

# **PUBLIC DISCLOSURE**

April 26, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Stoughton Co-operative Bank  
Certificate Number: 26513  
950 Park Street  
Stoughton, MA 02072

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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

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## INSTITUTION RATING

This document is an evaluation of the CRA performance of **Stoughton Co-operative Bank** prepared by the Division, the institution's supervisory agency as of **April 26, 2021**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Stoughton Co-operative Bank's performance under this test is summarized below:

- The average net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of its AA.
- Less than a majority of the bank's residential loans are inside the AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reflect reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.
- Fair lending policies and procedures are considered adequate.

## **SCOPE OF EVALUATION**

### **General Information**

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (“Division”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

Small Institution CRA procedures were used for the evaluation. The following criteria were used in the evaluation: Loan-to-Deposit Ratio, Assessment Area Concentration, Borrower Profile, Geographic Distribution, and Response to CRA-related complaints.

### **Activities Reviewed**

Examiner's evaluated the bank's home mortgage lending performance from January 1, 2018 to December 31, 2019. Loan data for 2018 and 2019 was obtained from the Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for the respective periods. The bank reported 69 home mortgage loan originations totaling \$14.3 million in 2018 and 55 loan origination totaling \$13.3 million in 2019. The bank's home mortgage lending was compared to the 2018 and 2019 aggregate data and demographic data.

Demographic information referenced in this evaluation was obtained using the 2015 American Community Survey (ACS) data. Financial data about the bank came from the bank's December 31, 2020 Report of Income and Condition (Call Report). Although the total dollar amounts of loans are discussed, the evaluation focuses on the bank's lending performance by the number of loans originated during the review period.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Stoughton Co-operative Bank is a mutual cooperative bank originally chartered by the Commonwealth of Massachusetts in 1886.

Stoughton Co-operative Bank received a Satisfactory rating from the Massachusetts Division of Banks during its prior evaluation using the FFIEC Small Institution Examination Procedures.

### **Operations**

The bank operates from its main office location at 950 Park Street in an upper-income census tract. The main office contains administrative offices and a full service branch. There is a second branch office located at 20 Park Street in a middle-income census tract. Both locations offer extended services hours on Thursdays and limited hours on Saturday. The bank did not open, nor close any branches during the review period.

The bank offers both personal and business accounts. The bank offers checking accounts, savings accounts, Money Markets, Certificates of Deposits, and Individual Retirement Accounts. Available to business customers are checking accounts, savings accounts, and payroll and merchant services. Other services include online and mobile banking. In addition to deposit accounts, bank customers can apply for home mortgage loans, home equity loans, mass save heat loans, automobile, and personal loans. Business lending includes commercial real estate loans and lines of credit.

### **Ability and Capacity**

As of December 31, 2020, the bank's assets totaled \$121.8 million and deposits totaled \$110.2 million. The loan portfolio consisted of \$91.6 million in total loans.

The bank is primarily a residential mortgage lender by dollar volume. Loans secured by first liens and junior liens on 1-4 family residential properties account for 94.8 percent of total loans.

The following table illustrates the distribution of the bank’s loan portfolio.

<b>Loan Portfolio Distribution as of 12/30/2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	499	0.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	83,909	94.8
Secured by Multifamily (5 or more) Residential Properties	250	0.3
Secured by Nonfarm Nonresidential Properties	3,828	4.3
<b>Total Real Estate Loans</b>	<b>88,486</b>	<b>96.5</b>
Commercial and Industrial Loans	712	0.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,475	2.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	1	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>91,674</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Stoughton Co-operative Bank has designated its assessment area to include the communities of Avon, Brockton, Canton, and Sharon which are part of the Boston, MA MD and Easton, while it is contiguous to the other portion of the assessment area, it is part of the Providence Warwick MA-RI MSA. Easton was added to the bank’s assessment area since previous evaluation. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The assessment area includes 41 census tracts. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 5 low-income tracts,
- 11 moderate-income tracts,
- 13 middle-income tracts, and
- 12 upper income tracts.

