

PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Savers Co-operative Bank
Certificate Number: 26455**

270 Main Street
Southbridge, Massachusetts 01550

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

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

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

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INSTITUTION RATING

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

The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory by the FDIC and the Division.

- 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 reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The 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 by the FDIC and the Division.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in 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 institution's assessment area.

DESCRIPTION OF INSTITUTION

Savers Co-operative Bank (Savers) is a state-chartered mutual savings bank founded in 1910 and headquartered in Southbridge, Massachusetts. The FDIC and the Division last evaluated the bank's CRA performance on October 23, 2017, using the Federal Financial Institutions Examination Council's (FFIEC) Interagency Intermediate Small Institution CRA Examination procedures. The FDIC assigned a rating of Satisfactory and the Division assigned a rating of High Satisfactory.

Including its main office at 270 Main Street in Southbridge, Massachusetts, the bank currently operates six full-service branches within Massachusetts. All of the bank's branches have drive-up teller services and 24-hour deposit-taking automated teller machines (ATMs).

Savers offers a wide range of consumer and commercial products. Products include checking accounts, savings accounts, money market accounts, certificates of deposits, and individual retirement accounts (IRAs). In addition, the bank offers credit cards through a third-party relationship. The bank also offers residential mortgage loans, construction loans, consumer loans, commercial real estate loans, and small business loans. Customers also have access to alternative banking products such as remote deposit capture for businesses and 24-hour online and mobile banking.

As of September 30, 2020, Savers had total assets of \$653.4 million, which included total loans of \$506.7 million, or 77.5 percent of total assets. As of the same period, total deposits amounted to \$500.2 million. The bank's net loan-to-deposit ratio was 100.3 percent, as of the same date.

Loans secured by one-to-four family and multifamily 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.

Loan Portfolio Distribution as of 09/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	23,714	4.7
Secured by 1-4 Family Residential Properties	225,529	44.5
Secured by Multifamily (5 or more) Residential Properties	19,996	4.0
Secured by Nonfarm Nonresidential Properties	169,053	33.3
Total Real Estate Loans	438,292	86.5
Commercial and Industrial Loans	44,672	8.8
Consumer Loans	23,697	4.7
Other Loans	42	0.0
Total Loans	506,703	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area(s) within which its CRA performance is evaluated. Savers designated a single assessment area in Massachusetts consisting of portions of Worcester County. The bank’s assessment area includes the following towns: Auburn, Charlton, Douglas, Dudley, Grafton, Millbury, Northbridge, Oxford, Southbridge, Sturbridge, Sutton, Uxbridge, Webster, and Whitinsville.

Economic and Demographic Data

The assessment area is composed of 37 census tracts with the following income designations according to the 2015 American Community Survey (ACS) data:

- 2 low-income census tracts
- 6 moderate-income census tracts
- 16 middle-income census tracts
- 13 upper-income census tracts

The two low-income census tracts are located in Southbridge. The moderate-income census tracts are located in Dudley (1), Millbury (1), Southbridge (1), and Webster (3).

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	5.4	16.2	43.2	35.1	0.0
Population by Geography	177,312	2.8	11.8	45.8	39.5	0.0
Housing Units by Geography	71,388	3.5	12.8	45.9	37.8	0.0
Owner-Occupied Units by Geography	47,291	0.7	7.7	47.9	43.7	0.0
Occupied Rental Units by Geography	18,949	9.5	23.8	40.6	26.1	0.0
Vacant Units by Geography	5,148	6.8	19.4	46.8	27.0	0.0
Businesses by Geography	10,559	3.5	9.6	44.9	42.0	0.0
Farms by Geography	348	0.6	5.7	45.7	48.0	0.0
Family Distribution by Income Level	45,960	19.7	15.7	20.4	44.2	0.0
Household Distribution by Income Level	66,240	22.7	13.8	17.4	46.2	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$261,732
			Median Gross Rent			\$905
			Families Below Poverty Level			6.2%

Source: 2015 ACS and 2018 D&B Data. Due to rounding, totals may not equal 100.0%.
(*) The NA category consists of geographies that have not been assigned an income classification.

