

PUBLIC DISCLOSURE

October 7, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

South Shore Bank
Certificate Number: 90303

1530 Main Street
South Weymouth, Massachusetts 02190

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

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

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INSTITUTION RATING

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.

The following table indicates the performance level of South Shore Bank with respect to the Lending, Investment and Service Tests.

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

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

The Lending Test is rated Satisfactory.

- Lending levels reflects adequate responsiveness to assessment area credit needs.
- A high percentage of loans are made in the bank’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, good distribution among borrowers of different income levels and businesses of different sizes.
- The bank made a low level of community development loans. South Shore Bank originated 2 community development loans totaling \$2.1 million
- The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Satisfactory.

- The bank has an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position;
- The bank makes occasional use of innovative or complex qualified investments; and
- The bank demonstrates adequate responsiveness to credit and community development needs.

The Service Test is rated Outstanding.

- Delivery systems are readily accessible to all portions of the assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Business hours and services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals.
- The bank is a leader in providing community development services.

SCOPE OF EVALUATION

General Information

This evaluation was conducted concurrently with the Federal Reserve Bank of Boston. The evaluation covers the period from the prior evaluation dated June 22, 2015, to the current evaluation dated October 7, 2019. Examiners used the Interagency Large Institution Examination Procedures to evaluate South Shore Bank's Community Reinvestment Act (CRA) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

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

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and flexible lending practices
- Community development loans
- Fair Lending Policies and Procedures

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

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 and composition of the loan portfolio.

The bank's record of small business lending contributed more weight to overall conclusions, than home mortgage lending, due to the bank's large commercial loan portfolio compared to the residential real estate lending portfolio. No other loan types, such as small farm loans or consumer loans represent a major product line. Therefore, analysis of these types of loans did not provide any material support for conclusions or ratings and are not presented.

The evaluation considered all home mortgage originations reported on the bank's 2017 and 2018 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR). In 2017, the bank reported 166 originations totaling \$57.7 million. In 2018, the bank reported 275 loans totaling \$140.4 million. Aggregate data for 2017 and 2018 provided a standard of comparison for the bank's home mortgage loans.

This evaluation considered all small business loans reported on the bank's 2017 and 2018 CRA Loan Registers. A small business loan has an original loan amount of \$1 million or less and is secured by either non-farm non-residential properties or is classified as a commercial and industrial loan. In 2017, the bank reported 108 originations totaling \$28.4 million. In 2018, the bank reported 155 originations totaling \$38.7 million. Aggregate data from 2017 provided a standard of comparison and examiners considered trends based on 2017 D&B data.

To conduct the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number. The number better indicates individuals and businesses served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the assessment area. This evaluation does not include any lending activity performed by affiliates.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of June 22, 2015, to the current evaluation date of October 7, 2019.

DESCRIPTION OF INSTITUTION

Background

South Shore Bank is a state-chartered mutual savings bank that is wholly owned by South Shore Bancorp, Inc., in South Weymouth, Massachusetts. In 2017, South Shore Bank merged with Braintree Co-operative Bank.

The institution received a “Satisfactory” rating from the Massachusetts Division of Banks during its prior evaluation, dated June 22, 2015, using Large Bank examination procedures.

Operations

South Shore Bank operates 16 full-service locations including its main office in Weymouth. The bank offers loan products including home mortgage, commercial, and consumer loans, with a primary focus on commercial lending. The bank also provides various deposit products including checking, savings, money market deposit accounts, individual retirement accounts, and certificates of deposit. Alternative banking services include online and mobile banking, electronic bill pay, mobile deposits, telephone banking, and bank-owned automated teller machines at each branch. Since the previous examination, the bank introduced Face2Face teller machines at many of their branches. The bank is a member of the SUM Network, and as a member, the bank’s customers can use any SUM program ATM surcharge-free. In addition, consumers can open deposit accounts and apply for loans online.

For commercial customers, the bank offers commercial real estate loans, lines of credit, term loans, equipment loans, letters of credit, construction loans, overdraft protection, and Small Business Administration (SBA) loans.