The 5 low-income census tracts are located in Brockton and the 11 moderate-income census tracts are in located in Brockton (10) and Stoughton (1). Stoughton’s moderate-income census tract is in close proximity to the Stoughton’s branch at 20 Park Street. Several moderate-income census tracts from Brockton are in close proximity to Stoughton’s main office and branch at 950 Park Street. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the bank’s assessment area. However, there are several opportunity zones. Opportunity Zones are areas of economic need approved by the U.S. Department of Treasury. Within the bank’s assessment area, there are four census tracts in designated opportunity zones located in Brockton. The following table illustrates select demographic characteristics of the assessment area.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	41	12.2	26.8	31.7	29.3	0.0
Population by Geography	190,949	10.2	27.7	30.1	32.0	0.0
Housing Units by Geography	72,733	10.3	28.5	31.7	29.5	0.0
Owner-Occupied Units by Geography	45,535	3.8	21.0	36.6	38.6	0.0
Occupied Rental Units by Geography	22,173	21.6	41.9	22.8	13.7	0.0
Vacant Units by Geography	5,025	18.8	36.6	26.8	17.8	0.0
Businesses by Geography	13,288	7.6	19.2	37.0	36.1	0.0
Farms by Geography	253	2.4	12.3	41.9	43.5	0.0
Family Distribution by Income Level	47,307	25.8	17.3	18.5	38.4	0.0
Household Distribution by Income Level	67,708	27.2	15.6	16.1	41.1	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$295,442
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Gross Rent			\$1,061
			Families Below Poverty Level			9.5%
<i>Source: 2015 ACS and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Since the prior CRA evaluation, the assessment area’s population increased by 26,648. The population living in moderate and upper-income populations has demonstrated a noticeable change in concentrations since the last examination. There are 10 percent less individuals living in moderate-income areas. This factor could limit opportunities to lend in moderate-income tracts. The population living in upper income geographies increased by 10 percent.

The Geographic Distribution criterion compares home mortgage lending performance to the distribution of owner-occupied housing units. Within the bank’s assessment area, 62.6 percent of the 72,733 housing units are owner-occupied. Of these, 75.2 percent of owner-occupied units are located in middle- and upper-income census tracts, while only 24.8 percent are located in low- or moderate-income census tracts.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

<b>Table B – Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
<i>Source: FFIEC</i>				

### **Competition**

The assessment area is located in a competitive market for financial services. According to 2019 peer mortgage data, the assessment area overall home mortgage loans are also very competitive with 297 home mortgage lenders originating 6,193 home mortgage loans. Large national banks, non-depository lenders and a state-chartered community bank comprised the top ten lenders representing 35 percent market share. Stoughton Cooperative ranked 51<sup>st</sup> in the assessment area. Some of the top lenders in the assessment area are Citizens Bank, N.A., Bank of America, N.A., Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., and Quicken Loans, LLC.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to help assess the 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 representative from a community development corporation which serves the assessment area. The contact identified the lack of affordable housing as the area with most concern. The high cost of housing in Norfolk County is forcing low- and moderate-income individuals and families to leave the assessment area.

### **Credit Needs**

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussions with management, and the conversation with the community contacts. Examiners determined the primary credit need of the community to be affordable housing.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Stoughton Co-operative Bank's overall Lending Test performance is rated Satisfactory. The sections below discuss the bank's performance under each criterion.

### Loan-to-Deposit Ratio

The average net loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from the Quarterly Call Report data, averaged 80.7 percent over the past 19 calendar quarters from June 30, 2016 through December 31, 2020. The ratio ranged from a high of 84.3 percent as of December 31, 2016, to a low of 77.5 percent as of June 30, 2020. The bank's average LTD ratio was compared to that of similarly situated institutions based on asset size, geographic location, lending focus and branching structure. Stoughton Co-operative Bank's average LTD ratio is above the three institutions used in this comparison.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets \$(000's)</b>	<b>Average LTD Ratio (%)</b>
<b>Stoughton Co-operative Bank</b>	<b>121,866</b>	<b>80.7</b>
Canton Co-operative Bank	138,853	70.3
Wrentham Co-operative Bank	135,924	73.4
Bank of Easton	182,460	67.3
<i>Source: Reports of Income and Condition 6/30/2016 through 12/31/2020</i>		

### Assessment Area Concentration

The bank made less than a majority of home mortgage loans, by number and dollar volume, within its assessment area. Please see the following table for more detail.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	27	39.1	42	60.9	69	5,355	37.5	8,910	62.5	14,265
2019	25	45.5	30	54.5	55	7,235	54.0	6,160	46.0	13,395
<b>Total</b>	52	41.9	72	58.1	124	12,590	46.0	15,070	54.	27,660
<i>Source: Bank Data</i>										

A large portion of the Bank’s lending activity is referrals from existing clients who are looking for home mortgage loans for properties located outside of the assessment area. This factor contributes to the lower percentage of loans inside the Bank’s assessment area. While the percentages are less than a majority, the Bank continues to focus on marketing and pursuing lending opportunities inside the assessment area.

**Geographic Distribution**

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank made no loans within the low- income census tracts in 2018 and then increased to one loan in 2019.

