19.1	9,727	12.2
Middle						
2021	20.5	23.0	45	26.9	13,492	21.3
2022	20.5	23.3	40	24.7	14,970	18.7
Upper						
2021	37.2	34.7	60	35.9	21,569	34.1
2022	36.8	32.3	52	32.1	24,867	31.1
Not Available						
2021	0.0	14.5	18	10.8	18,805	29.7
2022	0.0	13.2	25	15.4	28,060	35.1
Totals						
2021	100.0	100.0	167	100.0	63,323	100.0
2022	100.0	100.0	162	100.0	79,871	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Response to Complaints

Reading Co-operative Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

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. 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 2021 and 2022 were reviewed to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2020 ACS U.S. Census data, the bank’s assessment area contained a total population of 895,247 individuals of which 35.8 percent are minorities. This illustrates a demographic change of an 8.8 percent increase in total minorities since the 2015 ACS U.S. Census data. The assessment area’s minority and ethnic population is 20.8 percent Hispanic or Latino, 4.4 percent Black/African American, 6.9 percent Asian, and 21.4 percent other.

The bank’s level of applications was compared with that of the 2021 and 2022 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank’s minority application flow as well as the aggregate lenders in the bank’s assessment area.

MINORITY APPLICATION FLOW						
RACE	2021		2021 Aggregate Data	2022		2022 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.4
Asian	8	3.8	7.4	14	6.6	7.9
Black/ African American	2	0.9	3.3	5	2.4	4.0
Hawaiian/Pacific Islander	0	0.0	0.1	4	1.9	0.3
2 or more Minority	0	0.0	0.1	1	0.5	0.1
Joint Race (White/Minority)	4	1.9	1.4	8	3.8	1.7
Total Racial Minority	14	6.6	12.5	32	15.0	14.5
14.5White	163	76.9	60.9	132	62.0	59.7
Race Not Available	35	16.5	26.6	49	23.0	26.0
Total	212	100.0	100.0	213	100.0	100.0
ETHNICITY						
Hispanic or Latino	11	5.2	11.2	14	6.6	13.5
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.9	1.3	5	2.4	1.5
Total Ethnic Minority	13	6.1	12.4	19	8.9	14.9
Not Hispanic or Latino	146	68.9	63.0	131	61.5	61.6
Ethnicity Not Available	53	25.0	24.6	63	29.6	23.5
Total	212	100.0	100.0	213	100.0	100.0

Source: ACS Census 2015, ACS 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022

In 2021, the bank received 212 home mortgage loan applications from within its assessment area. Of these applications fourteen, or 6.6 percent, were received from racial minority applicants, of which eleven, or 78.6 percent, resulted in originations. The aggregate received 12.5 percent of its applications from minority consumers, of which 63.7 percent were originated. For the same period, the bank also received thirteen applications, or 6.1 percent, from ethnic groups of Hispanic origin

within its assessment area. Of these applications, nine or 69.2 percent were originated, compared with an aggregate application rate of 12.4 percent with a 60.9 percent origination rate.

In 2022, the bank received 213 home mortgage loan applications from within its assessment area. Of these applications, thirty-two or 15.0 percent were received from racial minority applicants, of which twenty-one or 65.6 percent, resulted in originations. The aggregate received 14.5 percent of its applications from minority consumers, of which 57.7 percent were originated. For the same period, the bank also received nineteen applications or 8.9 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, fifteen or 78.9 percent were originated compared with an aggregate application rate of 14.9 percent with a 49.1 percent origination rate. Notably, aggregate data in the assessment area showed an increasing trend over 2020 and 2021.

Reading Co-operative Bank's 2022 performance from racial minority applicants, having more than doubled over 2021 performance, was in line with the aggregate percentage. The bank's minority application performance from applicants of Hispanic ethnicity was below aggregate performance and showing an increasing trend. The bank's additional strong fair lending controls and strategic efforts mitigate the below-aggregate performance. Through the bank's marketing, expanded branching structure during the evaluation period, and outreach efforts to incorporate strategies ensure that diverse individuals have access to credit.

COMMUNITY DEVELOPMENT TEST

Reading Co-operative Bank demonstrated adequate responsiveness to the assessment area's community development needs through qualified community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area. Reading Co-operative's leadership level and involvement in community development lending when compared to similarly situated banks supports this rating.

Community Development Loans

Reading Co-operative Bank's qualified community development lending total was \$42.8 million. The bank originated a total of 17 community development loans totaling approximately \$795,185 during the evaluation period. Four CD loans were originated by the bank alone totaling approximately \$710,776. The bank originated another thirteen participation loans totaling approximately \$84,409. This level of activity represents approximately 0.1 percent of average total assets and 0.2 percent of average total loans as of the June 30, 2023, Call Report. An additional 1,059 totaling \$42.1 million were originated in 2020 and 2021 as part of the SBA Paycheck Protection Program (PPP) in response to the COVID-19 pandemic and considered particularly responsive to community development needs within the assessment area.