Ability and Capacity

As of June 30, 2019, South Shore Bank had total assets of approximately \$1.5 billion and included total loans of \$1.1 billion. Since the previous evaluation, total assets increased by 47 percent, primarily due to the merger with Braintree Co-operative Bank. The following table illustrates South Shore’s loan portfolio distribution as of June 30, 2019.

Loan Portfolio Distribution as of 6/30/2019		
Loan Category	\$(000s)	%
Construction and Land Development	101,747	9.2
Secured by Farmland	0	0.0
1-4 Family Residential	400,177	36.1
Multi-family (5 or more) Residential	110,687	10.0
Commercial Real Estate	352,673	31.8
Total Real Estate Loans	965,284	87.0
Commercial and Industrial	139,100	12.5
Agricultural	0	0.0
Consumer	5,657	0.5
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,110,041	100.0
<i>Source: 6/30/2019 Call Report</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. South Shore Bank's contiguous assessment area includes a portion of the Boston, MA MD (14454). The following sections discuss economic and demographic information, as well as the assessment area's credit needs.

Economic and Demographic Data

Since the prior evaluation, South Shore Bank reduced the assessment area and removed the towns of Carver, Easton, Plymouth, and Wareham from its assessment area. The following bullets group the assessment area's municipalities by county:

- Norfolk County: Avon, Braintree, Canton, Cohasset, Holbrook, Milton, Quincy, Randolph, Sharon, Stoughton, and Weymouth.
- Plymouth County: Abington, Bridgewater, Brockton, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plympton, Rockland, Scituate, West Bridgewater, and Whitman.

The assessment area's 139 census tracts reflect the following income designations according to the 2015 ACS data:

- 6 low-income tracts,
- 22 moderate-income tracts,
- 70 middle-income tracts,
- 39 upper-income tracts, and
- 2 tracts with no income designation.

The six low-income census tracts are located in Brockton (five) and Quincy (one). The 22 moderate-income census tracts are located in Braintree (one), Brockton (ten), Holbrook (one), Quincy (six), Randolph (two), Stoughton (one), and Weymouth (one). The two census tracts with no income designation are Bridgewater State University and the Old Colony Correctional Center. The assessment area does not contain any designated distressed underserved middle-income census tracts.

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)	139	4.3	15.8	50.4	28.1	1.4
Population by Geography	698,753	3.2	16.0	49.1	31.0	0.7
Housing Units by Geography	276,249	3.2	16.9	50.7	29.2	0.1
Owner-Occupied Units by Geography	180,440	1.2	12.1	51.8	34.9	0.0
Occupied Rental Units by Geography	78,634	7.3	27.5	49.1	16.0	0.1
Vacant Units by Geography	17,175	5.6	18.7	46.8	28.9	0.0
Businesses by Geography	48,332	2.2	13.3	49.8	34.5	0.2
Farms by Geography	1,071	0.7	7.6	52.2	39.6	0.0
Family Distribution by Income Level	174,668	20.7	16.5	20.3	42.4	0.0
Household Distribution by Income Level	259,074	24.2	14.1	16.6	45.1	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$357,746
			Median Gross Rent			\$1,182
			Families Below Poverty Level			6.0%
<i>Source: 2015 ACS Census 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.</i>						

According to 2018 D&B data, there were 47,831 non-farm businesses in the assessment area. Service industries represent the largest portion of businesses at 45.9 percent, followed by retail trade (13.4 percent); construction (10.6 percent); finance, insurance, and real estate (9.4 percent); and non-classifiable establishments (8.5 percent).

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business loans to the distribution of businesses by gross annual revenue (GAR) level. The following are the GARs for the area's businesses based on 2018 D&B data:

- 84.7 percent have GARs of \$1 million or less.
- 6.4 percent have GARs more than \$1 million.
- 8.9 percent have unknown revenues.

