

# **PUBLIC DISCLOSURE**

December 2, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Reading Cooperative Bank  
Certificate Number: 26620

180 Haven Street  
Reading, Massachusetts 01867

Commonwealth of Massachusetts  
Division of Banks  
1000 Washington Street, 10<sup>th</sup> 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

**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.

Reading Co-operative Bank's (RCB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and 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 performance.

### **The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects poor 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.

### **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 October 25, 2016, to the current evaluation dated December 2, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate RCB's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

The evaluation references demographic and economic information from the 2015 American Community Survey (ACS), D&B, Moody's Analytics Regional Workstation (Moody's), and the U.S. Bureau of Labor Statistics (BLS). Bank financial data reflects the June 30, 2019 Consolidated Reports of Condition and Income (Call Report).

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

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

The Community Development Test considered the following factors.

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

Banks must achieve at least a satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Bank records indicate that the overall lending and product mix remained consistent throughout the evaluation period, although there was a slight increase within 1-4 Family Residential Property loans. The bank is not required to report small business lending. Therefore, considering these factors, the bank's record of originating home mortgage loans during the evaluation period contributed more weight than small business loans to overall conclusions.

As of September 30, 2019, residential real estate loans, including multi-family residential properties, accounted for 74.4 percent of the loan portfolio. Commercial lending, consisting of

nonfarm nonresidential and commercial and industrial loans, represented 19.5 percent of the loan portfolio. Small farm loans, agricultural 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 Lending Test considered all home mortgage originations reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) from January 1, 2017, through December 31, 2018. The 2019 HMDA year-to-date data was reviewed for trending purposes. In 2017, the bank reported 148 home mortgage loans totaling \$59 million and reported 147 loans totaling \$70.3 million in 2018. The assessment area concentration criterion reflects data analyzed for 2017 and 2018. This evaluation compares the bank's performance against aggregate lending data and considers demographic data information from the 2015 ACS.

Examiners also evaluated the bank's small business lending performance. The CRA defines small business loans as commercial real estate loans and nonfarm nonresidential and industrial loans with original balances of \$1.0 million or less. Due to its asset size, the bank is not required to collect and report small business lending data for CRA purposes. However, the bank collected its small business data for its own purposes during the evaluation period. This evaluation considered all small business loans originated in 2017 and 2018. The bank originated 32 small business loans totaling \$8.7 million in 2017, and 15 small business loans totaling \$681,000 in 2018. Data analyzed for 2017 and 2018 are included in the assessment area concentration criterion. The evaluation compared the bank's small business lending activity to D&B business demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of small business and homed mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals 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 October 24, 2016.

## DESCRIPTION OF INSTITUTION

### *Background*

Reading Co-operative Bank (RCB) is a cooperative bank chartered by the Commonwealth originally in 1886. RCB 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.

The institution received a Satisfactory rating from the FRBB and the Division during its prior concurrent evaluation using ISI Examination Procedures.

### *Operations*

The bank operates 7 full-service branches, along with its corporate headquarters at 55 Walkers Brook Drive, Reading, Massachusetts (MA). The branches are located in Andover, Burlington, North Reading, Reading (2), Wakefield, and Wilmington (2). During the evaluation period, RCB closed the 300 Tradecenter, Woburn branch. The bank did not open any branches during the examination period.

The bank offers a variety of deposit and lending products and services. Deposit products include checking and savings accounts including student accounts, certificates of deposit, money markets, individual retirement accounts for education and retirement, and health saving accounts. Lending products include fixed and adjustable home mortgages, jumbo mortgages, home equity loans and HELOCs, personal loans, auto loans, student loans, construction loans, and debit cards.

Business deposit products include checking and savings accounts. Business loan products include commercial real estate and construction loans, business acquisition financing, commercial lines of credit, equipment financing. The bank is an approved member of the Small Business Administration (SBA) loan program. Alternative banking services include online and mobile banking with account history and online bill pay capability, and Automated Teller Machines (ATMs) with fees rebated for some accounts types. Telephone banking and free MasterMoney debit card available. The bank offers financial planning services through a third-party partnership with Lumen Wealth Management.

