

# **PUBLIC DISCLOSURE**

April 1, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Bank of Canton  
Certificate Number: 90175

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Canton, Massachusetts 02021

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

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

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 Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area needs.
- A majority of home mortgage and small business loans are in the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints during the evaluation period; therefore, this factor did not affect the rating.

**The Community Development Test is rated High Satisfactory by the Commonwealth of Massachusetts Division of Banks (Division) and Satisfactory by the FDIC.**

\*Please note the FDIC's rating matrix does not provide a "High Satisfactory" rating; however, the FDIC and the Division agree on the bank's overall performance levels.

- The institution's community development performance demonstrates good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation, conducted jointly by the FDIC and the Division, covers the period from the prior evaluation dated July 17, 2017, to the current evaluation dated April 1, 2020. The Division and the FDIC used the Federal Financial Institution Examination Council's (FFIEC) Interagency Intermediate Small Institution Examination Procedures to evaluate The Bank of Canton's Community Reinvestment Act (CRA) performance. These procedures include two tests: the Small Bank Lending Test and the Community Development Test. See the appendices for details on each test.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. Therefore, the evaluation focused on the bank's residential mortgage and small business lending activities, with greater weight assigned to residential lending due to the larger origination volume. No other loan types, such as small farm loans or consumer loans, represent a major product line; therefore, they provided no material support for conclusions or ratings, and examiners did not present these products.

Examiners evaluated the bank's home mortgage lending performance from January 1, 2017 to December 31, 2019. Loan data was obtained from the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). The bank reported 795 home mortgage loans totaling \$300.2 million in 2017, 448 loans totaling \$183.8 million in 2018, and 565 loans totaling \$206.3 million in 2019. While examiners analyzed the bank's 2017, 2018, and 2019 HMDA lending data, they only presented the bank's lending activities in 2018 and 2019, because its 2017 lending performance was consistent with its 2018 and 2019 lending performance. The Geographic Distribution and Borrower Profile sections present 2018 and 2019 bank lending data, comparing lending in both years to demographic data. In addition, examiners compared the bank's 2018 lending performance to 2018 HMDA aggregate data. Aggregate data for 2019 was not available as of the evaluation date; therefore, the bank's performance in 2018 carried more weight in determining performance conclusions for these factors.

The Bank of Canton is not required to collect or report small business lending data; however, the bank collected the data and provided a list to examiners of all its small business loans originated in 2017, 2018, and 2019. The bank originated 50 loans totaling \$18.5 million in 2017, 36 loans totaling \$11.9 million in 2018, and 46 loans totaling \$12.8 million in 2019. While examiners analyzed the bank's 2017, 2018, and 2019 small business lending data, they only presented the bank's small business lending activity in 2018 and 2019, because its 2017 lending performance was consistent with its 2018 and 2019 lending performance. The evaluation compared bank's 2018 and 2019 small business lending activity to business demographic data.

Demographic information referenced in this evaluation was obtained using 2015 American Community Survey (ACS) data, D&B data, and the U.S. Bureau of Labor Statistics. Financial data about the bank came from its December 31, 2019 Report of Income and Condition, unless

otherwise noted. Although the Lending Test tables reflect the number and dollar volume of loans, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners considered the bank's community development loans, qualified investments, and community development services since the prior CRA evaluation dated July 17, 2017.

## DESCRIPTION OF INSTITUTION

### **Background**

The Bank of Canton is a state chartered savings institution headquartered in Canton, Massachusetts (MA) serving Middlesex, Norfolk, Plymouth, and Suffolk Counties. The bank is a wholly owned subsidiary of Massapoag Bancorp Inc. and owns four subsidiaries, none of which engages in banking activities. The Division and the FDIC assigned a Satisfactory rating at the bank's prior evaluation dated July 17, 2017, using Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

The Bank of Canton operates four full-service branches in Canton (2), Quincy, and Randolph. The bank has not opened or closed any branches during the evaluation period. The bank also operates two standalone automated teller machines (ATM), one in Norwood (deposit taking) and one in Canton (non-deposit taking); and has a loan production office (LPO) in Auburn. The bank closed its LPO in Marshfield in 2018. There has been no merger or acquisition activity since the previous evaluation.