Further, approximately 79.7 percent of all businesses in the assessment area have GARs less than \$500,000, 70.9 percent of the businesses employ four or fewer employees, and 89.5 percent of the businesses operate from a single location. These factors indicate that the majority of businesses in the assessment are small.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2017 and 2018 FFIEC-updated median family income for the Boston, MA MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
<i>Source FFIEC</i>				

BLS data indicated that the 2018 year-end unemployment rate was 3.5 percent in Plymouth County and 3.0 percent in Norfolk County. The Massachusetts unemployment rate was 3.3 percent as of year-end 2018.

Competition

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2017, 432 lenders reported 25,008 originated or purchased residential mortgage loans. South Shore Bank ranked 134th out of this group with a 0.1 percent market share. In 2018, 436 lenders reported for 25,702 originated or purchased residential mortgage loans. South Shore Bank ranked 34th out of this group with a 0.8% market share. The bank’s increase in ranking was due to the discontinuation of a lending relationship. The majority of lenders ranked ahead of South Shore Bank were large national banks, non-depository lenders, and credit unions.

There is also a high level of competition for small business loans within the assessment area. In 2017, 132 lenders reported 30,579 small business loans within the counties of the assessment area. South Shore Bank ranked 24th out of this group with a market share of 0.3 percent. The majority of lenders ranked ahead of South Shore Bank were large national banks.

Community Contact

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

Examiners contacted a local nonprofit that focuses on educating entrepreneurs and helping small businesses start, grow, and succeed. The contact stated that the assessment area is experiencing very strong business conditions, particularly in Brockton. The contact identified commercial leasing loans as a need for new businesses as it is a barrier in starting new businesses.

The contact believed that one way that financial institutions could meet the needs of the community would be through collaboration with entrepreneurs who are denied loans due to incomplete business plans or lack of supporting documentation for the loan. It was suggested that this collaboration could include partnerships for small business seminars and workshops.

Examiners also met with an organization that focuses on helping people find a safe and affordable place to live. The organization develops and manages affordable housing, educates and assists homeowners and homebuyers, and helps homeowners repair and maintain their homes. The contact stated that the residential real estate market is extremely competitive. The combination of low inventory and a large pool of qualified buyers has resulted in rising prices. The contact was of the opinion that financial institutions are meeting the credit lending needs of the community. It was stated that one of the most valuable ways that financial institutions could assist the community would be through increased assistance with financial coaching seminars and classes.

Credit and Community Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing, financial literacy education, and small business assistance are the primary community development needs. As shown in the demographic table, housing costs are high as the median housing value is \$357,746, and based on 2018 D&B data, 84.7 percent of all area businesses are small.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's overall Lending Test performance is rated Satisfactory. The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, and community development lending. The Lending Test considered the institution's performance according to the following criteria.

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and flexible lending
- Community development lending
- Fair Lending Policies and Procedures

Lending Activity

Lending levels reflect adequate responsiveness to assessment area credit needs. The Description of the Assessment Area section discusses the bank's market share rankings for home mortgage and small business lending. Leading institutions consisted primarily of large national banks and mortgage companies.

Assessment Area Concentration

The bank originated a high percentage of home mortgage and small business loans combined, by number and dollar volume, within its assessment area. The 2017 home mortgage lending shows a difference in loan volume compared to 2018. In 2017, the bank's affiliate originated home loans and is not considered in the Bank's 2017 volume of originations. In 2018, the affiliate lending arrangement was discontinued and all originations were reported by the bank, therefore demonstrating a rise in loan volume production.

