

# **PUBLIC DISCLOSURE**

May 20, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Village Bank  
Certificate Number: 26336

307 Auburn Street  
Auburndale, Massachusetts 02466

Division of Banks  
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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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory**	X	X	X
Needs to Improve			
Substantial Noncompliance			
<p><i>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.</i></p> <p><i>**FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low satisfactory” rating.</i></p>			

**The Lending Test is rated Satisfactory**

- Lending levels reflect good responsiveness to assessment area credit needs.
- The bank made an adequate percentage of home mortgage and small business loans in the assessment area.
- The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The bank makes limited use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

- The bank made a low level of community development loans.

**The Investment Test is rated Satisfactory**

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits adequate responsiveness to credit and community development needs.
- The institution rarely uses innovative and/or complex investments support community development initiatives.

**The Service Test is rated Satisfactory**

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's record of opening and closing branches, has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals.
- The bank provides an adequate level of community development services.

## DESCRIPTION OF INSTITUTION

### **Background**

The Village Bank (VB) is a state-chartered, mutual co-operative bank headquartered in the village of Auburndale, within the city of Newton, Massachusetts (MA). VB received a “Satisfactory” rating from the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division) during its prior joint evaluation dated May 10, 2021 using the Interagency Intermediate Small Institution (ISI) Examination Procedures.

### **Operations**

VB operates nine full-service branches, one limited-service branch, and one loan production office (LPO) throughout Middlesex County, MA. In addition to the main office in Auburndale, the full-service offices are in Newton Centre, Newton Highlands, Newtonville, Nonantum, Waban, Waltham, Wayland and West Newton. The limited-service branch is in a senior retirement community in Newton, and the LPO is in Newton. In October 2023, the bank opened a branch in Waltham. The bank did not close any branches and there has been no merger or acquisition activity since the prior evaluation.

VB offers residential, commercial, and consumer loans with a primary focus on residential lending. Consumer lending products include home mortgage loans, construction loans, home equity lines of credit, and personal and automobile loans. Commercial lending includes real estate and construction loans, lines of credit, and equipment loans. Deposit services offered are checking, savings, money market, certificate of deposit, and individual retirement accounts. The bank also offers wealth management services as well as alternative banking services that include internet and mobile banking, person-to-person payment, automated teller machines, and a 24/7 telephone banking.

### **Ability and Capacity**

As of March 31, 2024, the bank had total assets of approximately \$1.9 billion and deposits of approximately \$1.7 billion. The bank’s loans totaled approximately \$1.6 billion, and total securities represented \$286.2 million. Total assets increased approximately 11.8 percent since the previous evaluation.

<b>Loan Portfolio Distribution as of 3/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	255,673	16.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	1,048,988	67.2
Secured by Multifamily (5 or more) Residential Properties	53,546	3.4
Secured by Nonfarm Nonresidential Properties	172,088	11.0
<b>Total Real Estate Loans</b>	<b>1,530,295</b>	<b>98.1</b>
Commercial and Industrial Loans	26,748	1.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	3,115	0.2
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,560,158</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial or legal impediments that would limit the bank’s ability to help meet the credit or community development needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA required each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. VB designated a single assessment area in the Cambridge-Newton-Framingham Metropolitan District (MD) located in Massachusetts. The following sections present demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The assessment area includes 89 census tracts located in Middlesex County. The census tracts reflect the following income designations according to the 2020 United States (U.S.) Census:

- 3 low-income tracts,
- 10 moderate-income tracts,
- 23 middle-income tracts,
- 51 upper-income tracts, and
- 2 with no income designation.

The three low-income census tracts are in Framingham and the 10 moderate-income census tracts are in Framingham (3), and Waltham (5), and Watertown (2). In 2022, the Federal Financial Institutions Examination Council (FFIEC) released updates to MSA and Metropolitan Divisions,

states, counties, census tracts, and income level indicators based on information collected during the 2020 U.S. Census. In addition, in 2024, the bank added seven towns to the assessment area. Collectively, these changes resulted in an additional 3 low-income census tracts, 7 moderate-income census tracts, 11 middle-income census tracts, 30 upper-income census tracts, and 2 no income designation census tracts. There are no underserved or distressed nonmetropolitan middle-income geographies in the assessment area.