The bank is a full-service financial institution offering a wide variety of products and services. The bank's consumer lending products include fixed and adjustable rate mortgages, construction loans, home equity lines of credit, consumer loans, and first-time homebuyer programs. In addition, the bank offers a variety of lending options for businesses, such as commercial real estate loans, lines of credit, Small Business Administration (SBA) loans, and commercial construction financing. The bank's deposit products consist of personal and business checking and savings accounts, certificates of deposit, and individual retirement accounts. Additionally, the bank offers other banking services including online banking, including bill payment; mobile deposit; and peer-to-peer payments.

### **Ability and Capacity**

The Bank of Canton reported assets totaling \$677.8 million as of December 31, 2019, which included total loans of \$559.3 million, and total deposits of \$520.1 million. Since March 31, 2017, total assets increased by 1.8 percent, total loans increased by 5.5 percent, and total deposits decreased by 3.5 percent. The bank's loan portfolio consists primarily of residential real estate loans, followed by commercial real estate loans, and construction loans. The following table illustrates a breakdown of the bank's loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2019</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	112,797	20.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	214,616	38.4
Secured by Multifamily (5 or more) Residential Properties	39,012	7.0
Secured by Nonfarm Nonresidential Properties	183,813	32.8
<b>Total Real Estate Loans</b>	<b>550,238</b>	<b>98.4</b>
Commercial and Industrial Loans	7,452	1.3
Agricultural Loans	0	0.0
Consumer Loans	1,600	0.3
Other Loans	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>559,290</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment area(s) within which its CRA performance will be evaluated. The Bank of Canton designated a single contiguous assessment area in Massachusetts, which comprises all of Norfolk County and portions Suffolk, Plymouth, and Middlesex Counties. Norfolk, Plymouth, and Suffolk Counties comprise the Boston, MA Metropolitan Division (MD). Middlesex County is part of the Cambridge-Newton-Framingham, MA MD. The Boston, MA MD and the Cambridge-Newton-Framingham, MA MD are part of the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA). The assessment area did not change since the previous evaluation. The following list identifies the cities and towns of the assessment area.

- **Middlesex County (Cambridge-Newton-Framingham MA MD)** – Arlington, Ashland, Belmont, Cambridge, Framingham, Holliston, Hopkinton, Lexington, Marlborough, Medford, Natick, Newton, Sherborn, Somerville, Sudbury, Waltham, Watertown, Wayland, Weston and Winchester.
- **Norfolk County (Boston MA MD)** – Avon, Bellingham, Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Foxborough, Franklin, Holbrook, Medfield, Medway, Millis, Milton, Needham, Norfolk, Norwood, Plainville, Quincy, Randolph, Sharon, Stoughton, Walpole, Wellesley, Westwood, Weymouth, and Wrentham.
- **Plymouth County (Boston MA MD)** – Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Middleborough, Norwell, Pembroke, Plymouth, Plympton, Rockland, Scituate, Wareham, West Bridgewater, and Whitman.
- **Suffolk County (Boston MA MD)** – Allston/Brighton, Back Bay, Bay Village, Beacon Hill, Charlestown, Chinatown, Dorchester, Downtown, Fenway/Kenmore, Hyde Park, Jamaica Plain, Mattapan, Mission Hill, North End, Roslindale, Roxbury, South Boston, South End, West End, and West Roxbury.

### **Economic and Demographic Data**

The Bank of Canton’s assessment area includes 560 census tracts. According to 2015 ACS data, these census tracts have the following income designations:

- 52 low-income tracts;
- 98 moderate-income tracts;
- 194 middle-income tracts;
- 205 upper income tracts; and
- 11 tracts with no income designation.

The prior CRA evaluation used 2010 United States (U.S.) Census data to determine assessment area demographic information. The following summarizes the differences between the 2010 and 2015 census tract income designations:



- The number of low-income census tracts decreased from 55 to 52;
- The number of moderate-income census tracts increased from 94 to 98;
- The number of middle-income census tracts decreased from 208 to 194;
- The number of upper-income census tracts increased from 193 to 205; and
- The number of tracts with no income designation increased from 10 to 11.