For small business lending in 2017 and 2018, the bank consistently originated a high percentage of loans inside the assessment area. The following table shows the loan distribution inside and outside 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	28	55.0	23	45.0	51	23,316	53.5	20,190	46.4	43,506
2018	192	67.3	93	32.7	285	85,011	59.3	58,184	40.6	143,195
Subtotal	220	65.5	116	34.5	336	108,327	58.0	78,374	42.0	186,701
Small Business										
2017	92	85.1	16	14.9	108	23,296	82.1	5,071	17.9	28,367
2018	127	82.0	28	18.0	155	30,035	77.6	8,691	22.4	38,726
Subtotal	219	83.2	44	16.7	263	53,331	79.4	13,762	20.5	67,093
Total	439	73.2	160	26.8	599	161,658	63.7	92,136	36.3	253,794
<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 loans is considered good among borrowers of different income levels and businesses of different sizes. The following two tables display the borrower distribution of South Shore Bank's home mortgage and small business loans originated within the assessment area.

Home Mortgage Loans

From 2017 to 2018, the bank's process for reporting home mortgage data and loans changed. In 2017, the bank had a relationship with an affiliate lender that reported a majority of the bank's home mortgage loans. When this relationship was discontinued, the bank began originating and reporting their own lending activity which created an increase in overall originations. Additionally, the 2018 merger with Braintree Cooperative expanded the availability of products and services to borrowers, contributing to the increase in volume.

The following table shows that in 2017, the bank did not originate any loans to low-income borrowers within the assessment area. In 2018, the bank's lending to low-income borrowers outpaced the aggregate, while trailing area demographics.

South Shore Bank did not originate any loans to moderate-income borrowers within the assessment area in 2017. In 2018, the bank's lending to moderate-income borrowers was comparable to both the aggregate and area demographics.

Borrower Distribution of Home Mortgage Loans						
Tract Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	20.7	4.7	0	0.0	0	0.0
2018	20.7	5.3	18	9.4	3,335	3.9
Moderate						
2017	16.5	18.9	0	0.0	0	0.0
2018	16.5	19.8	30	15.6	6,526	7.7
Middle						
2017	20.3	25.3	1	3.6	738	3.2
2018	20.3	25.2	46	24.0	13,155	15.5
Upper						
2017	42.4	37.3	0	0.0	0	0.0
2018	42.4	38.0	59	30.7	24,342	28.6
Not Available						
2017	0.0	13.8	27	96.4	22,578	96.8
2018	0.0	11.8	39	20.3	37,653	44.3
Totals						
2017	100.0	100.0	28	100.0	23,316	100.0
2018	100.0	100.0	192	100.0	85,011	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

Lending to businesses with GARs of \$1 million or less was good. As the following table demonstrates, the majority of small business loans in both 2017 and 2018 were to businesses with GARs of \$1 million or less. Although lending to businesses with GARs of \$1 million or less was less than demographics each year, the bank's level of lending exceeded that of the aggregate in both 2017 and 2018.

Considering the highly competitive market, performance compared to aggregate, and branch structure, loan distribution reflects a good performance throughout the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category				
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%
<=\$1,000,000				
2017	89.6	46.9	47	51.1
2018	90.7	38.9	78	61.4
>1,000,000				
2017	9.8	53.1	45	48.9
2018	8.6	61.1	49	38.6
Revenue Not Available				
2017	0.6	0.0	0	0.0
2018	0.7	0.0	0	0.0
Totals				
2017	100.0	100.0	92	100.0
2018	100.0	--	127	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>				

Geographic Distribution

The geographic distribution of loans reflects adequate penetration of home mortgage and small business loans throughout the assessment area, particularly in low- and moderate-income census tracts. The following two tables display the geographic distribution performance.

Home Mortgage Loans

Home Mortgage loans reflect adequate distribution in low- and moderate-income census tracts. The following table illustrates home mortgage loans by census tract income level for 2017 and 2018. For comparison purposes, the table also depicts applicable aggregate and demographic data.