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)	89	3.4	11.2	25.8	57.3	2.2
Population by Geography	412,329	2.8	9.8	27.1	59.5	0.8
Housing Units by Geography	160,487	2.8	10.8	29.5	57.0	0.0
Owner-Occupied Units by Geography	99,203	0.8	5.8	25.7	67.7	0.0
Occupied Rental Units by Geography	54,026	6.3	19.6	36.1	38.0	0.0
Vacant Units by Geography	7,258	3.4	12.2	32.3	52.0	0.0
Businesses by Geography	64,265	2.7	9.1	26.3	61.8	0.2
Farms by Geography	1,102	3.4	14.9	28.2	53.4	0.1
Family Distribution by Income Level	102,712	15.4	14.0	16.9	53.7	0.0
Household Distribution by Income Level	153,229	20.7	12.7	15.5	51.1	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Housing Value			\$718,156
			Median Gross Rent			\$1,739
			Families Below Poverty Level			3.7%

*Source: 2020 U.S. Census and 2023 D&B Data  
Due to rounding, totals may not equal 100.0%  
(\* The NA category consists of geographies that have not been assigned an income classification.*

According to 2023 D&B data, there were 64,265 non-farm businesses in the assessment area. The following points reflect the gross annual revenues (GARs) for these businesses.

- 88.4 percent have \$1 million or less,
- 4.4 percent have more than \$1 million, and
- 6.6 percent have unknown revenues.

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. D&B demographic data indicated that as of 2022, 87.5 percent of businesses in the assessment area have GARs less than \$0.5 million, 62.5 percent of businesses have four or fewer employees, and 92.3 percent of business operate from a single location. These

factors indicate that most businesses in the assessment area are very small. Service industries represent the largest portion businesses at 41.2 percent; followed by Non-Classifiable Establishments (23.2 percent); Finance, Insurance, and Real Estate (12.1 percent); Retail Trade (7.7 percent), and Construction (6.3 percent).

Examiners used the FFIEC updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories, which are based on the 2022 and 2023 FFIEC updated median family 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>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
2023 (\$146,200)	<\$73,100	\$73,100 to <\$116,960	\$116,960 to <\$175,440	≥\$175,440
<i>Source: FFIEC</i>				

According to the Bureau of Labor Statistics as of March 2024, the unemployment rate in Middlesex County was 3.0 percent, which was slightly higher than the state average of 2.9 percent and the national rate of 3.8 percent. Like the national rate trend, the unemployment rate in Middlesex County decline steadily over the evaluation period.

**Competition**

VB operates in a moderately competitive market for financial services. According to 2023 Peer Deposit Data, 40 institutions operated 146 branch offices in the assessment area. VB ranked 5<sup>th</sup> with a 5.9 percent deposit market share. The top three banks were Bank of America N.A. (23.4 percent), Citizens Bank N.A. (10.7 percent), and Manufacturers and Traders Trust Company (10.6 percent) with a collective market share of 44.7 percent.

Competition for home mortgage loans is high in the assessment area. In 2022, 359 lenders originated or purchased 11,024 home mortgage loans in the assessment area. VB ranked 7<sup>th</sup> with .8 percent market share and was the highest ranked state-chartered community bank. The financial institutions that ranked ahead of VB included large national banks and mortgage companies.

Competition for small business loans is high in the assessment area. In 2022, 166 small business lenders originated and purchased 46,547 small business loans in the assessment area. VB ranked 44<sup>th</sup> by number with a market share of 0.1 percent. The top five lenders include American Express N.A. (30.1 percent), Bank of America N.A. (13.4 percent), JP Morgan Chase N.A. (12.6 percent), Capital One N.A. (6.4 percent), and Citibank N.A. (5.5 percent) representing 68.0 percent of the market.



### **Community Contact**

As part of the CRA evaluation, examiners contact organizations active in the assessment area to better understand and assess credit and community development needs and opportunities. The information obtained helps determine the responsiveness of local banks to identified needs.

