

PUBLIC DISCLOSURE

June 26, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Canton
Certificate Number: 90175

490 Turnpike Street
Canton, Massachusetts 02021

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

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

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

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INSTITUTION RATING

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

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 credit needs.
- The bank made a majority of its home mortgage loans and small business loans within the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive and CRA-related complaints during the evaluation period; therefore, this factor did not affect the rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through qualified community development loans, investments, and services. Examiners considered the institution's capacity, and the need and availability of such opportunities throughout the assessment area. This rating is primarily supported by the institution's level of community development loans and services when compared to similarly situated institutions.

DESCRIPTION OF INSTITUTION

Background

The Bank of Canton (BOC) is a state-chartered mutual bank headquartered in Canton, Massachusetts. The institution is a wholly owned subsidiary of Massapoag Bancorp, Inc., which is wholly owned by Ponkapoag Bancorp MHC. The bank has not engaged in any mergers or acquisition activities since the previous evaluation and does not have any lending-related affiliates or subsidiaries.

The FDIC and the Massachusetts Division of Banks (Division) assigned a Satisfactory rating at the previous evaluation dated April 1, 2020, using Interagency Intermediate Small Institution CRA Examination Procedures.

Operations

In addition to its corporate headquarters, which does not offer any banking services, BOC has four full-service branches in Canton (2), Quincy (1), and Randolph (1) in Norfolk County, Massachusetts, each with a drive-up teller. The bank also operates two standalone automated teller machines (ATMs) located in Norwood (deposit-taking ATM) and Canton (cash-dispensing ATM). In addition to the branch and ATM network, the bank operates a loan production office located in Auburn, Massachusetts in Worcester County. The bank has not opened or closed any branches since the previous evaluation.

BOC offers a full array of deposit and lending products for individuals and businesses. The deposit products include checking, savings, certificates of deposit, and money market deposit accounts. Home loan products include fixed- and adjustable-rate mortgages with a range of terms and down payment options, government program mortgages, construction loans, and home equity loans. In addition, the bank offers first time homebuyer loans. The bank also offers a variety of business lending products including commercial mortgages, commercial and development loans, commercial and industrial loans, and business term loans and lines of credit. As a Preferred Small Business Association (SBA) lender, the bank offers SBA 7(a) loans and SBA 504 loans. The bank also offered loans through the SBA's Paycheck Protection Program (PPP) in 2020 and 2021.

During the evaluation period, the bank provided retail banking and lending services to customers affected by the COVID-19 pandemic, such as payment accommodations and flexibilities to consumer and commercial loan borrowers in the form of loan forbearances. BOC's alternative delivery channels include ATM, internet, telephone, and mobile banking, as well as Samsung and Apple Pay. The bank also offers investment and insurance products and services through Infinex Investment, Inc.

Ability and Capacity

As of March 31, 2023, BOC reported total assets of \$811.0 million, of which loans totaled \$534.1 million. Deposits totaled \$715.0 million. Residential lending represented the majority of the loan portfolio, followed by commercial loans, which is consistent with the previous evaluation. The following table further illustrates a breakdown of the bank's loan portfolio.

Loan Portfolio Distribution as of 03/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	75,230	14.0
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	215,021	40.3
Secured by Multifamily (5 or more) Residential Properties	31,114	5.8
Secured by Nonfarm Nonresidential Properties	191,074	35.8
Total Real Estate Loans	512,439	95.9
Commercial and Industrial Loans	7,943	1.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,274	0.2
Obligations of State and Political Subdivisions in the U.S.	12,469	2.3
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	534,125	100.0
<i>Source: Reports of Condition and Income. Due to rounding, totals may not add to 100.0%</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 AREAS

BOC designated a single assessment area in the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA). Portions of the assessment area are in the Boston, MA Metropolitan Divisions (MD) and Cambridge-Newton-Framingham, MA MD. Both MDs are located in the Boston-Cambridge-Quincy, MA-NH MSA. The assessment area contains the following counties, cities, and towns in each MD.

Boston MA, MD

- **Norfolk County:** 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:** 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:** The City of Boston: 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.

Cambridge-Newton-Framingham, MA MD

- **Middlesex County:** Arlington, Ashland, Belmont, Cambridge, Framingham, Holliston, Hopkinton, Lexington, Marlborough, Medford, Natick, Newton, Sherborn, Somerville, Sudbury, Waltham, Watertown, Wayland, Weston, and Winchester.