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

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	560	9.3	17.5	34.6	36.6	2.0
Population by Geography	2,560,042	7.6	17.3	36.5	38.1	0.5
Housing Units by Geography	1,046,117	6.9	18.0	37.4	37.2	0.4
Owner-Occupied Units by Geography	568,567	2.3	12.0	39.4	46.1	0.2
Occupied Rental Units by Geography	408,231	13.2	25.6	34.9	25.7	0.7
Vacant Units by Geography	69,319	8.6	22.5	36.3	32.0	0.6
Businesses by Geography	232,657	4.6	13.5	31.7	49.6	0.6
Farms by Geography	3,805	1.7	11.5	38.2	48.5	0.1
Family Distribution by Income Level	588,924	22.1	14.9	18.4	44.6	0.0
Household Distribution by Income Level	976,798	25.7	13.4	15.5	45.3	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$448,444
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Gross Rent			\$1,365
			Families Below Poverty Level			7.4%
<i>Source: 2015 ACS and 2019 D&amp;B data; Due to rounding, totals may not equal 100.0 percent.            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2017, 2018, and 2019 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the income categories.

<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>				
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
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
<i>Source FFIEC</i>				

According to 2019 D&B data, there were 232,657 businesses operating in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the bank’s loans to the distribution of businesses by gross annual revenues (GAR) level. GARs for these businesses are listed below.

- 83.4 percent have GARs of \$1 million or less.
- 7.1 percent have GARs of more than \$1 million.
- 9.5 percent have unknown revenues.

According to 2019 business demographic data, services represent the largest portion of businesses at 44.5 percent; followed by non-classifiable (15.4 percent); retail trade (11.3 percent); finance and insurance (11.1 percent); and construction (6.6 percent). Additionally, 64.4 percent of area businesses have four or fewer employees, and 89.5 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor Statistics indicates that in 2018 the average unemployment rate for Massachusetts was 3.4 percent. In addition, in 2018, the counties in the bank’s assessment area had average unemployment rates ranging from a low of 2.7 percent (Middlesex) to a high of 3.5 percent (Suffolk).

**Competition**

The assessment area is competitive for financial services. According to 2018 FDIC Deposit Market share data, 137 financial institutions operated 915 full-service branches within the assessment area. Of these institutions, The Bank of Canton ranked 34<sup>th</sup> with a deposit market share of 0.2 percent. The bank ranked similar to other institutions with comparable branches and deposits in the area including Envision Bank, ranked 30<sup>th</sup>, Bridgewater Savings Bank, ranked 32<sup>nd</sup>, and Mechanics Cooperative Bank, ranked 96<sup>th</sup>.

According to aggregate lending data, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2018, 609 lenders reported 117,497 originated or purchased residential mortgage loans. The Bank of Canton ranked 60<sup>th</sup> out of this group with a 0.3 percent market share. The majority of lenders that ranked ahead of the bank were large national banks, non-depository lenders, and credit unions, including Citizens Bank, NA, Bank of America, N.A., and Wells Fargo Bank, N.A, who were the top three lenders in the assessment area.

The Bank of Canton is not required to collect or report its small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate lending data. However, aggregate lending data reflects the level of demand for small business loans. According to aggregate lending data, in 2018, 173 institutions reported 94,486 small business loans in the counties that make up the bank's assessment area, indicating a high level of competition. Of the total reported small business loans, 39.5 percent were to businesses with GARs of \$1 million or less. This is significantly lower than the portion of businesses with GARs of \$1 million or less (83.4 percent), and more accurately reflects loan demand for these businesses.

### **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 to determine whether local financial institutions are responsive to these needs, and shows what credit and community development opportunities, if any, are available.

Examiners contacted a representative from an affordable housing and community development organization headquartered in the bank's assessment area. The contact identified a lack of affordable housing and reduced upward economic mobility for low- and moderate-income individuals. In addition, high housing costs are forcing low- and moderate-income individuals to leave the area. Additionally, small businesses are leaving the area due to the increasing cost of living and operating expenses. The contact indicated that there is a need for loan programs that target low- and moderate-income individuals and small businesses, such as products for applicants with limited credit history, small business loans that allow for less than two years of revenue, and credit repair programs for those individuals with minimal or no credit history. Overall, the representative noted that local financial institutions were receptive to meeting the lending and community development needs of the community.