Examiners utilized a recent contact with a non-profit organization that serves low- and moderate-income individuals and families in Framingham. The contact indicated one of the area's primary challenges is a lack of affordable housing in Framingham. The contact noted that banks are supportive and there are opportunities for banks to become more involved in providing financial literacy training and supporting food insecurity.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined the primary needs of the assessment area are affordable housing and community development services. The bank can help meet these needs through innovative and flexible lending programs for individuals, as well as community development loans and investments. Additionally, the bank can help support low- and moderate-income populations in this assessment area by offering financial education programs and sponsoring or collaborating with non-profit organizations that provide community services.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated May 10, 2021, to the current evaluation dated May 20, 2024. Examiners used the Interagency Large Institution Examination Procedures to evaluate the bank's CRA performance; this is the bank's first evaluation using these procedures as its total assets exceeded the ISI thresholds at year-end for the prior two calendar years. The Large Bank procedures include a Lending Test, Investment Test, and the Service 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 originations during the evaluation period. The bank does not have any small farm loans in its loan portfolio and did not originate any small farm loans during the evaluation period.

Examiners analyzed all home mortgage loans reported on the bank's 2021, 2022, and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 368 home mortgage loans totaling \$476.1 million in 2021, 445 home mortgage loans totaling \$523.0 million in 2022, and 206 home mortgage loans totaling \$273.7 million in 2023. Aggregate data and 2020 U.S. Census data provided a standard of comparison for home mortgage loans in 2022.

Examiners compared the bank's 2023 performance to demographic data only, as aggregate data for 2023 was not available as of the evaluation date.

Examiners also analyzed all small business loans reported on the bank's 2021, 2022, and 2023 CRA Loan Registers. The bank reported 340 small business loans totaling \$28.7 million in 2021, 72 small business loans totaling \$13.5 million in 2022, and 59 loans totaling \$10.6 million in 2023. Aggregate data and D&B demographic data provided a standard of comparison for small business loans in 2022. Examiners compared the bank's 2023 performance to D&B demographic data only, as aggregate data for 2023 was not available as of the evaluation date.

Although the Assessment Area concentration performance table includes HMDA and small business loan activity for all three years, the Geographic Distribution and Borrower Profile tables only reference 2022 and 2023 HMDA and small business lending, as these years represent bank performance under these criteria for the full evaluation period.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Examiners weighed the number of originations more heavily than the dollar volume, as the number of loans better indicates the total number of individuals and businesses served. Home mortgage lending performance contributed more weight than small business performance in arriving at conclusions and ratings due to the bank's lending focus, origination activity, and loan portfolio distribution.

Examiners also reviewed retail products and services that benefit low- and moderate-income individuals or small businesses; delivery systems for providing retail-banking services, including branches and alternative delivery systems; and the impact of any branch openings and closings during the evaluation period. The evaluation considered community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices from the prior evaluation date to the current evaluation date.

Examiners obtained demographic and economic information referenced in this evaluation from the 2020 U.S. Census data, D&B, Moody's Analytics, and the U.S. Bureau of Labor Statistics. Financial Data is based on the June 30, 2023 Report of Income and Condition (Call Report).

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test is rated Satisfactory. The bank's performance under the Lending Activity, Geographic Distribution, Borrower Profile, and Innovative or Flexible Lending Practices criteria primarily support this conclusion.

#### **Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs, considering the bank's performance context and competition.

#### ***Home Mortgage Lending***

The bank originated 248 home mortgage loans totaling \$295.3 million in the assessment area in 2021, and 303 home mortgage loans totaling \$346.9 million in the assessment area in 2022. Home mortgage originations increased by 22.2 percent by number and 17.5 percent by dollar from 2021 to 2022. According to 2021 Peer Mortgage Data, VB ranked 24<sup>th</sup> with a market share of 1.0 percent out of 421 HMDA reporters. In 2022, VB slightly increased its market rank to 7<sup>th</sup> with a market share of 2.8 percent out of 359 HMDA reporters. Institutions ranking higher than VB were Community Bank N.A. ranked 1<sup>st</sup> with 9.2 percent market share, Guaranteed Rate Inc. ranked 2<sup>nd</sup> with 4.5 percent market share, Bank of America N.A. ranked 3<sup>rd</sup> with 4.5 percent market share, and Leader Bank N.A. ranked 4<sup>th</sup> with 4.1 percent market share. Given significant competition from larger national banks and mortgage companies in the assessment area, the bank's home mortgage lending activity reflects good responsiveness to assessment area credit needs.