The Geographic Distribution criterion compares the distribution of the bank’s home mortgage loans to the distribution of owner-occupied housing units. While the majority of the housing units in the assessment area are owner-occupied, less than one percent of those units are located in the low-income census tract and less than ten percent are in the moderate-income census tracts. The limited number of owner-occupied units in the low-and moderate-income census tracts may affect the bank’s ability to originate home mortgage loans in those areas.

Examiners used FFIEC median family income (MFI) levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the MFI ranges for the different income level categories in the Worcester, MA-CT MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2018 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
<i>Source: FFIEC</i>				

According to 2020 Dun & Bradstreet (D&B) data, there were 12,572 businesses in the assessment area. Service industries represent the largest portion of businesses at 36.5 percent, followed by non-classifiable businesses at 15.6 percent, retail trade at 12.7 percent, and construction at 10.5 percent.

The Borrower Profile criterion compares the distribution of the bank’s small business loans to the distribution of businesses by gross annual revenue (GAR) level. According to 2020 D&B data, the businesses in the assessment area had the following GARs:

- 85.3 percent have GARs of \$1 million or less
- 5.0 percent have GARs of more than \$1 million
- 9.7 percent have unknown revenues

Competition

There is a high level of competition for home mortgage loans among large national banks, non-depository mortgage lenders, and other community banks. According to 2019 aggregate Home Mortgage Disclosure Act (HMDA) data, 316 lenders reported 7,499 residential mortgage loans originated or purchased within the assessment area. Savers ranked eighth with a market share of 2.6 percent by number of loans. The top three lenders, Quicken Loans, Fairway Independent Mortgage Corporation, and Wells Fargo, accounted for 15.1 percent of total market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area’s credit and community development needs and opportunities. This information also helps examiners determine whether local financial institutions are responsive to

these needs. For the Savers' evaluation, examiners contacted a representative from an affordable housing organization that serves the assessment area. The contact stated that affordable housing remains a significant need, especially for disabled residents. The contact also stated that transportation is an issue for low- and moderate-income residents due to the recent budget cuts of the transit authority.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, discussions with management, and demographic and economic data, examiners identified that the area's primary community development need is affordable housing.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 23, 2017, to the current evaluation dated January 11, 2021. Examiners used the FFIEC Interagency Intermediate Small Institution CRA Examination Procedures to evaluate the bank's CRA performance. The procedures include the Small Bank Lending Test and the Community Development Test. Refer to the appendices for more information about each test.

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

Activities Reviewed

Examiners reviewed Savers' home mortgage and small business loans to assess the bank's performance, as these loans represent the institution's major product lines based on the number and dollar volume of loans originated and purchased during the evaluation period. Examiners did not analyze farm lending, as the bank did not originate any small farm loans during the evaluation period. Examiners gave more weight to the bank's home mortgage lending in the analysis, as the home mortgage loans make up a larger percentage of the loan portfolio than small business loans. Additionally, although the Lending Test reflects the number and dollar volume of loans, examiners gave more weight to the number of loans, as it better indicates the number of individuals and businesses served.

Examiners analyzed all home mortgage loans reported on the bank's 2017, 2018, and 2019 HMDA Loan Application Registers (LARs). Savers reported 234 home mortgage loans totaling \$45.2 million in 2017, 261 loans totaling \$46.6 million in 2018, and 280 loans totaling \$56.6 million in 2019. While this evaluation presents home mortgage loan data for all three years in the Assessment Area Concentration criterion, it presents only the 2018 and 2019 data in the Geographic Distribution and Borrower Profile sections, as performance in 2017 was consistent with 2018. Examiners compared the bank's home mortgage lending data to the applicable demographic and aggregate HMDA data for all three years. The bank's home mortgage lending performance in 2019 carried the most weight in the analysis, as it is the most recent full calendar year with aggregate data.