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

Considering the information from the community contacts, management, and demographic and economic data, examiners identified the primary community development needs of the assessment area to be affordable housing for low- and moderate-income individuals and economic development for small businesses. Opportunities to support economic development for small businesses include working capital credit, renovation loans for aging commercial real estate, and financial literacy programs.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The Bank of Canton's Lending Test is rated Satisfactory. The bank's Geographic Distribution and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 96.6 percent over the past 11 calendar quarters from June 30, 2017, to December 31, 2019. The ratio ranged from a low of 89.9 percent as of March 31, 2018, to a high of 106.3 percent as of December 31, 2018. Although the ratio has varied over the 11-quarter period, it has generally trended upward, seeing a 9.8 percent increase since June 30, 2017. The Bank of Canton maintained a LTD ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2019 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Mechanics Cooperative Bank	605,422	108.6
Norwood Co-operative Bank	588,779	100.7
<b>The Bank of Canton</b>	<b>677,881</b>	<b>96.6</b>
Bridgewater Savings Bank	632,446	90.1

*Source: Reports of Condition and Income 06/30/2017 through 12/31/2019*

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. See the following table for details.

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	532	66.9	263	33.1	795	224,632	74.8	75,519	25.2	300,151
2018	273	60.9	175	39.1	448	131,979	71.8	51,826	28.2	183,804
2019	338	59.8	227	40.2	565	141,290	68.5	65,041	31.5	206,330
<b>Subtotal</b>	<b>1,143</b>	<b>63.2</b>	<b>665</b>	<b>36.8</b>	<b>1,808</b>	<b>497,900</b>	<b>72.1</b>	<b>192,385</b>	<b>27.9</b>	<b>690,286</b>
Small Business										
2017	43	86.0	7	14.0	50	15,237	82.3	3,276	17.7	18,513
2018	29	80.6	7	19.4	36	9,502	80.0	2,377	20.0	11,879
2019	41	89.1	5	10.9	46	11,315	88.2	1,510	11.8	12,825
<b>Subtotal</b>	<b>113</b>	<b>85.6</b>	<b>19</b>	<b>14.4</b>	<b>132</b>	<b>36,054</b>	<b>83.4</b>	<b>7,163</b>	<b>16.6</b>	<b>43,217</b>
<b>Total</b>	<b>1,256</b>	<b>64.7</b>	<b>684</b>	<b>35.3</b>	<b>1,940</b>	<b>533,954</b>	<b>72.8</b>	<b>199,548</b>	<b>27.2</b>	<b>733,503</b>

Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data. Due to rounding, totals may not equal.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s home mortgage lending performance primarily supports this conclusion.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2018, the bank’s lending in low-income census tracts was comparable to aggregate lending performance and the percentage of owner-occupied housing units. The bank’s lending in low-income census tracts decreased in 2019, but only slightly trailed the percentage of owner-occupied units. In 2018, the bank’s lending in moderate-income census tracts exceeded the aggregate lending performance and the percentage of owner-occupied units. In addition, in 2019, the bank’s lending in moderate-income census tracts exceeded the percentage of owner-occupied units.

<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>
<b>Low</b>						
2018	2.3	3.0	9	3.3	2,474	1.9
2019	2.3	--	4	1.2	2,933	2.1
<b>Moderate</b>						
2018	12.0	13.8	43	15.8	19,407	14.7
2019	12.0	--	50	14.8	19,684	13.9
<b>Middle</b>						
2018	39.4	38.2	128	46.9	59,524	45.1
2019	39.4	--	162	47.9	61,402	43.5
<b>Upper</b>						
2018	46.1	44.6	93	34.1	50,574	38.3
2019	46.1	--	122	36.1	57,272	40.5
<b>Not Available</b>						
2018	0.2	0.3	0	0.0	0	0.0
2019	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>	<b>131,979</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>338</b>	<b>100.0</b>	<b>141,290</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal.</i>						