#### ***Small Business Lending***

VB originated 269 small business loans totaling \$20.7 million in the assessment area in 2021 and 42 small business loans totaling \$7.0 million in the assessment area in 2022. The decline from 2021 to 2022 is primarily due to the Small Business Administration (SBA) ceasing its Paycheck Protection Loan Program (PPP) in May 2021. According to 2021 Peer Small Business Data, VB ranked 28<sup>th</sup> out of 196 small business lenders with a 0.5 percent market share. In 2022, VB ranked 44<sup>th</sup> out of 166 lenders with 0.1 percent market share with an average loan amount of \$202,000. The highest ranked lenders consisted of national banks and credit card lenders. The top lenders include American Express,

Bank of America N.A., JP Morgan Chase Bank N.A., Capital One N.A., Citibank N.A., and US Bank N.A. with a combined 72.3 percent market share and average loan amounts ranging from \$6,000 to \$24,000, primarily credit granted via small business credit cards, which the bank does not offer. Given the significant competition in the assessment area, the bank’s small business lending activity reflects adequate responsiveness to assessment area credit needs.

**Assessment Area Concentration**

The bank made an adequate percentage of loans in the assessment area. The number of home mortgage and small business loans declined by number and dollar inside and outside the assessment area during the evaluation period. In particular, small business lending significantly declined from 2021 due to the SBA discontinuing its PPP. The increase in market values and significant increase in interest rates contributed to the decline in home mortgage loans. The following table illustrates the loan distribution inside and outside the assessment area.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2021	248	67.4	120	32.6	368	295,285	62.0	180,839	38.0	476,124
2022	303	68.1	142	31.9	445	346,946	66.3	176,067	33.7	523,013
2023	128	62.1	78	37.9	206	168,441	61.5	105,240	38.5	273,681
<b>Subtotal</b>	<b>679</b>	<b>66.6</b>	<b>340</b>	<b>33.4</b>	<b>1,019</b>	<b>810,671</b>	<b>63.7</b>	<b>462,147</b>	<b>36.3</b>	<b>1,272,818</b>
Small Business										
2021	269	79.1	71	20.9	340	20,657	72.0	8,051	28.0	28,708
2022	42	58.3	30	41.7	72	6,953	51.6	6,520	48.4	13,473
2023	32	54.2	27	45.8	59	5,178	49.0	5,390	51.0	10,568
<b>Subtotal</b>	<b>343</b>	<b>72.8</b>	<b>128</b>	<b>27.2</b>	<b>471</b>	<b>32,788</b>	<b>62.2</b>	<b>19,961</b>	<b>37.8</b>	<b>52,749</b>
<b>Total</b>	<b>1,022</b>	<b>68.6</b>	<b>468</b>	<b>31.4</b>	<b>1,490</b>	<b>843,459</b>	<b>63.6</b>	<b>482,108</b>	<b>36.4</b>	<b>1,325,567</b>
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

**Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank’s adequate performance of home mortgage and small business lending supports this conclusion.

***Home Mortgage Loans***

The geographic dispersion of home mortgage loans reflects adequate penetration throughout the assessment area. The bank did not make any home mortgage loans in the area’s three low-income census tracts in 2022 or 2023. The 2022 Peer Mortgage Data indicates that 55 lenders originated

107 loans in low-income census tracts with 32 lenders each originating one loan. The top lender was Community Bank N.A. originating 9 loans with an 8.4 percent market share, followed by Guaranteed Rate Inc. and United Wholesale Mortgage each originating 7 loans with a 6.5 percent market share, and Bank of America N.A. and Metrowest Community Federal Credit Union each originating 5 loans with a 4.7 percent market share. This data indicates limited opportunity for home mortgage loans in low-income census tracts. Further, the bank does not have a branch in the low-income census tracts, limiting applications from low-income areas.

In 2022, the bank’s lending performance in the moderate-income census tracts slightly trailed aggregate performance and was in line with demographics. In 2023, the bank’s lending performance trailed demographics and substantially declined from 2022, primarily due to the overall decline in demand for home mortgage loans.

<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>						
2022	0.8	1.0	0	0.0	0	0.0
2023	0.8	--	0	0.0	0	0.0
<b>Moderate</b>						
2022	5.8	6.2	18	5.9	12,209	3.5
2023	5.8	--	4	3.1	4,725	2.8
<b>Middle</b>						
2022	25.7	24.6	57	18.8	56,193	16.2
2023	25.7	--	22	17.2	12,371	7.3
<b>Upper</b>						
2022	67.7	68.2	228	75.2	278,544	80.3
2023	67.7	--	102	79.7	151,345	89.9
<b>Not Available</b>						
2022	0.0	0.1	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>303</b>	<b>100.0</b>	<b>346,946</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>128</b>	<b>100.0</b>	<b>168,441</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The bank did not originate any small business loans in low-income census tracts in 2022 or 2023. As previously mentioned, the bank does not have any branches in low-income census tracts.