In 2017, the percentage of lending in low-and moderate-income census tracts exceeded both the aggregate and area demographics. In 2018, the bank experienced a shift in overall loan volume which created an effect on the percentage of loans in low-income tracts, trailing both the aggregate and area demographics. For moderate-income areas, the number of loans more than doubled. However, despite the increase in overall volume, the percentage of lending to moderate-income areas remained low. While the bank's percentage of lending to low and moderate-income areas was below the demographics and aggregate data in 2018, as noted in the competition section, there is significant competition for home mortgage loans in the assessment area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	1.2	1.7	2	7.1	1,481	6.4
2018	1.2	1.6	1	0.5	1,301	1.5
Moderate						
2017	12.1	13.7	8	28.6	5,377	23.1
2018	12.1	12.5	18	9.4	7,200	8.5
Middle						
2017	51.8	49.9	9	32.1	6,459	27.7
2018	51.8	49.8	116	60.4	47,259	55.6
Upper						
2017	34.9	34.6	9	32.1	9,999	42.9
2018	34.9	36.0	56	29.2	28,880	34.0
Not Available						
2017	0.0	0.1	0	0.0	0	0.0
2018	0.0	0.1	1	0.5	371	0.4
Totals						
2017	100.0	100.0	28	100.0	23,316	100.0
2018	100.0	100.0	192	100.0	85,011	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 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 adequate penetration throughout the assessment area. The following table illustrates small business loans by census tract income level for 2017 and 2018. For comparison purposes, the table also depicts applicable aggregate and demographic data.

Geographic Distribution of Small Business Loans				
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%
Low				
2017	2.0	2.2	0	0.0
2018	2.1	2.3	0	0.0
Moderate				
2017	12.6	13.0	8	8.7
2018	13.0	12.2	11	8.7
Middle				
2017	49.7	50.6	50	54.3
2018	49.8	50.7	84	66.1
Upper				
2017	35.6	34.1	34	37.0
2018	35.0	34.8	32	25.2
Not Available				
2017	0.1	0.1	0	0.0
2018	0.2	0.1	0	0.0
Totals				
2017	100.0	100.0	92	100.0
2018	100.0	100.0	127	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 & 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>				

Innovative and Flexible Lending

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

South Shore Bank uses innovative and flexible lending practices in order to serve assessment area credit needs. South Shore Bank does so through residential and commercial products, increasing access to credit, and providing opportunities for homeownership and entrepreneurship. These programs are directly responsive to the needs of the assessment area, and many are specifically designed to increase credit access for low- and moderate-income borrowers and small businesses in the community.

The bank originated five loans to Brockton Redevelopment Authority totaling \$1 million, a quasi-public agency contracted by the City of Brockton that is tasked with community development and economic revitalization, specifically for the benefit of low- and moderate-

income households and areas of the city. The proceeds of the funds will be used to assist Brockton Redevelopment Authority with renovations on properties consisting of two single family homes and three multi-family homes in moderate-income areas in Brockton. This is part of an ongoing effort to reclaim abandoned property in Brockton through the Abandoned Housing Initiative. At the completion of the renovations the agency will sell the home to a first time homebuyer.

As part of the Mass Save HEAT Loan program, eligible borrowers may obtain an interest free HEAT Loan for the installation of energy efficient improvements. To be eligible for the program borrowers must own a 1-4 family home and have been approved by Mass Save after completing the Mass Save Home Energy Assessment. The Bank originated 323 loans totaling \$3 million.

The bank offers Small business Administration loan programs, including the SBA 504 and the SBA 7A. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. SBA 504 loans provide growing businesses with long-term, fixed rate financing for major fixed assets, such as land and buildings. SBA 7A loans provide eligible borrowers funds for starting, acquiring and expanding a small business. During the evaluation period, the bank originated 79 SBA loans totaling \$8.7 million.

Community Development Lending

South Shore Bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

During the evaluation period, the bank made a low level of community development loans. South Shore Bank originated 2 community development loans totaling \$2.1 million. This is a decrease in number and dollar amount of activity compared to the last examination where 4 community development loans were originated totaling \$3 million.

In 2017, the bank originated a \$1.3 million line of credit to a non-profit organization in Brockton, within the bank's assessment area. The primary purpose of the loan is to support community development services to low-and moderate-income individuals.

In 2018, the bank originated a \$750,000 loan to an affordable housing organization in the bank's assessment area.