***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. In 2018, the bank did not originate any loans in a low-income census tract. In 2019, the bank’s performance slightly exceeded the total percentage of small businesses in low-income census tracts. In 2018, the bank’s lending performance in moderate-income census tracts compared unfavorably to the percentage of small businesses in those tracts. Furthermore, in 2019, the bank did not originate any loans in a moderate-income census tract.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2018	4.5	0	0.0	0	0.0
2019	4.6	2	4.9	883	7.8
<b>Moderate</b>					
2018	13.4	2	6.9	132	1.4
2019	13.5	0	0.0	0	0.0
<b>Middle</b>					
2018	32.2	17	58.6	5,702	60.0
2019	31.7	28	68.3	7,095	62.7
<b>Upper</b>					
2018	49.3	10	34.5	3,668	38.6
2019	49.6	11	26.8	3,337	29.5
<b>Not Available</b>					
2018	0.6	0	0.0	0	0.0
2019	0.6	0	0.0	0	0.0
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>9,502</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>11,315</b>	<b>100.0</b>

*Source: 2018 & 2019 D&B Data; 1/1/2018 - 12/31/2019 Bank Data. Due to rounding, totals may not equal.*

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s home mortgage lending performance primarily supports this conclusion.

***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels is reasonable. In 2018, the bank’s lending to low-income borrowers outperformed aggregate lending by 3.3 percentage points, but compared unfavorably to the percentage of low-income families. The bank’s lending to low-income borrowers decreased slightly in 2019, and compared unfavorably to the percentage of low-income families. In 2018, the bank’s lending performance to moderate-income borrowers exceeded the aggregate lending performance and the percentage of moderate-income families. Despite a slight percentage decrease in 2019, the bank’s lending to moderate-income borrowers again exceeded the percentage of moderate-income families.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2018	22.1	4.4	21	7.7	4,711	3.6
2019	22.1	--	17	5.0	4,403	3.1
<b>Moderate</b>						
2018	14.9	14.6	58	21.2	18,070	13.7
2019	14.9	--	59	17.5	16,444	11.6
<b>Middle</b>						
2018	18.4	21.3	57	20.9	20,282	15.4
2019	18.4	--	92	27.2	31,405	22.2
<b>Upper</b>						
2018	44.6	46.9	86	31.5	41,701	31.6
2019	44.6	--	122	36.1	50,989	36.1
<b>Not Available</b>						
2018	0.0	12.8	51	18.7	47,215	35.8
2019	0.0	--	48	14.2	38,049	26.9
<b>Totals</b>						
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>273</b>	<b>100.0</b>	<b>131,979</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>338</b>	<b>100.0</b>	<b>141,290</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal.</i>						

***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. In 2018, 62.1 percent of the bank’s small business loans were to businesses with GARs of \$1 million or less. In 2019, the percentage decreased to 48.8 percent; however, the number of loans increased. Despite the percentage of loans being lower than the total percentage of businesses with GARs of \$1 million or less, the bank’s performance is reasonable given the competition the bank faces from larger institutions, and as noted in the Description of Assessment Area, the percentage of businesses does not accurately portray small business loan demand by revenue category.



<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2018	83.3	18	62.1	6,732	70.8
2019	85.0	20	48.8	7,264	64.2
<b>&gt;\$1,000,000</b>					
2018	7.2	9	31.0	2,000	21.0
2019	6.3	18	43.9	2,982	26.4
<b>Revenue Not Available</b>					
2018	9.6	2	6.9	770	8.1
2019	8.7	3	7.3	1,069	9.4
<b>Totals</b>					
<b>2018</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>9,502</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>11,315</b>	<b>100.0</b>

*Source: 2018 & 2019 D&B Data; 1/1/2018 - 12/31/2019 Bank Data. Due to rounding, totals may not equal.*

**Response to Complaints**

The Bank of Canton has not received any CRA-related complaints since the previous CRA evaluation. Therefore, this criterion did not affect the Lending Test rating.

**COMMUNITY DEVELOPMENT TEST**

The Bank of Canton demonstrates good responsiveness to the assessment area’s community development needs through qualified community development loans, qualified investments, and community development services. The bank’s community development lending primarily supports the Community Development Test rating. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area.