### *Ability and Capacity*

As of September 30, 2019, RCB had approximately \$591.5 million in total assets, which includes \$472.1 million in total loans. The bank's net loan-to-deposit ratios as of the same date was 103.0 percent. During the evaluation period, total assets grew by approximately 21.0 percent and the loan portfolio increased by 20.7 percent. Loans secured by one-to-four family and multi-family residential properties account for the largest portion of the portfolio followed by loans secured by nonfarm nonresidential properties and commercial and industrial loans. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/19</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	27,293	5.8
Secured by 1-4 Family Residential Properties	313,251	66.4
Secured by Multifamily (5 or more) Residential Properties	38,038	8.0
Secured by Nonfarm Nonresidential Properties	70,190	14.9
<b>Total Real Estate Loans</b>	<b>448,772</b>	<b>95.1</b>
Commercial and Industrial Loans	22,019	4.7
Consumer Loans	313	0.1
Other Loans	997	0.2
<b>Total Loans</b>	<b>472,101</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0</i>		

There are no significant financial or legal impediments identified that would limit the bank's ability to help meet the credit or community development needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area(s) within which examiners will evaluate its CRA performance. RCB designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). This MD is part of the multi-state Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The following sections discuss economic and demographic information for the assessment area.

### *Economic and Demographic Data*

The assessment area includes 102 census tracts within Essex and Middlesex Counties which are part of the Cambridge-Newton-Framingham, MA MD. No census tracts were added to the assessment area since the last evaluation. The following table details the 18 cities and towns in the assessment area.

<b>Assessment Area Cities and Towns</b>	
<b>Essex County, MA</b>	
Andover	Methuen
Lawrence	North Andover
Lynnfield	
<b>Middlesex County, MA</b>	
Bedford	Stoneham
Billerica	Tewksbury
Burlington	Wakefield
Lexington	Wilmington
North Reading	Winchester
Reading	Woburn
<i>* New to the assessment area since the prior evaluation</i>	

The census tracts in the assessment area reflect the following income designations according to the 2015 ACS data.

- 18 low-income census tracts,
- 5 moderate-income census tracts,
- 46 middle-income census tracts, and
- 33 upper-income census tracts.

The low-income census tracts are located in Lawrence (17) and Methuen (1). There are no distressed or underserved geographies or designated disaster areas in the bank’s assessment area.

The following table illustrates select demographic characteristics of the assessment area.



<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	102	17.6	4.9	45.1	32.4	0.0
Population by Geography	530,145	14.2	5.2	46.0	34.5	0.0
Housing Units by Geography	198,022	13.3	5.7	47.6	33.3	0.0
Owner-Occupied Units by Geography	131,323	4.6	4.8	50.5	40.0	0.0
Occupied Rental Units by Geography	57,651	32.5	7.9	41.3	18.3	0.0
Vacant Units by Geography	9,048	17.9	5.3	45.4	31.4	0.0
Businesses by Geography	42,151	8.1	3.8	50.0	38.1	0.0
Farms by Geography	783	2.3	3.2	51.9	42.7	0.0
Family Distribution by Income Level	136,441	21.8	15.4	20.2	42.6	0.0
Household Distribution by Income Level	188,974	24.6	13.6	16.1	45.7	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$409,791
			Median Gross Rent			\$1,211
			Families Below Poverty Level			6.6%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle- and upper-income categories for both MDs in the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
<i>Source FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 198,022 housing units in the assessment area. Of these, approximately 66.3 percent are owner-occupied, 29.1 percent are occupied rental units, and 4.6 percent of the units are vacant. Further, 3.1 percent of owner-occupied housing units in the assessment area are in low-income census tracts and 3.2 percent are in moderate-income census tracts.

Data obtained from the U.S. BLS indicates that the annual average 2018 unemployment rate was 3.3 percent in MA. The annual average 2018 unemployment rate in Essex and Middlesex Counties was 3.4 percent and 2.7 percent, respectively. Unemployment rates for each county have gradually declined throughout the evaluation period.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2018 D&B business demographic information, there are 42,151 nonfarm businesses in the assessment area. GARs for these businesses are below. Due to rounding, totals may not equal 100.0 percent.