In 2022, the bank’s lending in moderate-income census tracts exceeded both demographic and aggregate data. In 2023, the bank did not make any small business loans in moderate-income census tracts, indicating a declining trend. As stated previously, the assessment area has high level of competition for small business loans. Considering the significant level of competition, the geographic distribution of small business loans reflects adequate penetration.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	2.7	2.8	0	0.0	0	0.0
2023	2.7	--	0	0.0	0	0.0
<b>Moderate</b>						
2022	9.1	10.4	6	14.3	1,403	20.2
2023	9.1	--	0	0.0	0	0.0
<b>Middle</b>						
2022	26.3	25.9	10	23.8	2,169	31.2
2023	26.3	--	8	25.0	639	12.3
<b>Upper</b>						
2022	61.7	60.8	26	61.9	3,381	48.6
2023	61.8	--	24	75.0	4,539	87.7
<b>Not Available</b>						
2022	0.2	0.1	0	0.0	0	0.0
2023	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>6,953</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>32</b>	<b>100.0</b>	<b>5,178</b>	<b>100.0</b>

*Source: 2022 & 2023 D&B Data: Bank Data; 2022 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

**Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. The bank’s adequate performance of home mortgage and good performance of small business lending supports this conclusion. Examiners focused on the

percentage by number of home mortgage loans to low- and moderate-income borrowers, as well as the percentage by number of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of home mortgage loans reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, in 2022, the bank's lending to low-income borrowers was in-line with aggregate performance and below demographics. A low-income family in the assessment area, earning less than \$73,100, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$718,156. Additionally, 3.7 percent of families in the assessment area are below the poverty level. These factors illustrate the disparity between lending to low-income borrowers (aggregate and bank) and the percentage of low-income families. In 2023, due to the current rate environment, the bank's overall home mortgage lending activity declined.

In 2022, the bank's lending to moderate-income borrowers trailed both aggregate and demographic data. In 2023, primarily driven by current rate environment, the bank's lending to moderate-income individuals decreased by 46.7 percent by number.

<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>						
2022	15.4	3.9	11	3.6	4,424	1.3
2023	15.4	--	2	1.6	625	0.4
<b>Moderate</b>						
2022	14.0	10.5	15	5.0	5,426	1.6
2023	14.0	--	8	6.3	2,716	1.6
<b>Middle</b>						
2022	16.9	17.5	24	7.9	13,172	3.8
2023	16.9	--	3	2.3	1,729	1.0
<b>Upper</b>						
2022	53.7	55.8	146	48.2	151,851	43.8
2023	53.7	--	51	39.8	61,344	36.4
<b>Not Available</b>						
2022	0.0	12.3	107	35.3	172,072	49.6
2023	0.0	--	64	50.0	102,027	60.6
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>303</b>	<b>100.0</b>	<b>346,946</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>128</b>	<b>100.0</b>	<b>168,441</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The distribution of small business loans reflects good penetration to businesses with GARs of \$1 million or less. In 2022, the bank's performance significantly exceeded aggregate performance and trailed the percentage of businesses with GARs of \$1 million or less. However, in 2023, small business lending declined by 63.3 percent, significantly trailing demographics. The decline in loan volume is primarily due to the current rate environment.



<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2022	89.3	48.6	30	71.4	5,066	72.9
2023	90.3	--	11	34.4	1,097	21.2
>\$1,000,000						
2022	4.3	--	12	28.6	1,887	27.1
2023	3.9	--	21	65.6	4,081	78.8
Revenue Not Available						
2022	6.3	--	0	0.0	0	0.0
2023	5.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>6,953</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>32</b>	<b>100.0</b>	<b>5,178</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Innovative or Flexible Lending Practices**

The bank makes limited use of flexible lending practices in order to serve assessment area credit needs. During the evaluation period, the bank originated 29 flexible loans totaling approximately \$5.6 million that supported low- and moderate-income individuals and small businesses. Of these loans, the bank extended approximately \$1.6 million and approximately \$4.0 million through residential and small business lending programs, respectively.