Examiners analyzed the bank’s small business lending for 2018 and 2019. Since Savers meets the CRA regulation’s definition of an Intermediate Small Institution, the bank is exempt from reporting small business loan data. However, the bank opted to collect small business loan data, though it did not report the data. Bank records reflect that it originated 25 small business loans totaling \$2.1 million in 2018 and 20 loans totaling \$1.8 million in 2019. Examiners considered demographic data when evaluating the bank’s small business loan activity.

For the Community Development Test, examiners considered the bank’s community development loans, qualified investments, and community development services since the prior CRA evaluation dated October 23, 2017.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Savers’ Lending Test performance is satisfactory. The bank’s geographic distribution and borrower profile performance provide primary support for this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The LTD ratio averaged 111.7 percent over the past 12 quarters from December 31, 2017 to September 30, 2020. The ratio ranged from a high of 117.0 as of December 31, 2017, to a low of 100.4 percent as of September 30, 2020. While the ratio decreased during the evaluation period, it remained at a high level.

Examiners compared the bank’s average net LTD ratio to that of several similarly situated institutions. Examiners selected the similarly situated institutions based on asset size, geographic location, and lending focus. As shown in the following table, Savers’ average net LTD ratio was greater than each of the similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2020 (\$000s)	Average Net LTD Ratio (%)
Savers Co-operative Bank	653.4	111.7
Adams Community Bank	706.9	102.9
Athol Savings Bank	506.8	80.4
Greenfield Co-operative Bank	732.3	77.0
<i>Source: Reports of Condition and Income 12/31/2017 – 09/30/2020</i>		

Assessment Area Concentration

A majority of loans and other lending related activities are inside the institution’s assessment area. The following table illustrates the home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	159	67.9	75	32.1	234	29,320	64.8	15,903	35.2	45,223
2018	158	60.5	103	39.5	261	26,535	56.9	20,078	43.1	46,612
2019	194	69.3	86	30.7	280	37,299	65.9	19,275	34.1	56,574
Subtotal	511	65.9	264	34.1	775	93,153	62.8	55,256	37.2	148,409
Small Business										
2018	21	84.0	4	16.0	25	1,074	50.4	1,057	49.6	2,131
2019	17	85.0	3	15.0	20	1,515	83.3	304	16.7	1,819
Subtotal	38	84.4	7	15.6	45	2,589	65.5	1,361	34.5	3,950
Total	549	67.0	271	33.0	820	95,742	62.8	56,617	37.2	152,359

Source: Bank Data. Due to rounding, totals may not equal 100.0%.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank's 2018 and 2019 performance exceeded both the percentage of owner-occupied housing units and the aggregate performance in the low-income census tract. The bank's performance in the moderate-income census tracts was below the percentage of owner-occupied units and the aggregate performance for both years; however, performance increased significantly from 2018 to 2019, and was more in line with the demographics and aggregate performance in 2019.

Market rank data supports the reasonable dispersion conclusion. In 2019, the bank ranked twelfth of 45 lenders that originated home mortgage loans in the low-income census tract. The performance in this geography exceeded the other community banks that originated loans within the tract. Additionally, in 2019 the bank ranked fourteenth of 122 lenders within the moderate-income tracts. The majority of the competition in the moderate-income tracts is comprised of large national banks and non-bank mortgage lenders.