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 of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

Minority Application Flow

Examiners reviewed the bank's 2017 and 2018 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area was reflected the assessment area's demographics. Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017 and 2018, the bank's minority application flow is less than reasonable.

In 2017, the bank's assessment area contained a total population of 698,753 individuals of which 24.4 percent are minorities. The assessment area's minority and ethnic population is 10.6 percent Black/African American, 6.7 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 4.0 percent Hispanic or Latino and 3.0 percent other.

In 2017, the bank received 31 HMDA reportable loan applications from within its assessment area. Of these applications, none were received from racial minority applicants. The aggregate received 34,796 HMDA reportable loan applications of which 6,095 or 17.5 percent were received from minority applicants and 4,015 or 65.9 percent were originated. For the same time period, the bank did not receive any applications from ethnic groups of Hispanic origin within its assessment area versus the aggregate that received 1,587 applications or 4.6 percent of which 1,042 or 65.7 percent were originated. As previously mentioned, the Bank's process for collecting and reporting home mortgage data was different in 2017 and accounts for the low application activity in this year.

In 2018, the bank received 238 HMDA reportable loan applications from within its assessment area. Of these applications, 10 or 4.2 percent were received from minority applicants, of which 9 or 90.0 percent resulted in originations. The aggregate received 38,025 HMDA reportable loan applications of which 7,374 or 19.4 percent were received from minority applicants and 3,902 or 52.9 percent were originated. For the same time period, the bank also received 6 or 2.5 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 5 or 83.3 percent were originated versus the aggregate that received 1,738 applications or 4.6 percent of which 953 or 54.8 percent were originated.

Examiners compared the bank's 2017 and 2018 lending to the aggregate. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

Refer to the table below for information on the bank’s minority application flow as well as the aggregate lenders in the bank’s assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2017		2017 Aggregate Data	Bank 2018		2018 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.3
Asian	0	0.0	6.3	6	2.5	7.5
Black/ African American	0	0.0	9.4	1	0.4	9.8
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.3
2 or more Minority	0	0.0	0.1	0	0.0	0.2
Joint Race (White/Minority)	0	0.0	1.4	3	1.3	1.3
Total Minority	0	0.0	17.5	10	4.2	19.4
White	2	6.5	61.2	173	72.7	59.3
Race Not Available	29	93.6	21.3	55	23.1	21.3
Total	31	100.0	100.0	238	100.0	100.0
ETHNICITY						
Hispanic or Latino	0	0.0	3.5	1	0.4	3.6
Not Hispanic or Latino	2	6.5	74.4	165	69.3	73.4
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	5	2.1	0.9
Ethnicity Not Available	29	93.6	21.1	67	28.2	22.0
Total	31	100.0	100.0	238	100.0	100.0

Source: US Census 2010, HMDA Aggregate Data 2017 and 2018, HMDA LAR Data 2017 and 2018

While the bank’s 2017 minority application flow was below aggregate performance, 2018 shows an increasing trend. The change in affiliate lending appears to have boosted the bank’s application flow to minority individuals as well as in areas with concentrations of majority-minority census tracts. The bank exhibited focus to different segments of the population through outreach initiatives and operations. Despite these efforts, the minority application remains low and below the aggregate performance. The bank is encouraged to continue to monitor its application levels going forward to remain apprised of any trends and opportunities.

INVESTMENT TEST

The bank’s overall Investment Test performance is rated Satisfactory. The bank has an adequate level of qualified investments with occasional use of innovative or complex investments. From June 22, 2015 through October 7, 2019, South Shore Bank made qualified equity investments totaling \$3.3 million and charitable grants totaling \$154,531.

Examiners compared the bank’s investment activity to that of similarly situated institutions. Comparable institutions were selected based on asset size, geographic location, and lending focus. The bank’s investment activity performed below the comparable institutions.