- 82.2 percent have \$1 million or less.
- 8.1 percent have more than \$1 million.
- 9.7 percent have unknown revenues.

Further, approximately 77.2 percent of all businesses in the assessment area have GARs of less than \$0.5 million, 66.2 percent of businesses have four or fewer employees, and 88.2 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small. Service industries represent the largest portion of businesses in the assessment area at 46.2 percent; followed by retail trade (11.3 percent); non-classifiable establishments (10.3 percent); finance, insurance, and real estate (9.0 percent); and construction (8.6 percent.)

### *Competition*

The assessment area is highly competitive for financial services. According to Peer Deposit Market Share data as of June 30, 2019, 50 financial institutions operated 2,377 full-service branches within the assessment area. Of these institutions, RCB ranked 19<sup>th</sup> with approximately 1.2 percent of the deposit market share. Several larger state-chartered banks ranked higher than RCB including Salem Five Cents Savings Bank, Eastern Bank, East Boston Savings Bank, North Shore Co-operative Bank, Enterprise Bank and Trust, and Newburyport Five Cents Savings Bank.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2018, 391 lenders originated or purchased 18,620 home mortgage loans in the assessment area. RCB ranked 53<sup>rd</sup> out of this group of lenders with a market share of 0.4 percent. The top three lenders accounted for 17.6 percent of the market share including Citizens Bank, N.A.; Wells Fargo Bank, N.A.; Bank of America, N.A.; Santander Bank, N.A.; and TD Bank, N.A..

The bank is not required to collect or report its small business loan data, and has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data.

### *Community Contact*

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing, credit, and community development needs in the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community and whether additional opportunities are available. Community contacts were conducted with organizations that serve geographical areas that overlapped with the cities and towns that examiners determined the bank could reasonably serve.

A community contact was conducted with the director of an organization that serves the city of Lawrence and its surrounding area. Through collaborative relationship-building, their primary focus is on furthering small business economic development and work force development. The contact raised multiple challenges facing the residents of this gateway city that include: a growing population; built-out land area within the city's small boundaries; residents' dependency on private-money businesses; lack of access to affordable lending products for small businesses as well as residential lending; the increasing cost of affordable housing including rentals; the employment skills gap between existing labor force and today's employers; and a need for culturally appropriate financial literacy among diverse populations.

Another community contact was conducted with a representative of a community development corporation in the bank's assessment area. The contact indicated that affordable housing is a significant need due to the rising cost of housing and the demand exceeding the supply. The contact mentioned wages in the area have remained stagnant, resulting in a strain on both buyers and renters to find affordable housing. In addition, the contact identified the need for financing and technical assistance to very small or start-up businesses. Also noted were the need for financial literacy, credit counseling, and product offerings allowing individuals to build and repair their credit history.

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

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and small business financing represent primary community development needs in the assessment area. The shortage of affordable housing units and limited affordability supports this need. Additionally, there is a need for small business financing and technical assistance. Financial literacy and credit counseling for low- and moderate-income individuals is also needed in the area. Lastly, the city of Lawrence consists primarily of low-income tracts, creating a need for community services and revitalization and stabilization in this community.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

RCB demonstrated reasonable performance under the Lending Test. Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 103.0 percent over the past 13 quarters from September 30, 2016 to September 30, 2019. The ratio ranged from a high of 108.0 percent for the quarter December 2016 to a low of 94.8 percent as of March 2019. Bank management attributes the decrease to deposit growth resulting from several large loan payoffs in early 2019.

Examiners compared the bank's LTD ratio to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the following table, the bank maintained a ratio that was above three similarly situated institutions.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 09/30/2019 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
Cape Ann Savings Bank	676,529	85.1
Winchester Savings Bank	552,194	86.6
The Savings Bank, Wakefield	615,260	97.9
<b>Reading Co-operative Bank</b>	<b>591,492</b>	<b>103.0</b>
<i>Source: Reports of Condition and Income 9/30/16 through 9/30/19</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 (AA).