Economic and Demographic Data

The assessment area includes 560 census tracts with the following income designations according to the 2015 American Community Survey (ACS) data:

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

The majority (42) of the assessment area's low-income census tracts are located in The City of Boston: Roxbury (13), Dorchester (12), Jamaica Plan (4), South Boston (3), Fenway/Kenmore (2), Mattapan (2), South End (2), Alliston/Brighton (1), Charlestown (1), Downtown (1), and Roslindale

(1). The remaining 10 low-income tracts are located in the cities of Brockton (5), Framingham (2), Cambridge (1), Quincy (1), and Somerville (1).

A large percentage (41) of the moderate-income tracts are located in The City of Boston: Allston/Brighton (12), Dorchester (11), Roslindale (4), Mattapan (3), Fenway/Kenmore (2), Jamaica Plan (2), Back Bay/Beacon Hill (1), Charlestown (1), Downtown (1), Hyde Park (1), Roxbury (1), South Boston (1), and West Roxbury (1). The remaining moderate-income census tracts are located in towns and cities of Brockton (10), Cambridge (7), Somerville (7), Quincy (6), Framingham (5), Medford (4), Waltham (3), Marlborough (2), Plymouth (2), Randolph (2), Wareham (2), Ashland (1), Braintree (1), Carver (1), Holbrook (1), Middleborough (1), Stoughton (1), and Weymouth (1).

Due to the 2020 U.S. Census data update, the total number of census tracts in the assessment area increased. In addition, the income designation of some census tracts changed compared to 2015 ACS data. Based on 2020 U.S. Census data, the assessment area now includes 643 census tracts with the following income designations:

- 55 low-income tracts;
- 97 moderate-income tracts;
- 207 middle-income tracts;
- 253 upper income tracts;
- 31 tracts with no income designation.

During this evaluation, examiners used 2015 ACS data to analyze 2020 and 2021 activity. Examiners used the 2020 U.S. Census Data to analyze 2022 lending activity.

The following table illustrates select demographic characteristics of the assessment area based on 2020 Census Data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	643	8.6	15.1	32.2	39.3	4.8
Population by Geography	2,692,766	7.7	15.5	34.4	40.7	1.8
Housing Units by Geography	1,093,797	7.4	16.4	34.6	40.2	1.5
Owner-Occupied Units by Geography	597,977	2.6	12.2	36.8	47.6	0.7
Occupied Rental Units by Geography	425,245	13.7	21.7	32.2	29.9	2.4
Vacant Units by Geography	70,575	9.6	19.0	30.8	38.4	2.1
Businesses by Geography	317,398	4.8	11.8	30.5	50.9	2.0
Farms by Geography	4,923	2.3	13.7	36.4	46.8	0.8
Family Distribution by Income Level	616,232	21.0	15.0	19.2	44.8	0.0
Household Distribution by Income Level	1,023,222	25.2	13.6	16.2	45.1	0.0
Median Family Income MSA - 14454 Boston, MA		\$112,607	Median Housing Value			\$585,113
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Gross Rent			\$1,715
			Families Below Poverty Level			5.9%
<i>Source: 2020 U.S. Census and 2022 D&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>						

The median housing value for the assessment area is \$585,113 and the median family income ranges from \$112,607 to \$121,481. Approximately 5.9 percent of families in the assessment area are below poverty level, which is a subset of the low-income category. Families in this category likely face challenges qualifying for traditional residential mortgages, especially considering the high median housing value. Low-income census tracts comprise only 2.6 percent of the area's owner-occupied housing units, which suggests that lenders may have limited opportunities to make home mortgage loans in these geographies, especially considering the median family income and poverty levels in these geographies. Specifically, the median family income reaches as low as \$15,043 and poverty levels reach as high as 61.9 percent in individual low-income census tracts in the assessment area.

The following table shows the median family income ranges in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA Median Family Income (14454)				
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
2022 (\$129,500)	<\$64,750	\$64,750 to <\$103,600	\$103,600 to <\$155,400	≥\$155,400
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<i>Source: FFIEC</i>				

As shown in the previous table, median family income levels increased throughout the evaluation period in each MD. From 2020 to 2021, the median family income increased by 3.6 percent and 1.2 percent in the Boston, MA MD and Cambridge-Newton-Framingham, MA MD, respectively. From 2021 to 2022, the median family income increased more significantly by 13.9 percent in the Boston, MA MD and by 15.4 percent in the Cambridge-Newton-Framingham, MA MD.