By number and dollar, the bank's flexible lending activity trailed two similarly situated institutions. The bank offers its flexible lending programs institution wide. The following table summarizes the bank's flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2021		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
The Village Bank First Time Homebuyer Program	1	189	3	1,384	0	0	0	0	4	1,573
<b>Subtotal Residential Loans</b>	<b>1</b>	<b>189</b>	<b>3</b>	<b>1,384</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1,573</b>
PPP Loans	2	234	0	0	0	0	0	0	2	234
SBA 504	0	0	1	1,875	0	0	0	0	1	1,875
Massachusetts Small Business Capital Access Program	3	320	11	1,025	7	545	1	40	22	1,930
<b>Subtotal Commercial Loans</b>	<b>5</b>	<b>554</b>	<b>12</b>	<b>2,900</b>	<b>7</b>	<b>545</b>	<b>1</b>	<b>40</b>	<b>25</b>	<b>4,039</b>
<b>Totals</b>	<b>6</b>	<b>743</b>	<b>15</b>	<b>4,284</b>	<b>7</b>	<b>545</b>	<b>1</b>	<b>40</b>	<b>29</b>	<b>5,612</b>
<i>Source: Bank Data</i>										

The following describes each flexible loan program.

### Residential Lending Program

- ***The Village Bank First Time Homebuyer Program*** – This program features a 10 percent down payment with private mortgage insurance. These features are especially helpful for low- and moderate-income individuals in obtaining homeownership. The bank originated four loans for approximately \$1.6 million to low- and moderate-income borrowers since the prior evaluation.

### Small Business Lending Programs

- ***Massachusetts Small Business Capital Access Program*** – This program is designed to help small businesses (with 200 or fewer employees) start-up, expand, or receive permanent working capital. The program has a maximum loan amount of \$500,000. The bank originated 22 loans for approximately \$1.9 million since the prior evaluation.
- ***SBA PPP*** – The Coronavirus Aid, Relief, and Economic Security Act established the PPP, which helped businesses keep their workforces employed during the COVID-19 pandemic. The PPP provided a direct incentive for small businesses to keep workers on their payrolls. The bank originated two loans for approximately \$234,000 during the evaluation period.
- ***SBA 504*** – The SBA 504 Program is an economic development program offering small business financing focused on creating jobs and promoting job growth. Through this program, approved small businesses receive long-term, fixed-rate financing for major fixed assets while contributing 10.0 percent of their own funds. The bank offers these loans in partnership with certified development companies. The bank originated one SBA 504 loan for approximately \$1.9 million since the prior evaluation.

## **Community Development Loans**

The bank made a low level of community development loans. The bank originated two community development loans totaling approximately \$3.5 million during the evaluation period. The total dollar volume of community development loans made during the evaluation period represents 0.2 percent of average total assets and 0.2 percent of average total loans since the prior evaluation. The bank significantly trailed two similarly situated institutions, by both number and dollar amount.

This level of community development loans decreased from 187 community development loans for \$27.0 million representing 2.1 percent of average total assets and 2.6 percent of average total loans at the prior evaluation. This decline in community development loans is primarily due to the discontinuance of the SBA PPP loan program. Excluding PPP loans, community development loans declined 66.7 percent by number and increased 34.3 percent by dollar since the prior evaluation.

The following illustrate the bank's community development loans.

- In 2023, the bank originated a \$6.5 million loan (\$1.6 million qualifies for CRA credit) to purchase a 20-unit residential apartment building. The apartment building contains five units that are set aside for affordable housing under the Massachusetts Chapter 40B Housing Production Plan.
- In 2022, the bank originated a \$1.9 million SBA 504 loan with the primary purpose of economic development. The SBA 504 loan program finances long-term assets that promote business growth and job creation.

## **INVESTMENT TEST**

The Investment Test performance is rated Satisfactory. The bank's performance under the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily support this conclusion. The following sections summarize the bank's overall performance under each criterion.

### **Investment and Grant Activity**

VB has an adequate level of qualified community development investments and donations, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

The bank made 221 qualified investments totaling approximately \$25.4 million. This total includes seven qualified equity investments of approximately \$23.4 million and 214 donations of approximately \$2.0 million. In total, the bank's investments represent 1.4 percent of average total assets and 8.7 percent of average total securities. The activity level, by dollar amount, increased compared to the prior evaluation where investments totaled \$15.3 million. By dollar amount, the bank's investment activity exceeds that of two similarly situated institutions, which demonstrated

similar investment performance. The following table illustrates the number and dollar volume of investments and donations by year and purpose.