**Community Development Loans**

The bank originated 16 community development loans totaling approximately \$26.9 million during the evaluation period. This represents 4.1 percent of average total assets and 4.8 percent of average total loans. The majority of the bank’s community development loans, by number of loans, promoted affordable housing within the assessment area. The following table illustrates community development loans by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
7/18/2017-12/31/2017	4	6,930	0	0	0	0	0	0	4	6,930
2018	3	1,674	0	0	4	9,389	0	0	7	11,063
2019	3	4,332	0	0	2	4,624	0	0	5	8,956
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>10</b>	<b>12,936</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>14,013</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>26,949</b>

*Source: Bank Records*

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

- In 2017, the bank originated a \$2.5 million loan to refinance a 24-unit apartment building that provides affordable housing in Randolph. Examiners determined the loan supported affordable housing, as the rents of the units compared favorably to the Department of Housing and Urban Development’s (HUD) Fair Market Rents.
- In 2017, the bank participated \$2.5 million in a \$10.0 million project that provided 96 apartments in a moderate-income census tract. The bank’s participation directly contributed to the construction of 24 affordable housing units. Examiners determined the participation supported affordable housing, as the rents of all 24 units compared favorably to the HUD Fair Market Rents.
- In 2018, the bank originated a SBA 504 loan for \$3.7 million to a small business to acquire and renovate its headquarters. The loan promoted economic development and will provide jobs to low- and moderate-income individuals.

### **Qualified Investments**

The Bank of Canton made 131 qualified investments totaling \$4.3 million, which reflects 0.7 percent of average total assets. The bank’s qualified investments during the evaluation period includes 1 investment for \$2.1 million and 126 qualified grants or donations for approximately \$251,000. In addition, the bank holds four investments from prior evaluations for \$2.0 million. The following table illustrates community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	2,019	0	0	0	0	0	0	4	2,019
7/18/2017-12/31/2017	1	2,069	0	0	0	0	0	0	1	2,069
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>5</b>	<b>4,088</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>4,088</b>
Qualified Grants & Donations	18	79	101	152	7	20	0	0	126	251
<b>Total</b>	<b>23</b>	<b>4,167</b>	<b>101</b>	<b>152</b>	<b>7</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>131</b>	<b>4,339</b>
<i>Source: Bank Records</i>										

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

## Equity Investments

### *Current Period Investments*

- In 2017, the bank invested approximately \$2.1 million in a mortgage-backed security that consists of six mortgages for low-income borrowers in the bank’s assessment area.

### *Prior Period Investments*

- The bank continues to hold two MassHousing bonds with a combined current book value of \$550,000. The MassHousing bonds provide financing for affordable housing throughout Massachusetts. The agency raises capital by selling bonds and lends the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable housing in mixed-income rental housing.
- The bank continues to hold two mortgage-backed securities that consist of mortgages for low- and moderate-income borrowers in the bank’s assessment area. The current book values of the two investments are \$518,877 and \$950,326, respectively.

## Qualified Donations

- ***Quincy Community Action Programs (QCAP)*** – QCAP is a non-profit organization in the greater Quincy area dedicated to reducing poverty and helping low-income residents achieve financial stability. Through partnerships, community engagement, and advocacy, QCAP provides pathways for families and individuals to realize economic opportunity.
- ***My Brother’s Keeper*** – My Brother’s Keeper delivers furniture and food to families in need in southeastern Massachusetts.

- ***NeighborWorks Southeastern MA*** – NeighborWorks provides safe and affordable homes in Massachusetts by developing housing, and by providing housing resources and education, in collaboration with public and private partnerships.
- ***Caritas Communities*** – Caritas Communities prevents homelessness by providing low-income individuals in the greater Boston area with permanent housing.

### **Community Development Services**

During the evaluation period, bank employees provided 98 instances of financial expertise or technical assistance to 27 different community development-related organizations in the assessment area. The following table illustrates the bank’s community development services during the evaluation period.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
7/18/2017- 12/31/2017	6	10	0	0	<b>16</b>
2018	6	31	0	0	<b>37</b>
2019	4	35	2	0	<b>41</b>
YTD 2020	4	0	0	0	<b>4</b>
<b>Total</b>	<b>20</b>	<b>76</b>	<b>2</b>	<b>0</b>	<b>98</b>
<i>Source: Bank Records</i>					