The following table illustrates the geographic distribution of home mortgage loans by census tract income designation within the assessment area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	0.7	1.2	2	1.3	287	1.1
2019	0.7	1.3	3	1.5	419	1.1
Moderate						
2018	7.7	7.5	4	2.5	792	3.0
2019	7.7	7.7	12	6.2	1,578	4.2
Middle						
2018	47.9	48.5	88	55.7	14,486	54.6
2019	47.9	45.2	99	51.0	17,998	48.3
Upper						
2018	43.7	42.8	64	40.5	10,969	41.3
2019	43.7	45.8	80	41.2	17,304	46.4
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
Totals						
2018	100.0	100.0	158	100.0	26,535	100.0
2019	100.0	100.0	194	100.0	37,299	100.0
<i>Source: 2015 ACS data; Bank Data; 2018 and 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

The bank's small business lending performance reflects reasonable dispersion throughout the assessment area. The bank's 2018 and 2019 performance in the low-income census tract exceeded the percentage of businesses. In addition, performance in the moderate-income census tracts also exceeded the percentage of businesses in 2018. However, the bank did not originate a small business loan in the moderate-income census tracts in 2019.

The following illustrates the geographic distribution of small business loans by census tract income designation within the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2018	3.5	1	4.8	125	11.6
2019	3.2	1	5.9	250	16.5
Moderate					
2018	9.6	3	14.3	55	5.1
2019	9.3	0	0.0	0	0.0
Middle					
2018	44.9	6	28.6	548	51.0
2019	44.6	9	52.9	661	43.6
Upper					
2018	42.0	11	52.4	346	32.2
2019	42.8	7	41.2	604	39.9
Not Available					
2018	0.0	0	0.0	0	0.0
2019	0.0	0	0.0	0	0.0
Totals					
2018	100.0	21	100.0	1,074	100.0
2019	100.0	17	100.0	1,515	100.0
<i>Source: 2018 and 2019 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

The bank's performance reflects excellent penetration of home mortgage loans to individuals of different income levels. In 2018 and 2019, home mortgage loans to low-income borrowers significantly exceeded the aggregate performance. In 2018, the level of home mortgage loans to moderate-income borrowers was similar to the aggregate performance and exceeded the percentage of families. In 2019, home mortgage loans to moderate-income borrowers exceeded both the aggregate performance and the percentage of families. Despite the high competition from large financial institutions and non-bank mortgage lenders, the bank achieved strong performance among borrowers of different income levels in both years, which supports the overall conclusion.

The following table illustrates the home mortgage lending activity among borrowers of different income levels within the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	19.7	5.8	19	12.0	2,187	8.2
2019	19.7	6.7	26	13.4	2,593	7.0
Moderate						
2018	15.7	19.5	30	19.0	4,153	15.7
2019	15.7	21.8	43	22.2	5,614	15.1
Middle						
2018	20.4	26.6	53	33.5	8,142	30.7
2019	20.4	24.8	56	28.9	10,923	29.3
Upper						
2018	44.2	35.0	48	30.4	10,731	40.4
2019	44.2	31.6	52	26.8	13,118	35.2
Not Available						
2018	0.0	13.1	8	5.1	1,322	5.0
2019	0.0	15.0	17	8.8	5,051	13.5
Totals						
2018	100.0	100.0	158	100.0	26,535	100.0
2019	100.0	100.0	194	100.0	37,299	100.0
<i>Source: 2015 ACS data; Bank Data; 2018 and 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

The distribution of small business loans to businesses with GARs of \$1 million or less reflects reasonable penetration. Although the bank’s performance was below the percentage of businesses with GARs of \$1 million or less in 2018 and 2019, there is strong competition in the assessment for loans to businesses of this revenue category. Notwithstanding, the bank made a majority of its small businesses loans to businesses with GARs of \$1 million or less for both years, although the percentage decreased from 2018 to 2019.

The following table illustrates the distribution of small business loans by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2018	82.8	16	76.2	627	58.4
2019	84.2	10	58.8	703	46.4
>\$1,000,000					
2018	6.0	5	23.8	447	41.6
2019	5.4	6	35.3	740	48.8
Revenue Not Available					
2018	11.2	0	0.0	0	0.0
2019	10.4	1	5.9	72	4.8
Totals					
2018	100.0	21	100.0	1,074	100.0
2019	100.0	17	100.0	1,515	100.0

Source: 2018 and 2019 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance demonstrates adequate responsiveness to the community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability for community development activities in the assessment area.