<b>Qualified Investments</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>
Prior Period	0	0	4	10,688	0	0	0	0	4	10,688
2021	1	500	1	12,000	0	0	0	0	2	12,500
2022	0	0	0	0	0	0	0	0	0	0
2023	1	240	0	0	0	0	0	0	1	240
YTD 2024	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>740</b>	<b>5</b>	<b>22,688</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>23,428</b>
Qualified Grants & Donations	13	136	198	1,865	3	7	0	0	214	2,008
<b>Total</b>	<b>15</b>	<b>876</b>	<b>203</b>	<b>24,553</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>221</b>	<b>25,436</b>

*Source: Bank Data*

### Equity Investments

**Community Capital Mutual Fund** – During the evaluation period, VB made a \$740,000 investment in the Community Capital Mutual Fund. The bank’s investment supports affordable housing within the assessment area.

**Massachusetts Development Bond** – In 2021, VB amended and increased a prior period Massachusetts Development Bond, in participation with two other financial institutions. VB’s \$12.0 million participation supports community development services for healthcare facilities for low- and moderate-income individuals and in low-income areas.

### Donations

During the evaluation period, the bank made 181 qualified donations totaling \$1.7 million. The bank retained existing relationships and established many new commitments to community development organizations. The following are notable examples of CRA qualified contributions.

**Newton Food Pantry** – VB granted a total of \$71,000 over the evaluation period to the Newton Food Pantry. The bank’s contributions support a community development service to low- and moderate-income individuals and help to alleviate food insecurity in Newton.

**Newton Housing Authority** – The Newton Housing Authority creates and preserves affordable housing for families, seniors, and individuals. The bank’s \$67,200 contribution supports access to affordable housing.

**Pathway to Possible** – VB granted a total of \$60,000 over the evaluation period to Pathway to Possible. The bank’s contributions support a community development service to low- and

moderate-income. The organization provides housing, support, and advocacy for people with cognitive developmental disabilities and their families.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community development needs. The bank made donations totaling \$1.6 million primarily focused on low- and moderate-income individuals and families and food insecurity. As noted by the community contact, food insecurity in the assessment area is a regular need. Additionally, many donations are new commitments, reflecting responsiveness to the community and opportunities to address credit and community development needs.

### **Community Development Initiatives**

The institution rarely uses innovative and/or complex investments to support community development initiatives. The bank funded two new equity investments supporting affordable housing.

### **SERVICE TEST**

The Service Test performance is rated Satisfactory. The bank's performance under Accessibility of Delivery Systems, Change in Branch Locations, Reasonableness of Business Hours and Services, and Community Development Services criteria primarily support this conclusion. The following sections summarize the bank's performance under each criterion.

#### **Accessibility of Delivery Systems**

VB's delivery systems are reasonably accessible to essentially all portions of the assessment area. VB operates nine full-service branches, a limited-service branch, and an LPO within the assessment area. The limited-service branch, which provides services to a senior retirement community and the LPO are in Newton. Full-service branches are in Newton Centre, Newton Highlands, Newtonville, Nonantum, Waban, Waltham, Wayland, and West Newton. Most branches are in upper-income census tracts, except Waltham, which is in a moderate-income tract, and Nonantum, which is in a middle-income tract.

Each branch offers a 24-hour deposit-taking ATM. The following table illustrates the full- and limited-service branch and ATM distribution by tract income level.

<b>Branch and ATM Distribution by Geography Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	3	3.4	11,660	2.8	0	0.0	0	0.0
Moderate	10	11.2	40,432	9.8	1	10.0	1	10.0
Middle	23	25.8	111,768	27.1	1	10.0	1	10.0
Upper	51	57.3	245,169	59.5	8	80.0	8	80.0
NA	2	2.3	3,300	0.8	0	0.0	0	0.0
<b>Total</b>	<b>89</b>	<b>100.0</b>	<b>412,329</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data*

As the table illustrates, the bank does not have any branches in low-income geographies. However, branch distribution in moderate-income census tracts is in line with the population in moderate-income census tracts and the percentage of moderate-income census tracts. Branch accessibility in moderate-income areas has improved with the Waltham branch opening. Specifically, the Waltham branch is not only in a moderate-income tract, but it also borders other moderate-income census tracts, thereby, increasing accessibility to such areas.