The bank's CD lending activity by dollar amount was comparable with the higher range of comparable institutions, when excluding the bank's PPP loans. Additionally, the bank's CD loan activity by number increased, however activity by dollar amount decreased from the previous evaluation period, during which the bank made 4 CD loans totaling \$3.9 million.

The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	371	20,017	16	396	387	20,413
2021	0	0	0	0	281	14,969	391	6,707	672	21,676
2022	0	0	0	0	7	649	0	0	7	649
YTD 2023	0	0	0	0	10	146	0	0	10	146
Total	0	0	0	0	669	35,781	407	7,103	1,076	42,884

Source: Bank Data

The following are examples of the bank’s qualified community development loans.

- In 2022 and 2023, Reading Co-operative Bank participated with a community development financial institution (CDFI) to provide needed support to small businesses in Lawrence, MA. The bank’s participation involved thirteen loans totaling \$84,409. The bank’s investment will provide support to existing and start-up businesses in a predominantly low-income and Gateway City area.
- In 2023, in conjunction with a MassDevelopment Industrial Bond, the bank participated in this \$750,000 loan to purchase and renovate a manufacturing facility in Lynn, MA, in a low-income area. The start-up company will generate jobs for low- and moderate-income individuals in the area. The bank’s participation in the loan totaled \$375,000.
- In 2022, the bank originated a \$268,000 loan to a minority-owned small business in downtown Lawrence to purchase the building in which it was operating. This loan helped retain jobs in this Gateway City and was responsive to economic development needs in the assessment area.
- In 2023, the bank originated a \$100,000 line of credit for working capital and equipment expenses for a small business operating in a moderate-income area. The total CRA qualified investment during the evaluation period was \$12,974.50.
- In response to the COVID-19 pandemic in 2020 and 2021, the bank originated 1,059 PPP loans totaling approximately \$42.1 million within its assessment area. Further, 257 PPP loans, totaling approximately \$13.1 million, originated outside the bank’s assessment area were also considered. These loans were administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans help businesses retain staff during the economic crisis due to the Covid-19 pandemic. These loans are particularly responsive as they provided funding to businesses in order to retain jobs during the pandemic. Reading Co-Operative Bank was a leader among participating Massachusetts financial institutions under the PPP Program.

Qualified Investments

Reading Co-operative Bank made 130 qualified investments totaling approximately \$2.7 million, which includes 10 qualified equity investments of \$2.0 million and 120 charitable donations totaling approximately \$662, 902. Investment activity increased since the previous evaluation where the bank made 87 investments totaling approximately \$232,00.

The dollar amount of qualified investments equates to 0.4 percent of average total assets and 2.6 percent of average total securities. The bank’s investment activity supported economic development and revitalization or stabilization initiatives. The bank’s donations assisted some of the lowest income individuals and areas of its assessment area with the significant majority of activity qualifying under the community service purpose followed by economic development. Reading Co-operative Bank’s investment activity, by dollar compared above, and by number was comparable with similarly situated institutions who received a Satisfactory on the Community Development Test.

The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	1	3	2	809	3	811
2021	0	0	0	0	3	53	0	0	3	53
2022	0	0	0	0	4	1,162	0	0	4	1,162
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	8	1,217	2	809	10	2,026
Qualified Grants & Donations	0	0	96	240	20	412	4	12	120	664
Total	0	0	96	240	28	1,629	6	821	130	2,690

Source: Bank Data

Equity Investments

Below are the bank’s qualified equity investments.

- *Municipal Bond* - In 2020, the bank invested in a municipal bond from the city of Lawrence. Proceeds from the bond will be used for public infrastructure improvements which will revitalize the designated Gateway City of Lawrence. The majority of census tracts in Lawrence are low-income. The qualified CRA amount equated to the draw amount of \$315,000 during the evaluation period.
- *Municipal Bond* – In 2020, the bank invested in a municipal bond from the city of Lowell. Proceeds from the bond will be used toward construction and capital improvements of a 6-story hospital facility in the City of Lowell, which is designated a Gateway City. The majority of census tracts in Lowell are low and moderate-income. The qualified CRA amount equated to the draw amount of \$493,750 during the evaluation period.

- *Massachusetts Development Finance Agency Bond* - In 2022, Reading Co-operative Bank invested \$3.3 million in a Massachusetts Development Finance Agency industrial bond to fund the purchase and renovations of a manufacturing facility for a start-up business in Lynn, a business that will provide new low- and moderate-income jobs. The qualified CRA amount equated to draw amounts of approximately \$1.2 million during the evaluation period,
- *Community Development Tax Credits* - During the evaluation period, the bank purchased seven community investment tax credits in support of multiple organizations operating in the assessment area. Funds to Lawrence Community Works supported affordable housing opportunities and utility assistance for Lawrence households; funds to Mill Cities Community Investments, a Community Development Financial Institution, provide alternative funding to individuals and businesses in low- and moderate-income and under-resourced communities; and funds supported Groundwork Lawrence provide community services such as fresh food access and employment initiatives. The bank purchased the tax credits for \$2,500 in 2020, \$52,500 in 2021, and \$52,500 in 2023.