Further, according to the US Bureau of Labor Statistics, the average unemployment rates across the assessment area have decreased since they peaked during the COVID-19 pandemic in 2020. As of 2022, the unemployment rates across the assessment area counties are similar to the Massachusetts statewide rate of 3.8 percent and the national average unemployment rate of 3.7 percent. Despite the positive changes in the unemployment rates and median family incomes, consumers may face challenges in obtaining home loans due to the significant increases in mortgage interest rates. Specifically, in response to the high levels of inflation, over the last fifteen months, the Federal Reserve Bank approved ten interest rate hikes, totaling 5.0 percent.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Middlesex County	7.7	4.5	3.1
Norfolk County	8.8	5.0	3.3
Plymouth County	9.9	5.9	4.0
Suffolk County	10.3	5.7	3.6
Massachusetts	9.4	5.5	3.8
National Average	8.1	5.3	3.7
<i>Source: Bureau of Labor Statistics</i>			

According to 2022 D&B data, there were 317,398 non-farm businesses operating in the bank's assessment areas. The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of loans to businesses by gross annual review (GAR) level. The following reflects GARs for non-farm businesses in the bank's assessment area.

- 87.0 percent of businesses have GARs less than or equal to \$1.0 million,
- 5.0 percent of businesses have GARs greater than \$1.0 million, and
- 8.0 percent of businesses have unknown revenues.

The services industry represents the largest portion of businesses at 40.8 percent, followed by non-classifiable establishments at 20.2 percent; finance, insurance, and real estate at 12.1 percent; retail trade at 10.3 percent; and construction at 6.5 percent. In addition, 62.3 percent of businesses in the assessment area have four or fewer employees and 90.7 percent operate from a single location. This indicates that the majority of businesses in the assessment area are small.

According to 2023 Moody's Analytics, major employment sectors in the Boston MA, MD include healthcare and social assistance, educational services, finance and insurance services and professional, scientific, and technical services. The top three employers are Mass General Brigham, Boston University, and Amazon Air Hub & Distribution. The analytics highlight Boston's stable labor market, having access to a skilled labor force and venture capital for developing companies and high-tech and biomedical research industries. Boston has high business and living costs.

In the Cambridge-Newton-Framingham, MA, MD major employment sectors include professional, scientific, and technical services, educational services, and management of companies and enterprises. The top three employers are Harvard University, Massachusetts Institute of Technology, and Raytheon Technologies Corporation. This area presents possibilities for new business formation due to a highly educated workforce and excellent universities. In addition, the biotech and IT firms in the area provide opportunities for high-wage employment. Nevertheless, similar to Boston, this area has high business and living costs and exposure for cyclical investments.

Competition

The assessment area represents a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, there were 68 financial institutions operating 615 branches in the assessment area. BOC ranked 21st with a market share of 0.7 percent, outranking other similarly situated community banks such as Coastal Heritage Bank, ranked 29th, and Mechanics Cooperative Bank, ranked 60th. Bank of America, Citizens Bank, and Rockland Trust were the top institutions with a combined market share of 46.1 percent.

The market for mortgage lending is also competitive among banks, credit unions, and non-depository lenders. According to 2021 Peer Mortgage Data, 610 lenders reported 158,367 originated or purchased home mortgage loans. BOC ranked 59th with 0.3 percent market share, outperforming local banks with a similar asset size and assessment area. Specifically, Coastal Heritage Bank ranked 91st, Stoneham Bank ranked 258th, and Mechanics Cooperative Bank ranked 271st with a combined market share of 0.2 percent. The top three lenders, Guaranteed Rate, Inc., CBNA Year to Date, and Rocket Mortgage collectively held 15.8 percent of the market share. Institutions that ranked ahead of BOC include large and national banks, credit unions, mortgage companies, and online lenders.

BOC 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 data.

However, examiners analyzed the 2021 Peer Small Business data to evaluate the competition the bank faces when originating its small business loans. According to the data, 248 lenders reported 52,820 originated or purchased small business loans in the assessment area counties. A significant majority of these lenders are national lenders and credit card banks. Bank of America, American Express National Bank, and Citizens Bank were the top institutions with a combined market share of 49.7 percent. This indicates that the bank faces a significant competition for small business loans in its assessment area.

Community Contacts

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 shows what credit and community development opportunities are available and helps determine whether local financial institutions are responsive to these needs.

Examiners reviewed recent contacts from two organizations serving the assessment area. The first organization aims to reduce poverty by helping individuals reach their educational and economic goals and achieve financial stability. The organization offers programs that include housing, money management, adult education, early childhood education and care, and energy assistance programs. The contact stated that high living costs in the City of Boston and poor access to childcare are significant factors presenting difficulties for individuals to seek educational or workforce development programs. While Boston has relatively low unemployment and minimum wages are increasing, the cost of living is rising at a much higher rate. The contact expressed the most significant needs for low- and moderate-income families include flexible credit products, financial and accounting literacy programs, and financial counseling. In addition, the contact acknowledged a need for translation assistance programs to assist in neighborhoods, such as North Quincy and Wollaston, with highly limited English proficiency. The contact indicated that local banks, including the Bank of Canton, have been responsive to the community needs.