Community Development Loans

Savers originated 34 community development loans for approximately \$9.1 million during the evaluation period. This activity represents approximately 1.9 percent of average total loans and 1.5 percent of average total assets over the evaluation period. The majority of the community development loans supported revitalization/stabilization. The bank did not make any community development loans supporting affordable housing, which is identified as a community need.

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

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	3	4,721	3	4,721
2019	0	0	0	0	0	0	1	2,500	1	2,500
YTD 2020	0	0	1	184	29	1,667	0	0	30	1,851
Total	0	0	1	184	29	1,667	4	7,221	34	9,072
<i>Source: Bank Data</i>										

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

- In 2020, the bank extended Payroll Protection Program (PPP) loans for approximately \$1.7 million to small businesses within the assessment area. The loans supported economic development, as they helped small businesses retain their workforce during the COVID-19 pandemic.
- In 2018 and 2019, the bank extended four loans totaling \$7.2 million for the development of a business in Southbridge, Massachusetts. These loans helped fund the construction of an office park in an area immediately adjacent to a low-income census tract, which supported the revitalization and stabilization of that nearby low-income area by creating job opportunities for its residents.
- In 2020, the bank extended a loan to a church in a low-income census tract in Southbridge. The proceeds of the loan will allow the church to expand services for low- and moderate-income individuals. In addition to religious services, the church provides crisis intervention, support groups, advocacy, education, and after school programs for school-age children.

Qualified Investments

Savers made 34 qualified investments for approximately \$449,884. This total includes one mortgage-backed security for \$346,634 purchased prior to the evaluation period, and 33 donations totaling \$103,250 made during the evaluation period. This dollar amount equates to less than 0.1 percent of average total assets and 0.9 percent of average securities since the prior evaluation. The mortgage-backed security supports affordable housing needs in the assessment area, and the majority of the bank’s grants and donations support community organizations that provide services to low- and moderate-income individuals in the assessment area.

The following table illustrates qualified donations by year and purpose.

Community Development Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
10/24/2017 - 12/31/2017	0	0	3	7,500	0	0	0	0	3	7,500
2018	0	0	9	29,300	1	500	0	0	10	29,800
2019	0	0	11	28,750	0	0	0	0	11	28,750
2020	0	0	9	37,200	0	0	0	0	9	37,200
Total	0	0	32	102,750	1	500	0	0	33	103,250
<i>Source: Bank Records</i>										

Below are notable examples of the bank’s qualified donation activities.

- *The Virtual Giving Tree* - During the evaluation period, the bank gave several donations to The Virtual Giving Tree. The organization supports low-income seniors with meal programs, daily activities, and a Free for Seniors store.
- *St. John Paul II Food Pantry* - In 2019 and 2020, the bank made donations to St. John Paul II Food Pantry, which fights to alleviate hunger by providing perishable and non-perishable food. The food pantry serves over 350 households a month.
- *Auburn Youth and Family Services* - During the evaluation period, the bank made several donations to Auburn Youth and Family Services. This non-profit organization serves low- and moderate-income families in Auburn, Massachusetts, and the surrounding communities. Services include counseling, tutoring, advocacy, after-school programs, support groups, clothing assistance, and a food pantry.
- *Tri Community YMCA* – During the evaluation period, the bank donated to the Tri Community YMCA as part of its 5-year financial commitment for the construction of the YMCA’s Marcy Street Child Development Center, which is located in a low-income census tract in Sturbridge, Massachusetts. The Center provides an affordable child care option for low- and moderate-income families living in and around Sturbridge, Massachusetts.

Community Development Services

Bank employees and trustees provided 43 instances of financial or technical assistance to 14 different community development 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
	#	#	#	#	#
2018	0	11	3	0	14
2019	0	12	3	0	15
2020	0	11	3	0	14
Total	0	34	9	0	43
<i>Source: Bank Data</i>					

Below are notable examples of the bank’s community development services.