Equity Investments

The bank’s equity investments total \$3.3 million, of which \$2.6 million in investments are new and \$718,473 remain from the prior period. Of the new period investments, the bank received

CRA consideration for the Wells Fargo mortgage backed securities. The bank’s investment in 8 Mortgage Backed securities totaling \$2.6 million are new since the last exam. The bank continues their commitment to small business investment in the BCA Mezzanine Fund II LP. During the examination period, the bank made 3 separate investments totaling \$57,021.00.

Donations

The bank provided 59 donations totaling \$154,531. The donations exhibit adequate responsiveness to community development needs. Donations assist a variety of services to low- and moderate-income individuals and families. These services include assistance with food, healthcare, education, affordable housing, and the economic development of low- and moderate-income communities.

SERVICE TEST

The bank is rated “Outstanding” in the Service Test. The Service Test evaluates the bank’s record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

To the extent changes have been made, South Shore Bank’s opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services are readily accessible to geographies and individuals of different income levels in its assessment area. Its services (including, where appropriate, business hours) are tailored to the conveniences of its assessment area(s), particularly low- and moderate-income geographies and low- and moderate-income individuals; additionally, the bank is a leader in providing community development services throughout its assessment areas.

Accessibility of Delivery Systems

Delivery systems are readily accessible to geographies and individuals of different income levels in its assessment area. The following table illustrates the distribution of branches and ATMs by tract income level.

Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	6	3.7	22,438	2.8	0	0.0	0	0.0
Moderate	27	16.8	138,469	17.0	2	12.5	3	13.0
Middle	82	50.9	408,450	50.2	13	81.3	19	82.6
Upper	44	27.3	239,861	29.5	1	6.2	1	4.4
NA	2	1.3	4,888	0.6	0	0.0	0	0.0
Total	161	100.0	814,106	100.0	16	100.0	23	100.0

Source: 2010 U.S. Census & Bank Records

As the table illustrates, the bank does not have any branches in low-income census tracts. Therefore, the distribution in these tracts is less than the population and percentage of low-income census tracts. The lack of branch presence within the low-income area areas does not limit accessibility from nearby communities and residents. Many of the bank's branch locations are situated along main roads; connecting businesses, residence and other south shore communities. The branch location at 383 Bridge Street in Weymouth is in close proximity to a low-and moderate-income area. The location of this branch is in a high traffic area with many other small business and connects other South Shore communities including Hingham and Hull from the east and Quincy from the West, increasing the branches' accessibility. Additionally, South Shore Bank is the only financial institution within a 1 mile radius of the branch location. Customers can access this branch by a public bus route.

The percentage of branches and ATMs located in moderate - income tracts is comparable to the population and percentage of moderate-income census tracts in the area. The moderate-income branches are located at 650 Middle Street in Weymouth and 699 Hancock Street in Quincy. The 699 Hancock Street Branch is accessible by the subway stop at Walliston Station.

The middle-income branch at 370 Quincy Ave in Quincy is situated in a middle-income census tracts and abuts two moderate-income areas. This branch is on a busy main road with many other small businesses, apartment complexes and accessible by public transportation.

All branches have at least one 24 hour deposit taking ATM with some branches having multiple ATMs. There are 11 branches that have face to face teller machines. These machines offer customers more way to transact and accept deposits, dispense cash, and provide a real time, face-to-face conversation with a teller using video cameras. Face to Face teller machines provide and expand services.

South Shore Bank customers can perform ATM transactions at any of the 8,400 7-Eleven ATMs throughout the country without incurring any fees or surcharges. Customers can withdraw cash, check balances and view transaction history, and transfer funds between South Shore Bank accounts. Within the bank's assessment area there are three 7-Eleven ATMs situated in moderate-income areas, 2 ATMs located in Quincy and 1 ATM located in Randolph.

In addition to the ATM and Face to Face teller network, the bank offers alternative delivery systems to expand retail banking service access to all individuals. The bank also offers online banking, mobile banking, and a Call Center.