Donations

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

- *Mill Cities Community Investments* – Headquartered in Lawrence, MMCI is a non-profit organization and certified community development financial institution (CDFI) that is a financing and lending alternative for businesses and homeowners and specializes in financing under-resourced communities. The bank's support in 2019, 2020, provided substantial support to area economic development needs.
- *Lawrence Partnership* – This partnership is a coalition of leaders from business, education, healthcare, and nonprofits coordinating resources and ideas to invest in people and nurture small business owners by providing training, generating career paths, and catalyzing workforce and economic development to lift residents to a greater prosperity to become more independent for a predominantly low-income area. The bank's multiple annual and meeting sponsorships in 2020, 2021, 2022, and 2023 were responsive to economic development needs of the area.
- *Greater Lawrence Community Action Council Inc. (GLCAC)* – The GLCAC works with local, state, and Federal governments as well as private organizations to address poverty in the Greater Lawrence area. With an emphasis on education, social services, childcare, and housing, the GLCAC provides community services to low- and moderate -income-individuals. In 2020, 2021, 2022, and 2023, the bank's support was responsive to area community service needs in the form of capital campaign pledges and donations to the organization.
- *The United Way of Massachusetts Bay, The One Lawrence Fund* – Operating in Eastern Massachusetts and Southeastern New Hampshire and Maine, the nonprofit organization pools fundraising and support for the purpose of helping those most in need. The goals include improving area health, education, and financial stability and particularly in times of crisis.

This fund was established to provide emergency assistance and resources to individuals and families impacted by the COVID-19 pandemic, especially those not qualifying for other resources. The bank's 2020 support to the fund was particularly responsive to community service needs.

- *Leading through Empowering Opportunities, LEO, Inc.* - LEO Inc.'s mission is to strengthen the Greater Lynn community through resources and services for children, families, and individuals. Services include early education and childcare, the Head Start program, food security services, fuel assistance, the VITA income tax preparation program, emergency services, financial literacy education, weatherization and home energy assistance. The bank's 2022 contribution was supportive of assessment area community service needs toward a new preschool.
- *Food Pantries and Food Recyclers* - The bank's multiple contributions supported many area food pantries and other organizations that distributed food during the evaluation period. Support to alleviate food insecurity during the COVID-19 pandemic is particularly responsive. Qualified nonprofit organizations included: Bread and Roses, Groundwork Lawrence, Lazarus House, Merrimack Valley Food Bank, North Reading Food Pantry as well as food drives at the Merrimack Valley YMCA food drive and Northeastern YWCA food drive.

Community Development Services

During the evaluation period, Reading Cooperative Bank employees and officers provided 90 hours, equating to 34 instances of financial or technical to 13 different community development organizations in the form of employee involvement, educational seminars, and other services. This represents a decrease in activity from the previous examination total of 95 instances while increasing from 13 different organizations. Reading Co-operative Bank ranked below its peers who received a Satisfactory under the Community Development Test.

The following are notable examples of the bank's community development services.

Employee Involvement

- *Boys & Girls Club of Lawrence* – The organization allows all children to receive community support and neighborhood resources. Special attention is given to at-risk youth and children from disadvantaged circumstances, with a substantial majority of the club's membership from low- and moderate-income families. In 2020, a senior executive served on the organization's board, and in 2023 four other bank executives conducted financial literacy events.
- *Lawrence Community Works (LCW)* – LCW is a Community Development Corporation that promotes equitable development and economic justice for Lawrence families. The majority of those served by LCW are of low or moderate-income levels. In 2020 and 2023, a bank employee presented multiple financial literacy education events on topics such as information protection and confidentiality.
- *Leaders Engaged and Activated to Drive System-wide change (LEADS)* – Originating in

Lawrence, MA, LEADS works to improve the prospects of communities through an innovative program expanding leadership capacity, connectivity, and social capital of leaders in Gateway Cities of Massachusetts. In 2019, 2021, 2022, and 2023, bank executives provided educational presentations on topics such as small business support, personal financial education as a broader issue, addressing uneven wealth creation in the Haverhill community, and providing flexible capital for affordable housing.

- *The Rollins School, Lawrence* – Nearly ninety percent of this public early childhood school’s students come from families with low or moderate incomes. In 2020 and 2023, a bank manager and two executives provided age-appropriate financial literacy education at the school such as “Teach Children to Save.”

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

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

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.