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	79	53.4	69	46.6	148	24,952	42.3	34,040	57.7	58,992
2018	73	49.7	74	50.3	147	26,842	38.2	43,448	61.8	70,290
<b>Subtotal</b>	<b>152</b>	<b>51.5</b>	<b>143</b>	<b>48.5</b>	<b>295</b>	<b>51,794</b>	<b>40.1</b>	<b>77,488</b>	<b>59.9</b>	<b>129,282</b>
Small Business										
2017	19	59.4	13	40.6	32	3,896	44.9	4,778	55.1	8,674
2018	8	53.3	7	46.7	15	681	17.1	3,307	82.9	3,988
<b>Subtotal</b>	<b>27</b>	<b>57.4</b>	<b>20</b>	<b>55.3</b>	<b>47</b>	<b>4,577</b>	<b>36.1</b>	<b>8,085</b>	<b>63.9</b>	<b>12,662</b>
<b>Grand Total</b>	<b>179</b>	<b>52.3</b>	<b>163</b>	<b>47.7</b>	<b>342</b>	<b>56,371</b>	<b>39.7</b>	<b>85,573</b>	<b>60.3</b>	<b>141,944</b>
<i>Source: Evaluation Period: 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 reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1 million or less.

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

The following table shows that in 2017, lending to low-income borrowers was above aggregate performance and was below the percentage of families. Lending to moderate-income borrowers was below aggregate performance and slightly below the percentage of families. The bank’s 2018 performance was slightly above aggregate for low-income borrowers and slightly below the aggregate for moderate-income borrowers.

Examiners took into consideration impacts on loan demand from low-income families. A low-income family earning less than \$55,150 in the Cambridge-Newton-Framingham, MA Metropolitan Division would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$355,923.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	21.8	6.1	8	10.1	1,025	4.1
2018	-	7.1	6	8.2	937	3.5
<b>Moderate</b>						
2017	15.4	18.2	11	13.9	2,983	12.0
2018	-	18.5	12	16.4	3,049	11.4
<b>Middle</b>						
2017	20.2	23.0	20	25.3	5,082	20.4
2018	-	22.7	19	26.0	4,441	16.5
<b>Upper</b>						
2017	42.6	39.9	32	40.5	13,716	55.0
2018	-	40.2	25	34.2	8,721	32.5
<b>Not Available</b>						
2017	0.0	12.9	8	10.1	2,146	8.6
2018	-	11.5	11	15.1	9,695	36.1
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>24,952</b>	<b>100.0</b>
<b>2018</b>	<b>-</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>26,842</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 &amp; 2018 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. As the following table shows, a majority of small business loans were to businesses with GARs of \$1 million or less. The bank’s 2018 percentage by number for lending in this category trended upward.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2017	82.1	13	68.4	2,146	55.1
2018	82.2	6	75.0	602	88.4
> \$1,000,000					
2017	8.3	6	31.6	1,750	44.9
2018	8.1	2	25.0	79	11.6
Revenue Not Available					
2017	9.5	0	0.0	0	0.0
2018	9.7	0	0.0	0	0.0
<b>Total</b>					
<b>2017</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>3,896</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>681</b>	<b>100.0</b>

*Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0*

**Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment area. The poor performance of home mortgage lending and small business lending support this overall conclusion. Home mortgage lending performance weighed more heavily than small business lending. Examiner analysis focused on the percentage by number of loans in low- and moderate-income census tracts. Notwithstanding, the bank has proactively increased outreach efforts in low- and moderate-income communities within its AA in an effort to increase lending and better meet the credit needs of these communities.