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

- ***Brockton Housing Partnership*** – The Brockton Housing Partnership is a collaboration of community-based financial institutions and nonprofit social service organizations supporting low- and moderate-income neighborhoods in Brockton. The partnership develops and funds affordable housing; restores and rehabilitates housing; and educates consumers on the home buying process and financial literacy. The Bank of Canton is a participating financial institution and a senior vice president served as the vice chairman in 2017 and 2018.
- ***Carver Municipal Affordable Housing Trust Fund*** – The Carver Municipal Affordable Housing Trust Fund facilitates the purchase of affordable housing in Carver. A vice president serves as vice chairman.
- ***Quincy Chamber of Commerce QUEST*** – The organization provides local small businesses access to mentorship, education, and investors. In 2019, the bank’s president supported an advertising campaign targeting local small businesses to increase the program’s awareness and participation.

- *Massachusetts Community and Banking Council (MCBC)* – MCBC is a collaborative effort of Massachusetts-based financial institutions and community organizations that meet and share information to improve the availability of credit and financial services. The Bank of Canton is a member institution of the MCBC. In addition, a senior vice president is a member of the MCBC’s mortgage lending committee.

## **DISCRIMINATORY OF OTHER ILLEGAL CREDIT PRACTICES**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's CRA rating.

## **APPENDICES**

### **FAIR LENDING POLICIES AND PROCEDURES**

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

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 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 2018 and 2019 HMDA LARs to determine if the Bank's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2015 ACS U.S. Census data, the Bank's assessment area contains a population of 2,489,808 individuals, of which 34.0 percent are minorities. The assessment area's minority population is 10.1 percent Black/African American, 10.1 percent Asian, 0.1 percent American Indian, 10.7 percent Hispanic or Latino, and 2.9 percent Other.

In 2018, the Bank received 395 HMDA-reportable loan applications from within its assessment area. Of these applications, the Bank received 158 (40.0 percent) from racial minorities, 105 of which were originated. These figures compare favorably to aggregate data, which indicates 16.6 percent of applications received were from racial minorities. For the same period, five applications (1.3 percent) were received from Hispanic-only applicants and three (0.8 percent) were received from joint Hispanic/non-Hispanic applicants, compared to aggregate data which indicates 3.3 and 1.1 percent of total applications were received from these ethnic groupings in the assessment area, respectively

In 2019, the Bank received 439 HMDA-reportable loan applications from within its assessment area. Of these, the Bank received 175 (39.8 percent) from racial minorities, of which 141 percent were originated. For the same period, the Bank received six applications (1.4 percent) from Hispanic-only applicants, and one (0.2 percent) joint Hispanic/non-Hispanic applicants. Aggregate data for 2019 was unavailable as of the date of this Evaluation, therefore examiners made no comparison to aggregate performance.

The Bank's performance in 2018 with respect to applications received from racial minorities was above aggregate performance overall, and the Bank performed particularly well with Asian applicants. However, the bank was below aggregate performance in 2018 for percentage of applications received from Black/African American and Hispanic or Latino applicants.

The following table details the Bank’s minority application flow and aggregate data in its assessment area.

RACE	Bank 2018		2018 Aggregate Data	Bank 2019	
	#	%	%	#	%
American Indian/Alaska Native	0	0.0	0.3	0	0.0
Asian	145	36.7	7.9	155	35.3
Black/African American	8	2.0	6.4	14	3.2
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.2
2 or more Minority	0	0.0	0.2	0	0.0
Joint Race (White/Minority)	5	1.3	1.7	5	1.1
<b>Total Minority</b>	<b>158</b>	<b>40.0</b>	<b>16.6</b>	<b>175</b>	<b>39.8</b>
White	168	42.5	60.0	204	46.5
Race Not Available	69	17.5	23.4	60	13.7
<b>Total</b>	<b>395</b>	<b>100.0</b>	<b>100.0</b>	<b>439</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	5	1.3	3.3	6	1.4
Not Hispanic or Latino	320	81.0	72.6	374	85.2
Joint (Hisp/Lat/Not Hisp/Lat)	3	0.8	1.1	1	0.2
Ethnicity Not Available	67	16.9	23.0	58	13.2
<b>Total</b>	<b>395</b>	<b>100.0</b>	<b>100.0</b>	<b>439</b>	<b>100.0</b>

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2018, the bank’s minority application flow is good.

## **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

### **Lending Test**

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

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

### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.



## 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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[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.