The second organization provides housing assistance in the greater Boston area through public housing communities and the Housing Choice Voucher Program (Section 8) rental assistance. The contact highlighted high housing costs in the City of Boston and the pressure it places on existing low- and moderate-income residents to purchase or rent homes. The contact also noted many new construction projects focus on luxury units with only a handful of affordable units included in the new developments as part of the construction requirements. The contact expressed the need for more bank involvement with financial literacy, particularly surrounding the home-buying process, and the need for financial institutions to be more involved with lending to Section 8 recipients.

Credit and Community Development Needs and Opportunities

Based on demographic and economic information, discussion with management and community contacts, examiners determined affordable housing loans and loan products with flexible underwriting terms are the primary credit needs. Community development needs include educational and financial assistance for housing and rental expenses, childcare assistance, and financial literacy. Community development opportunities in the assessment area include the creation of flexible loan programs and lending to Section 8 recipients, and financial literacy initiatives benefiting low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, assessed BOC's CRA performance from the prior evaluation, dated April 1, 2020, to the current evaluation, dated June 26, 2023. Examiners used Interagency Intermediate Small Institution CRA Examination Procedures, which include the CRA Small Bank Lending Test (Lending Test) and the Community Development Test (see Appendices for a complete description).

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. When determining the overall conclusions, examiners assigned greater weight to home mortgage lending performance, as the volume of home mortgage loans originated substantially exceeded the volume of small business loans. Examiners did not consider small farm loans or consumer loans due to the nominal percentage of small farm and consumer loans in the bank's loan portfolio.

Examiners analyzed all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2020, 2021, and 2022. The bank reported 1,025 loans totaling \$360.9 million in 2020, 792 loans totaling \$303.9 million in 2021, and 318 loans totaling \$147.7 million in 2022. Management indicated that the volume of home mortgage originations contracted in 2022 due to the higher interest rate environment. Examiners compared the bank's 2020 and 2021 performance to aggregate lending data and 2015 ACS demographic data. Examiners compared the bank's 2022 performance to the 2020 U.S. Census demographic data, as aggregate data was not yet available. This evaluation presents the bank's 2021 home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria as that is the most recent year for which the aggregate data is available. Examiners presented data from 2020, 2021 and 2022 in the Assessment Area Concentration table.

As an Intermediate Small Institution, the bank is not required to collect or report small business loan data. Nevertheless, the bank collected the data and provided a list of small business loans originated in 2020, 2021, and 2022. The bank originated 279 loans totaling \$32.1 million in 2020, 168 loans totaling \$22.5 million in 2021, and 20 loans totaling \$3.7 million in 2022. The number of small business loans was higher in 2020 and 2021 due to the high volume of PPP lending. Examiners evaluated all three years of the small business lending data and presented all three years in the Assessment Area Concentration table. For the Geographic Distribution and Borrower Profile criteria, examiners presented data from 2022, the most recent calendar year, and included 2021 data for trend analysis. Examiners did not compare the data to aggregate performance, as the bank is not a CRA data reporter. The evaluation compared the small business lending activity to business demographic data only.

Examiners obtained economic information in this evaluation from the D&B, Moody's Analytics, United States (U.S.) Bureau of Labor Statistics, and Federal Reserve Bank website. The March 31,

2022 Report of Income and Condition (Call Report) provided the financial data.

For the Lending Test, examiners analyzed and presented the number and dollar volume of home mortgage and small business loans. However, examiners emphasized performance by number of loans because it is a greater indicator of the number of individuals and business served. As part of the Community Development Test, examiners considered the number and dollar amount of qualified community development loans and investments, and the number of community development services from the prior evaluation dated April 1, 2020, through the current evaluation dated June 26, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated Satisfactory performance under the Lending Test. The following sections summarize the bank’s performance under each criterion.

Loan-to-Deposit Ratio

The Loan-to-Deposit (LTD) ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 73.5 percent over the past 12 calendar quarters from June 30, 2020 to March 31, 2023. The LTD ratio ranged from a high of 96.8 percent, as of June 30, 2020, to a low 57.6 percent, as of June 30, 2021. The LTD ratio has fluctuated over the evaluation period and is lower than similarly situated institutions, as shown in the table below. Examiners selected comparable institutions based on their asset size, geographic location, and loan composition.