***Home Mortgage Loans***

As show in the following table, the bank’s performance in low-income census tracts was below the aggregate performance and the percentage of owner-occupied housing units in 2017 and 2018. In moderate-income areas, the bank had no lending in 2017 and two loans in 2018.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.6	8.4	1	1.3	330	1.3
2018	4.6	7.4	1	1.4	3,040	11.3
Moderate						
2017	4.8	5.8	0	0.0	0	0.0
2018	4.8	5.2	2	2.7	541	2.0
Middle						
2017	50.5	49.0	43	54.4	12,759	51.1
2018	50.5	49.2	37	50.7	12,572	46.8
Upper						
2017	40.0	36.7	35	44.3	11,863	47.5
2018	40.0	38.3	33	45.2	10,690	39.8
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>24,952</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>	<b>26,842</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 &amp; 2018 HMDA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0</i>						

***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. In 2017, lending in low- and moderate-income census tracts was below the percentage of businesses. In 2018, there was no lending in low- and moderate-income census tracts. In 2018 the bank initiated proactive outreach efforts in the small business community inside its AA.



<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2017	8.2	1	5.3	150	3.9
2018	8.1	0	0.0	0	0.0
Moderate					
2017	3.8	0	0.0	0	0.0
2018	3.8	0	0.0	0	0.0
Middle					
2017	50.4	5	26.3	2,000	46.3
2018	50.0	6	75.0	615	90.3
Upper					
2017	37.7	13	68.4	2,000	49.9
2018	38.1	2	25.0	66	9.7
<b>Total</b>					
2017	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>4,150</b>	<b>100.0</b>
2018	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>681</b>	<b>100.0</b>

*Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0*

**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.

**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.

**Fair Lending Policies and Procedures**

The Division provides comments regarding an institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment and Fair Lending Policy. Based upon a review of the bank’s public comment file and compliance with applicable fair lending laws and regulations, examiners did not identify any violations of those laws or regulations.

*Minority Application Flow*

Examiners reviewed the bank’s 2017 and 2018 HMDA LARs to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS U.S. Census data, the bank’s assessment area contains a population of 530,145 individuals, of which 26.4 percent are minorities. The assessment area’s minority population is 2.0 percent Black/African American, 7.1 percent Asian, 15.8 percent Hispanic or Latino, and 1.5 percent Other.

In 2017, the bank received 226 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 16, or 7.0 percent, from minority applicants, 11 of which were originated. Compare to aggregate data, which indicates 12.4 percent of applications received were from minority applicants. For the same period, five applications representing 2.2 percent of total applications was received from ethnic groups of Hispanic origin within the assessment area, whereas aggregate data indicates 9.7 percent of total applications were received from this ethnic group in the assessment area.

In 2018, the bank received 120 HMDA-reportable loan applications from within its assessment area. Of these, the bank received seven, or 5.9 percent, from minority applicants, five of which were originated. Compare to aggregate data, which indicates 12.3 percent of applications were received from minority applicants. For the same period, the bank received one application, or 0.8 percent, from ethnic groups of Hispanic origin within its assessment area, whereas aggregate data indicates 8.2 percent of total applications were received from this ethnic group in the assessment area.

The bank’s performance in 2017 and 2018 with respect to applications received from racial minorities fell below aggregate performance. For borrowers of Hispanic origin, the bank’s 2017 and 2018 performance also fell below the aggregate.

Refer to the following table detailing the bank’s minority application flow and aggregate data in the bank’s assessment area.

RACE	Bank 2017		2017 Aggregate Data	Bank 2018		2018 Aggregate Date
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.4	0.2	0	0	0.2
Asian	12	5.3	7.9	5	4.2	8.0
Black/ African American	0	0.0	2.4	0	0.0	2.3
Hawaiian/Pacific Islander	0	0.0	0.3	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.0
Joint Race (White/Minority)	3	1.3	1.5	2	1.7	1.6
<b>Total Minority</b>	<b>16</b>	<b>7.0</b>	<b>12.4</b>	<b>7</b>	<b>5.9</b>	<b>12.3</b>
White	163	72.1	65.5	86	71.7	64.8
Race Not Available	47	20.8	22.1	27	22.5	22.9
<b>Total</b>	<b>226</b>	<b>100.0</b>	<b>100.0</b>	<b>120</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	5	2.2	9.7	1	0.8	8.2
Not Hispanic or Latino	171	75.7	67.9	88	73.3	67.6
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.4	1.1	4	3.3	1.0
Ethnicity Not Available	49	21.7	21.31	27	22.5	23.2
<b>Total</b>	<b>226</b>	<b>100.0</b>	<b>100.0</b>	<b>120</b>	<b>100.0</b>	<b>100.0</b>