Market data demonstrates there is significant competition for loans in the assessment area. Market share for 2019 shows that the top 10 lenders captured 37 percent of the market to the low- and moderate-income census tracts and were primarily large national institutions and non-depository mortgage companies. In addition to the significant competition, the 2015 ACS Census data shows the percentage of owner-occupied housing units for both low- and moderate-income census tracts is 24.8 percent and 63.0 percent of those units are rental units further indicating reduced lending opportunities.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2018	3.8	5.5	0	0.0	0	0.0
2019	3.8	4.9	1	4.0	275	3.8
Moderate						
2018	21.0	23.6	5	18.5	835	15.6
2019	21.0	22.2	2	8.0	500	6.9
Middle						
2018	36.6	36.9	15	55.6	2,895	54.1
2019	36.6	34.9	9	36.0	1,775	24.5
Upper						
2018	38.5	33.9	7	25.9	1,625	30.4
2019	38.5	37.8	13	52.0	4,685	64.7
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>5,355</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>7,235</b>	<b>100.0</b>

Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available.

## **Borrower Profile**

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

As shown in the table below, the bank's loan originations to low-income borrowers in 2018 and 2019 was above the aggregate performance. Lending to moderate-income borrowers was above the aggregate for 2018 and then below the aggregate and demographic data for 2019. The 2015 ACS data shows that 4.3 percent of families have incomes below the poverty level. The percentage of low-income families is typically higher than lending to these families, as a low-income family in the assessment area may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$ 295,442.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2018	25.8	7.3	3	11.1	385	7.2
2019	25.8	7.6	2	8.0	120	1.6
Moderate						
2018	17.3	28.7	9	33.3	1,325	24.7
2019	17.3	26.7	3	12.0	705	9.7
Middle						
2018	18.5	28.2	7	25.9	1,295	24.2
2019	18.5	26.2	6	24.0	1,520	21.0
Upper						
2018	38.4	32.9	8	29.6	2,350	43.8
2019	38.4	33.0	7	28.0	2,555	35.3
Not Available						
2018	100.0	0.0	0	0.0	0	0.0
2019	100.0	6.4	7	28.0	2,335	32.3
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>5,355</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>7,235</b>	<b>100.0</b>

*Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data*

## **Response to Complaints**

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

Division examiners reviewed the bank's HMDA LARs for 2019 and 2020 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 190,949 individuals of which 38.8 percent are minorities. The minority population represented is 23.0 percent Black/African American, 3.9 percent Asian, 0.2 percent American Indian, 6.8 percent Hispanic or Latino, and 4.9 percent other.

Examiners compared the bank's application activity with that of the aggregate for 2019. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>2019 Bank HMDA</b>		<b>2019 Aggregate Data</b>	<b>2020 Bank HMDA</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	0	0.0	5.0	0	0.0
Black/ African American	0	0.0	23.4	4	5.6
Hawaiian/Pacific Islander	0	0.0	0.3	0	0.0
2 or more Minority	0	0.0	0.3	0	0.0
Joint Race (White/Minority)	1	3.7	1.3	2	2.8
<b>Total Racial Minority</b>	<b>1</b>	<b>3.7</b>	<b>30.5</b>	<b>6</b>	<b>8.4</b>
White	24	88.9	43.6	53	73.6
Race Not Available	2	7.4	25.9	13	18.0
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	1	3.7	6.6	9	12.5
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.3	2	2.8
<b>Total Ethnic Minority</b>	<b>1</b>	<b>3.7</b>	<b>7.9</b>	<b>11</b>	<b>15.3</b>
Not Hispanic or Latino	24	88.9	67.0	48	66.6
Ethnicity Not Available	2	7.4	25.1	13	18.1
<b>Total</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>

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

In 2019, the bank received 27 reportable loan applications within its assessment area. One application or 3.7 percent was received from a minority applicant and resulted in an origination. The aggregate received 30.5 percent of its applications from minority consumers, of which 50.0 percent were originated. For the same time period, the bank received 1 or 3.7 percent of applications from ethnic groups of Hispanic origin within its assessment area and this application was originated, compared to an aggregate ethnic minority application rate of 7.9 percent with a 51.0 percent origination rate.

In 2020, the bank received 72 reportable loan applications within its assessment area. There were 6 applications or 8.4 percent received from minority applicants and all resulted in originations. For the same time period, the bank received 11 or 15.3 percent of applications from ethnic groups of Hispanic origin within its assessment area and 9 or 81.0 percent were originated.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2019 and trend into 2020, the bank's minority application flow is reasonable.

## 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 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.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, require all financial institution 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 (950 Park Street Stoughton, MA 02072)."

- 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.