Residential mortgage sales on the secondary market caused fluctuations to the bank's LTD ratio. Specifically, BOC sold 808 residential loans totaling \$260.9 million in 2020 and 686 loans totaling \$232.8 in 2021. In addition, the bank experienced an influx of deposits, partially related to stimulus funds and additional deposit relationships formed through the paycheck protection program (PPP) during the COVID-19 pandemic. The deposit growth paired with the residential loan sale activity resulted in the bank’s lower LTD ratio; however, the ratio is reasonable.

Loan-to-Deposit (LTD) Ratio Comparison		
Name	Total Assets as of 03/31/2023 (S000s)	Average Net LTD Ratio (%)
The Bank of Canton	810,561	73.5
Coastal Heritage Bank	950,808	90.8
OneLocal Bank	885,374	94.2
Mechanics Cooperative Bank	658,199	100.3
StonehamBank, A Co-operative	762,502	94.1
<i>Source: Reports of Condition and Income 06/30/2020 – 03/31/2023</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The percentage of home mortgage and small business loans inside the assessment area was consistent throughout the evaluation period. The following table illustrates the bank’s home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	578	56.4	447	43.6	1,025	226,641	62.8	134,278	37.2	360,920
2021	463	58.5	329	41.5	792	199,298	65.6	104,600	34.4	303,897
2022	187	58.8	131	41.2	318	97,270	65.9	50,406	34.1	147,676
Subtotal	1,228	57.5	907	42.5	2,135	523,209	64.4	289,284	35.6	812,493
Small Business										
2020	263	94.3	16	5.7	279	29,885	93.0	2,252	7.0	32,137
2021	155	92.3	13	7.7	168	20,483	90.9	2,045	9.1	22,528
2022	20	100.0	0	0.0	20	3,675	100.0	0	0.0	3,675
Subtotal	438	93.8	29	6.2	467	54,043	92.6	4,297	7.4	58,340
Total	1,666	64.0	936	36.0	2,602	577,252	66.3	293,581	33.7	870,833
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

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

Home Mortgage

The distribution of home mortgage loans reflects reasonable dispersion among low- and moderate-income census tracts.

BOC’s performance in low-income census tracts was below the aggregate performance and area demographics. However, 2021 Peer Mortgage Data supports the bank’s reasonable loan dispersion in low-income tracts, especially given the level of competition for a limited number of lending opportunities in those tracts. Specifically, BOC ranked 99th out of 295 lenders that originated or purchased home mortgage loans, achieving 0.2 percent market share and outperformed other similarly situated institutions, such as the Stoneham Bank (150th), Middlesex Federal Savings Bank (172nd), and Coastal Heritage Bank (236th).

Greater lending opportunities exist in the moderate-income census tracts compared to low-income census tracts. BOC’s lending activity in moderate-income census tracts was above aggregate performance and demographic data. The bank ranked 53rd out of 433 lenders in moderate-income tracts, achieving a 0.3 percent market share and again outperformed the aforementioned similarly situated banks.

The following table depicts the distribution of home mortgage loans in the assessment area in 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.3	2.6	6	1.3	2,915	1.5
Moderate						
2021	12.0	12.6	67	14.5	24,775	12.4
Middle						
2021	39.4	37.5	209	45.1	80,105	40.2
Upper						
2021	46.1	47.1	181	39.1	91,503	45.9
Not Available						
2021	0.2	0.3	0	0.0	0	0.0
Totals						
2021	100.0	100.0	463	100.0	199,298	100.0

*Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business

The distribution of small business loans reflects reasonable dispersion among low- and moderate-income census tracts. Despite the spike in lending activity attributed to PPP lending in 2021, the bank’s performance in low-income census tracts was below the demographic data. However, in 2022, the bank performed similarly to demographic data. The bank’s performance in moderate-income tracts indicates a similar trend. While the bank’s performance was below the demographics in 2021, it was above the demographics in 2022.

Considering the significant competition for small business loans from national lenders and credit card banks in the assessment area, the bank’s performance is reasonable. The following table illustrates the bank’s performance by census tract level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	4.7	3	1.9	288	1.4
2022	4.8	1	5.0	344	9.4
Moderate					
2021	13.9	15	9.7	1,245	6.1
2022	11.8	3	15.0	504	13.7
Middle					
2021	31.6	82	52.9	11,039	53.9
2022	30.5	11	55.0	2,347	63.9
Upper					
2021	49.2	55	35.5	7,911	38.6
2022	50.9	5	25.0	480	13.1
Not Available					
2021	0.6	0	0.0	0	0.0
2022	2.0	0	0.0	0	0.0
Totals					
2021	100.0	155	100.0	20,483	100.0
2022	100.0	20	100.0	3,675	100.0
<i>Source: 2021 & 2022 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

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

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income individuals is excellent.