## **COMMUNITY DEVELOPMENT TEST**

RCB demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

### **Community Development Loans**

RCB originated 4 community development loans totaling approximately \$4.0 million during the evaluation period. This level of activity represents approximately 0.7 percent of total assets and 0.8 percent of total loans as of the September 30, 2019 Call Report. The bank’s community development loans supported affordable housing, economic development, and revitalization or stabilization in the assessment area. These loans demonstrate the bank’s responsiveness to the community development need identified by the community contact.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
7/1/2016 - 12/31/2016	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
2017	1	855	0	0	0	0	0	0	<b>1</b>	<b>855</b>
2018	1	3,040	0	0	1	50	1	50	<b>3</b>	<b>3,140</b>
YTD 2019	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2</b>	<b>3,895</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>50</b>	<b>1</b>	<b>50</b>	<b>4</b>	<b>3,995</b>

*Source: Bank Records*

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

- In 2018, the bank increased its participation in a loan fund by \$50,000 to provide financing to small businesses located in Lawrence. The proceeds of this investment were used to make loans to small businesses in Lawrence, Andover, North Andover and other areas affected by the natural gas emergency events of September 13, 2018.
- In 2018, the bank made a \$3.0 million loan for the acquisition and on-going renovation of a 45-unit mixed use property located in Lawrence. Of the total units, 39 are designated as affordable housing units. Additionally, the commercial units address the economic development needs of the low-income geography, therefore the bank received credit the total loan amount.
- In 2017, the bank made a loan for \$2.9 million for the construction of the area’s first ever 55+ residential project in Wilmington. Three of the units were affordable, and the bank received credit for \$855,000 toward helping promote affordable housing in the assessment area.

## Qualified Investments

RCB made 87 qualified investments totaling \$232,000 to local organizations that benefited the assessment area consisting of donations. The bank neither held any prior period investments, nor made any qualified equity investments during the evaluation period. This dollar amount of donations equates to 6.2 percent of pre-tax net operating income.

Of the total dollar amount, 49.8 percent of the donations benefitted community service organizations that serve low- and moderate-income individuals. Additionally, 28.1 percent of the donations had a primary purpose of economic development and 22.1 percent had a primary purpose of affordable housing. The following table illustrates 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)
10/25/2016 - 12/31/2016	0	0	17	7	0	0	0	0	17	7
2017	0	0	23	30	1	3	0	0	24	33
2018	2	51	26	53	2	8	0	0	30	112
YTD 2019	0	0	14	25	2	55	0	0	16	80
<b>Total</b>	<b>2</b>	<b>51</b>	<b>80</b>	<b>115</b>	<b>5</b>	<b>66</b>	<b>0</b>	<b>0</b>	<b>87</b>	<b>232</b>
<i>Source: Bank Records Due to rounding, totals may not add.</i>										

Below are notable examples of the bank's qualified investment activities:

- Greater Lawrence Community Action Council (GLCAC):** Created out of the Economic Opportunity Act, GLCAC's mission is to help low-income individuals create opportunities to achieve self-sufficiency and alleviate poverty through education & training, early learning including Head Start programs; energy, fuel and weatherization assistance services; and health and nutrition services including Women Infants and Children program. The bank's donation supports needed community service to low-income individuals in the assessment area.
- 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 LCS are of low- or moderate-income levels. A bank's Human Resources employee trains students through the organization's teller-training program and helps conduct mock interviews with jobseekers.
- Lowell Community Loan Fund:** Through the Mill City Community Investments (MCCI) Fund, the organization advances community revitalization and development in the Merrimack Valley by offering flexible and affordable loans as well as education and counseling services to home owners and small businesses. The bank's donation to MCCI

Fund in response to 2018 National Grid natural gas emergency aided small businesses directly impacted by the tragedy.