- *School Savings Program* – The School Savings Program serves the Southbridge elementary school system. A majority of the students in the system receive free or reduced cost lunches, indicating that the schools primarily serve low- and moderate-income children. Multiple bank employees participate in a program where they discuss the importance of savings with students and parents, and assist with opening School Savings accounts.
- *Jeremiah’s Inn* – Jeremiah’s Inn provides a food pantry, a nutrition center, and a substance abuse treatment center for low- and moderate-income individuals. An assistant vice president of the bank serves on the organization’s Board of Directors.
- *Auburn Youth and Family Services* – Auburn Youth and Family Services provides counseling services, as well as a food pantry, clothes closet, and fuel assistance for Auburn families in need. A bank employee serves on the organization’s Board of Directors.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

Massachusetts Division of Banks

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the bank’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment and Fair Lending Policy. Based upon the review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2018 and 2019 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the bank's assessment area contained a total population of 177,312 individuals, of which 12.1 percent are minorities. The minority population represented is 1.7 percent Black/African American, 2.1 percent Asian, 0.1 percent American Indian, 6.5 percent Hispanic or Latino, and 1.7 percent Other.

The bank's level of lending in 2019 was compared with that of the 2019 aggregate lending 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 for the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2018 HMDA		2018 Aggregate Data	Bank 2019 HMDA		2019 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.1
Asian	2	1.2	2.5	5	2.3	3.0
Black/ African American	1	0.6	1.6	1	0.5	1.5
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	3	1.7	1.1	1	0.5	1.1
Total Racial Minority	6	3.5	5.6	7	3.3	6.0
White	159	91.9	74.7	192	88.8	72.7
Race Not Available	8	4.6	19.7	17	7.9	21.3
Total	173	100.0	100.0	216	100.0	100.0
ETHNICITY						
Hispanic or Latino	5	2.9	4.4	7	3.2	4.8
Joint (Hisp/Lat /Not Hisp/Lat)	2	1.2	1.2	4	1.9	1.2
Total Ethnic Minority	7	4.1	5.6	11	5.1	6.0
Not Hispanic or Latino	158	91.3	73.8	188	87.0	72.5
Ethnicity Not Available	8	4.6	20.6	17	7.9	21.5
Total	173	100.0	100.0	216	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2018 and 2019

In 2018, the bank received 173 HMDA reportable loan applications from within its assessment area. Of these applications, 6 applications, or 3.5 percent, were received from minority applicants, 83.3 percent of which resulted in originations. The aggregate received 5.6 percent of its applications

from minority consumers, of which 60.8 percent were originated. For the same time period, the bank received 7 applications, or 4.1 percent of all applications, from ethnic groups of Hispanic origin within its assessment area, 57.1 of which were originated, compared to an aggregate ethnic minority application rate of 5.6 percent with a 60.0 percent origination rate.

In 2019, the bank received 216 HMDA reportable loan applications from within its assessment area. Of these applications, 7 applications, or 3.3 percent, were received from minority applicants, 71.4 percent of which resulted in originations. The aggregate received 6.0 percent of its applications from minority consumers, of which 59.9 percent were originated. For the same time period, the bank received 11 applications, or 5.1 percent of all applications, from ethnic groups of Hispanic origin within its assessment area, 90.0 percent of which were originated, compared to an aggregate ethnic minority application rate of 6.0 percent with a 60.1 percent origination rate.

The bank's lending in 2018 and 2019 reflect a reasonable racial minority application flow. The variety of languages spoken at the bank and its home mortgage lending origination rates further support good performance. Additionally, the bank displayed strong performance in majority-minority census tracts just outside of the assessment area in 2018. Considering the demographic composition of the assessment area and the comparisons to aggregate data in 2019, the bank's minority application flow is reasonable.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.