While the bank’s performance was below the demographics in low-income tracts in 2021, it exceeded the aggregate performance. As noted within the Description of Assessment Area section, demand and opportunities for lending to low-income families are limited due to high housing values compared to low-income levels. 2021 Peer Mortgage Data further supports that BOC’s performance was excellent. Specifically, BOC ranked 46th out of 299 lenders who made home mortgage loans to low-income borrowers, outperforming Coastal Heritage Bank (104th), Mechanics Cooperative Bank (188th), and Stoneham Bank (221st), and performing in line with BayCoast Bank, a much larger community bank.

BOC’s lending to moderate-income borrowers exceeded the area demographics and aggregate performance in 2021, further demonstrating excellent performance. Based on the 2021 Peer Mortgage Data, BOC ranked 44th out of 398 lenders, again outperforming all other similarly situated institutions noted above, as well as BayCoast Bank, which ranked 62nd.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.1	4.2	29	6.3	6,442	3.2
Moderate						
2021	14.9	15.3	96	20.7	29,181	14.6
Middle						
2021	18.4	21.1	101	21.8	35,031	17.6
Upper						
2021	44.6	46.0	199	43.0	99,944	50.1
Not Available						
2021	0.0	13.5	38	8.2	28,701	14.4
Totals						
2021	100.0	100.0	463	100.0	199,298	100.0

Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%

Small Business

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. Despite unfavorable comparisons to demographics, performance context indicates the bank’s performance is reasonable.

In 2021, the bank originated 36.1 percent of its small business loans to business with GARs of \$1.0 million or less. Revenue information was not available for the PPP loans, which represented a significant portion of the bank’s small business loans. Specifically, 51 out of 56 loans originated were PPP loans. Therefore, examiners reviewed the bank’s PPP loans by loan size as a proxy for GARs. The data shows that the bank originated 80.4 percent of the PPP loans in amounts of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area.

The bank’s performance in 2022 was below the percent of businesses in the area; however, given significant competition for small business loans in the assessment area, performance is reasonable. The following table illustrates the percentage of loans to businesses with GARs of \$1.0 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	87.0	56	36.1	4,376	21.4
2022	88.2	8	40.0	2,579	70.2
>\$1,000,000					
2021	5.0	48	31.0	11,415	55.7
2022	4.4	12	60.0	1,096	29.8
Revenue Not Available					
2021	8.0	51	32.9	4,692	22.9
2022	7.4	0	0.0	0	0.0
Totals					
2021	100.0	155	100.0	20,483	100.0
2022	100.0	20	100.0	3,675	100.0

Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

The following table shows the distribution of 2021 PPP loans by loan size.

Distribution of PPP Loans by Loan Size (2021)		
Loan Size (\$)	#	%
< \$100,000	41	80.4
\$100,000 - \$249,999	5	9.8
\$250,000 - \$499,999	1	2.0
\$500,000 - \$1,000,000	4	7.8
Total	51	100.0

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

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Community Development Loans

BOC originated 65 community development loans totaling \$19.4 million during the evaluation period, which represents 2.4 percent of average total assets and 3.7 percent of average total loans. The loan mix consisted of three traditional community development loans benefiting affordable housing needs totaling \$2.3 million and 62 PPP loans totaling \$17.1 million.

The total number of community development loans is greater than the previous evaluation period; however, the total dollar volume is lower. During the previous evaluation period, the bank originated 16 community development loans totaling \$26.9 million. The increase in the number of community development loans is due to the origination of PPP loans during the COVID-19 pandemic, the majority of which are smaller loan amounts contributing to the overall lower dollar volume. The bank’s performance was responsive to community development needs and similar to the performance of comparable institutions that received a Satisfactory rating on the Community Development Test. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
4/1/2020-12/31/2020	1	976	0	0	30	4,488	6	6,566	37	12,030
2021	1	870	0	0	23	5,921	3	213	27	7,004
2022	1	341	0	0	0	0	0	0	1	341
YTD 2023	0	0	0	0	0	0	0	0	0	0
Total	3	2,187	0	0	53	10,409	9	6,779	65	19,375

Source: Bank Data

Below are notable examples of qualified community development loans.