- **Mission of Deeds:** Mission of Deeds is a non-profit organization providing beds, used furniture and household items to those in need. The group serves men, women, and children throughout Middlesex and Essex counties living at or below the federal poverty level, including veterans, transitioning homeless, survivors of domestic abuse, refugees, the elderly, victims of fire or other tragedies, and those with disabilities. The bank's multiple donations support community service to low-income individuals in the assessment area.
- **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 donations support economic development with the assessment area.
- **Council of Social Concern (CSC):** CSC is a nonprofit human services agency offering affordable center-based and family child care; resource and referral information; supplemental and emergency food assistance; and family skill-building, education, and support for low- and moderate-income individuals. This donation responds to the needs for community services targeted towards low- and moderate-income populations in the assessment area.
- **Food Pantries:** The bank donated to food pantries throughout the assessment area. A 2016 donation to People Helping People helped to provide food, medicine, heat and utility payment assistance to low-income residents of Burlington. During the evaluation period, the bank made various donations to local food pantries such as the Reading Food Pantry, The Burlington Food Pantry, and Bread and Roses serving the Merrimack Valley. All these organizations provide food and basic necessities to area residents in need.

### **Community Development Services**

During the evaluation period, 31 bank employees provided 95 instances of financial expertise or technical assistance to 13 different community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/1/2016 -12/31/2016	0	23	0	0	23
2017	0	21	0	0	21
2018	0	15	0	0	15
YTD 2019	0	36	0	0	36
<b>Total</b>	<b>0</b>	<b>95</b>	<b>0</b>	<b>0</b>	<b>95</b>

Bank employees are involved in local community development organizations in multiple capacities. The employees provide services through their membership and participation, and by providing financial expertise. The following are some of the organizations that benefited from bank employee services.

- Northeast Metropolitan Regional Vocation High School:** The bank operated an educational branch inside the school offering banking products and services to students and staff. Additionally, during the evaluation period, multiple bank employees volunteered as program advisors or trained students in various topics related to bank operations, compliance regulations, and teller positions. A majority of the school’s students is low- and moderate-income.
- Lawrence Public Schools:** Multiple bank employees taught various age-appropriate banking and financial topics to students at the Abbott Academy at Lawrence High School on a monthly basis. Additionally, the national program, *Teach Children to Save* was taught at the Francis Leahy Elementary School and John Rollins Early childhood Center (Pre-K and Kindergarten). A majority of the student body at each school is low- and moderate-income.
- Banking Services at Elderly Assisted Living Facilities:** Multiple bank employees were involved with providing banking services and assistance to low- and moderate-income elderly individuals residing at Peter Sanborn Place, a HUD Section 202 Supportive Housing for the Elderly program. Bank employees used their technical expertise to assist residents with services such as processing transactions, deposits, withdrawals, and cashing checks.
- Eliot Community Human Services:** This organization provides a number of services for homeless adults, including mental health treatment, counseling, advocacy, and housing support. The organization seeks to help homeless individuals find permanent housing by offering transitional support towards appropriate accommodations. A bank employee was on the Board of Directors.
- Greater Lawrence Community Action Council:** Created out of the Economic Opportunity Act, GLCAC’s mission is to help low-income individuals create opportunities

to achieve self-sufficiency and alleviate poverty. GLCAC provides community services; education & training, early learning including Head Start programs; energy, fuel and weatherization assistance services; and health and nutrition services including Women Infants and Children program. The bank's Human Resources Manager served on the Board of Directors and assists with policies, procedures and personnel matters.

*Other Community Services*

- **Interest on Lawyers' Trust Accounts (IOLTA):** The bank participates in the IOLTA. Interest earned on the accounts is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.
- **ATM Machines Bi-lingual Upgrade:** At the time of the evaluation, the bank was upgrading all of its ATMs enabling them to include bi-lingual (Spanish) capability.

## 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 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 Reserve Bank of Boston, at 180 Haven Street, Reading, Massachusetts 01867."

[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.