Changes in Branch Locations

Since the previous CRA evaluation, the bank opened, closed and acquired branches. To the extent changes have been made, its record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals;

The Bank opened a new branch at 699 Hancock Street, in the Wollaston section of Quincy, in February of 2016 located in a moderate-income census tract. The branch was a former Citibank branch that had recently closed.

October 2017, South Shore Bank merged with Braintree Cooperative Bank and acquired two branches in Braintree as a result of the merger. There was an overlap in branches in Braintree so the bank closed the South Shore Branch in Braintree which was less than one mile from the Braintree Cooperative branch.

The Bank also opened a new branch at 275 Hancock St in Quincy in February 2016 and subsequently closed this branch in October 2018. Loan production did not materialize despite the marketing efforts in this area. The branch was closed after two years. This branch was only a mile away from the branch located at 699 Hancock St so the impact to the customers was minimal. At the time of the closure, the bank had three years left on the lease, and this location is being subleased to a non-profit organization at an affordable rental price.

Reasonableness of Business Hours and Services

Its services (including, where appropriate, business hours) are tailored to the conveniences of its assessment area(s), particularly low- and moderate-income geographies and low- and moderate-income individuals;

All branches offer the same loan and deposit products and services. Although branch hours vary from location to location, no hours vary as to inconvenience a specific geography. Branch hours are reasonable and comparable to other institutions. The bank's 11 face to face teller machines offer extended weekday hours from 7:00 a.m. until 7:00 p.m. and Saturday hours until 2:00 p.m. where most of the Bank's physical branches close earlier on weekdays and Saturdays. The longer hours make it more accessible for customers to visit the bank.

Bank products and services were made available to reach the bank's assessment area's low and moderate-income geographies, through intermediaries, such as non-profit and community-based organizations in Brockton. Brockton represents a majority of the assessment area's low and moderate-income geographies and South Shore Bank focused on being an active participant in this area. The bank's efforts resulted in four loans that benefited affordable housing needs.

Additionally, the bank entered into a partnership with Massasoit Community College and expanded banking products and services to students and staff. South Shore Bank provided the equipment and software for Massasoit's three campus locations to produce updated student IDs. The bank also provided training on the software and equipment for employees, support for maintenance of the ID equipment, the plastics necessary for 10,000 student IDs, and lanyards to hold them. This partnership created additional opportunities to expand banking products and services to students and staff. During student orientation weekend, South Shore Bank had a presence at the Brockton and Canton campuses. The bank's student checking account is a desirable option and includes no monthly maintenance fee or ATM/Debit Card fees, online, mobile banking, bill pay, and mobile wallet. This checking account is a low cost option for students.

Community Development Services

South Shore Bank is a leader in providing community development services. The bank demonstrates an excellent level of responsiveness to the needs and opportunities of the communities it serves, primarily through officer involvement on the boards of various community organizations and the provision of educational seminars.

Employees devoted time to community development organizations supporting affordable housing, community services, economic development, neighborhood revitalization and stabilization initiatives, first-time homebuyer seminars, and financial literacy. The chart below highlights a sample of involvement in community development organizations.

Community Development Services				
Brief Service Description	Community Development Purpose	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Habitat for Humanity <i>Chief Risk Officer and Marketing Officer served as a Board Member, Assistant Controller served on the Finance Committee</i>	Affordable Housing	2016, 2017, 2018, 2019		
Quincy 2000 Loan Pool <i>A Vice President serves on the Loan Committee and participates as a Board Member</i>	Community Development		2016, 2017, 2018, 2019	
Neighborworks of Southern Massachusetts <i>A Sr. Vice President serves a Director and is also involved with first time homebuyer seminars</i>	Community Development		2016,2017, 2018, 2019	
Financial Literacy partnership with Everfi. <i>South Shore Bank representatives participated in a number of financial literacy events in high schools within the assessment area.</i>	Community Development		2019	
Iolta Accounts <i>91 accounts totaling \$7.9 million</i>				2016, 2017, 2018, 2019

Source: Bank Records 6/22/2015-10/7/2019

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 (1530 Main Street, Weymouth, MA 02190)."

[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.