- In response to the COVID-19 pandemic in 2020 and 2021, the bank originated 62 PPP loans totaling approximately \$17.1 million within its assessment area. The SBA administered these loans as part of the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans helped businesses retain staff during the economic crisis due to the COVID-19 pandemic. The majority of PPP loans supported economic development and were particularly responsive, as they provided funding to businesses to retain jobs for low- and moderate-income individuals during the pandemic. The bank also originated PPP loans that helped retain employment in low and moderate-income areas. These loans promoted revitalization and stabilization of low- and moderate-income geographies.

- In 2021, the bank financed a \$870,000 loan to improve a housing complex that is dedicated to supportive housing for homeless men and women in Greater Boston. The loan is responsive to affordable housing needs in the assessment area, as the property contains six housing units that all have rents below HUD Fair Market Rents.
- In 2022, the bank financed the construction of a 24-unit apartment complex in the assessment area, which included six affordable units. The total financed amount was \$5.4 million, and the bank received CRA consideration totaling \$341,250, which supported affordable housing needs.

Qualified Investments

BOC made 56 investments totaling approximately \$1.1 million. This amount includes prior period investments totaling \$980,086 and 51 donations totaling \$121,504.

Overall investment activity decreased since the previous evaluation period, when the bank had made investments totaling approximately \$4.0 million. The overall decrease is primarily attributed to the balance reduction on the bank’s mortgage-backed security investments. The bank has sought out additional investments, but faces strong competition among other investors to obtain mortgage-backed securities.

In total, the bank’s investments represent 0.1 percent of average total assets and 0.4 percent of average total securities. When compared to similarly situated institutions, the bank performed below those that received a Satisfactory rating. The following table details qualified 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	5	980	0	0	0	0	0	0	5	980
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	5	980	0	0	0	0	0	0	5	980
Qualified Grants & Donations	8	46	41	68	1	7	1	1	51	122
Total	13	1,026	41	68	1	7	1	1	56	1,102

Source: Bank Data

Equity Investments

The bank continues to hold five mortgage-backed securities totaling \$980,068 that consist of mortgage loans made to low- and moderate-income individuals in the assessment area. These investments support affordable housing efforts within the assessment area, demonstrating the bank’s responsiveness to community development needs.

Qualified Donations

During the examination period, the bank donated \$125,025, of which \$121,504 or 97.0 percent met a community development purpose. The bank continues its commitment and responsiveness to some of the same organizations noted in the prior evaluation period. The following are notable examples of donations made by the bank during the evaluation period.

- **NeighborWorks Housing Solutions** - NeighborWorks provides safe and affordable housing solutions to residents across Southern Massachusetts. BOC continues its commitment to this organization. The bank's donated \$21,000 that will be used to administer rental assistance funding and support financial education classes to prospective homebuyers who are primarily low- and moderate-income individuals.
- **Quincy Community Action Program (QCAP)** - QCAP is dedicated to reducing poverty and helping low-income residents achieve financial stability and security through supportive services and programs. The organization serves over 31,000 individuals throughout more than 80 communities south of Boston annually. The bank's donations, totaling \$17,500, support QCAP's Community Food Center, which provides hunger relief, cooking and nutrition classes, and family engagement, and are responsive to needs for community development services benefiting low and moderate-income individuals.
- **My Brother's Keeper** - My Brother's Keeper is a Christian ministry serving 30,000 low- and moderate-income families annually, regardless of religion, in Southeastern Massachusetts. The bank's donations, totaling \$15,000, helped fund the distribution of free food and furniture to those in need and those below the poverty level. The donation supports community development services benefiting low- and moderate-income individuals.

Community Development Services

During the evaluation period, BOC employees and officers provided 83 instances of financial expertise or technical assistance to community development organizations benefiting low- and moderate-income individuals in the assessment area. The majority of services included involvement in community development organizations that provided community services to low- and moderate-income individuals, and the bank continued to support its long-term community partners. The bank outperformed similarly situated institutions that received Satisfactory ratings.

The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
4/1/2020-12/31/2020	6	2	0	0	8
2021	9	16	2	0	27
2022	7	15	2	0	24
YTD 2023	5	14	2	3	24
Total	27	47	6	3	83
<i>Source: Bank Data</i>					

The following are notable examples of community services provided during the evaluation period.

- Brockton Housing Partnership** – The Brockton Housing Partnership is a collaboration of partners in both public and private sectors, 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. BOC’s participation supports an affordable housing initiative. A Senior Vice President continues to serve as the Vice Chairman. A Mortgage Underwriter and an Operations Officer also serve as committee members.
- Simon C. Fireman Community-** The Simon C. Fireman Community offers independent low-income apartment living in Randolph, consisting of 159 units of subsidized housing for people 62 years of age and older. The bank’s Randolph branch staff provide weekly banking services, every Wednesday, to the residents who are unable to physically visit the bank’s branch. In addition to banking services, the Randolph branch staff engage in financial coaching and provide residents with topics such as financial fraud and Elder scams. The bank’s outreach supports a community development service to low- and moderate-income individuals as the residents are all low- or moderate-income.
- School to Careers-** The School to Careers program is a vocational program for young adults to expand their career opportunities and achieve workforce readiness. Students from the towns of Avon, Canton, Dedham, Holbrook, Milton, Norwood, and Randolph participate in the program. Among the participating schools, the bank’s Assistance Vice President serves as a Financial Literacy Presenter to Randolph middle and high school participants. The program was delivered to low- and moderate-income students, a majority of which are eligible for free or reduced lunch in Randolph. The bank’s involvement supports a community development service to low- and moderate-income individuals.

Other Services

BOC provided other services in support of low- and moderate-income individuals in the community. The following are some examples of other community development services the bank provided.

- Massachusetts Community and Banking Council (MCBC)** – The bank offers a checking

product that meets the Basic Banking in Massachusetts guidelines set forth by the MCBC. This statewide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

- **Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)** – The bank participates in the Massachusetts IOLTA Program. This program, mandated by the Supreme Judicial Court, requires lawyers and law firms to establish interest-bearing accounts for client deposits. The interest earned funds law-related public service programs that help low-income clients.
- **Retail Banking Services** – The bank operates a deposit-taking ATM in a moderate-income census tract in Norwood. This ATM location supports the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

DIVISION OF BANKS 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. Examiner conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Division of Banks examiners reviewed the bank's 2021 and 2022 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 2,560,924 individuals of which 34.0 percent are minorities. The minority population represented is 10.1 percent Black/African American, 10.1 percent Asian, 10.7 percent Hispanic or Latino, 0.1 percent American Indian, 3.0 percent other.

Examiners compared the bank application activity with that of the 2021 and 2022 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	2021		2021 Aggregate Data	2022		2022 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.4	0.3
Asian	148	35.2	9.0	94	37.9	9.6
Black/ African American	21	5.0	6.6	7	2.8	7.4
Hawaiian/Pacific Islander	0	0.0	0.1	2	0.8	0.1
2 or more Minority.0	0	0.0	0.1	1	0.4	0.2
Joint Race (White/Minority)	9	2.1	1.9	4	1.6	2.1
Total Racial Minority	178	42.3	17.9	109	43.9	19.7
White	202	47.9	55.5	94	37.9	55.6
Race Not Available	41	9.8	26.3	45	18.2	24.7
Total	421	100.0	100.0	248	100.0	100.0
ETHNICITY						
Hispanic or Latino	8	1.9	3.8	7	2.8	4.5
Joint (Hisp/Lat /Not Hisp/Lat)	3	0.7	1.2	3	1.2	1.4
Total Ethnic Minority	11	2.6	5.0	10	4.0	5.9
Not Hispanic or Latino	351	83.4	68.5	182	73.4	69.4
Ethnicity Not Available	59	14.0	26.5	56	22.6	24.7
Total	421	100.0	100.0	248	100.0	100.0
<i>Source: HMDA Aggregate Data (2021 and 2022), HMDA LAR Data (2021 and 2022)</i>						

In 2021, the bank received 421 home mortgage loan applications from within its assessment area. Of these applications, the bank received 178, or 42.3 percent, from racial minority applicants, of which 148, or 80.0 percent, resulted in originations. The bank's application activity from Asian applicants contributed to the over higher than aggregate performance levels to racial minorities. The aggregate received 17.9 percent of its applications from minority applicants, of which it originated 63.0 percent. For the same period, the bank also received 11 applications, or 2.6 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, the bank originated 5 or 45.4 percent, compared with an aggregate application rate of 5.0 percent with a 61.0 percent origination rate.

In 2022, the overall application volume decreased, primarily due to market conditions. However, the bank maintained a similar application flow. The bank received 248 home mortgage loan applications from within its assessment area. Of these applications, the bank received 109 or 43.9 percent from racial minority applicants, of which 85 or 78.0 percent resulted in originations. The aggregate received 19.7 percent of its applications from minority consumers, of which originated 57.0 percent. For the same period, the bank also received 10 applications, or 4.0 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, the bank originated 7 or 70.0, compared with an aggregate application rate of 5.9 percent with a 56.0 percent origination rate.

Considering the demographics of the assessment area, market competition and conditions, and comparisons to aggregate data in 2021 and 2022, and the bank's origination rates to racial and ethnic minorities, the bank's minority application flow is adequate.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.