In addition to its branches and ATMs, VB offers alternative delivery systems to expand retail-banking services to all individuals. The bank offers telephone, online, and mobile banking platforms to connect consumers and businesses to their accounts 24 hours a day to perform various transactions. The bank offers online account opening. Alternative delivery systems allow low- and moderate-income individuals or those living in low- or moderate-income geographies, to open accounts without physically traveling to a branch

The bank employs individuals who speak at least one language other than English at each branch. Language services are critical, as a large portion of low- and moderate-income individuals in the assessment area have limited English proficiency. According to the U.S. Census Bureau, approximately 80.0 percent of limited-English speakers in MA have annual incomes less than \$50,000. Having employees who speak various languages assists in enhancing the accessibility to banking services for low- and moderate-income customers. It also promotes economic inclusion for non-English speaking individuals.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. In October 2023, the bank opened a full-service branch in Waltham, thereby improving banking access for a significant number of existing customers who did not have access to a local brick-and-mortar location. With its location at 251 Moody Street, in a moderate-income census tract, this branch is centrally located near businesses and creates access to other bordering moderate-income tracts via public transportation. The bank has not closed any branches since the previous evaluation.

**Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. The bank offers all its loan and deposit products at each full-service location with no variation.

With minor exceptions, branch hours are consistent at each location from 8:00 a.m. to 4:00 p.m. Monday through Friday, with extended hours until 6:00 p.m. one day per week, and Saturday hours from 9:00 a.m. to 12:00 p.m. The exceptions include the Wayland branch, that is open daily at 9:00 a.m. and the Auburndale branch has extended hours on both Thursdays and Fridays.

The Village Checking and Village Savings accounts benefit low- and moderate-income and unbanked individuals. According to the 2021 FDIC Survey, approximately 29.2 percent of unbanked households cited minimum balance requirements and high fees as the main reasons for not opening a bank account. The Village Checking and Savings Accounts have a low \$20 minimum opening deposit, but no minimum balance requirement or monthly maintenance fee; include a debit card; and provide access to online and mobile banking.

**Community Development Services**

The institution provides an adequate level of qualified community development services demonstrating responsiveness to the assessment area’s needs. During the evaluation period, bank employees provided 1,693 hours of community development services, of which a vast majority supported community services to low- and moderate-income individuals. The following table does not reflect hours in 2021, as the bank did not track service hours. However, the bank provided approximately 75 instances of community development services.

The bank demonstrated responsiveness with personnel serving on Boards of various community development organizations and delivered financial education to youth and adults. The following table illustrates community development service hours by year and purpose.

<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>
2021	0	0	0	0	<b>0</b>
2022	44	542	18	0	<b>604</b>
2023	29	528	15	0	<b>572</b>
YTD 2024	4	511	2	0	<b>517</b>
<b>Total</b>	<b>77</b>	<b>1,581</b>	<b>35</b>	<b>0</b>	<b>1,693</b>
<i>Source: Bank Data</i>					

The following are notable examples of community development services.

***John M. Barry Boys and Girls Club of Newton (The Boys and Girls Club)*** – The Boys and Girls Club provides community services to area youth, a majority are from low- or moderate-income families. During the evaluation period, bank representatives contributed 465 service hours to Board participation, committees, and volunteer work.

***Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO)*** – CAN-DO is a community-based non-profit organization dedicated to affordable housing for individuals and families with low- and moderate incomes. Additionally, CAN-DO provides residents with support services such as job training, mentoring, tax preparation, and life skills. An assistant vice president on the commercial lending team serves as a Director and Finance Committee member. Additionally, a senior vice president prepares taxes for low- and moderate-income residents.

***Family Access of Newton*** – This organization provides community services to children in Newton, Waltham, and surrounding communities, a majority are from low- and moderate-income families. A community relations officer serves as a Board member.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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



## **APPENDICES**

### **DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES**

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

#### **MINORITY APPLICATION FLOW**

Division examiners reviewed the bank's 2022 and 2023 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 2020 Census Data, the bank's assessment area contained a total population of 412,329 individuals of which 36.2 percent are minorities. The minority and ethnic population represented is 15.4 percent Asian, 8.9 percent Hispanic, 4.0 percent Black or African American, 7.8 percent other race, 0.09 percent American Indian or Alaska Native, 0.02 percent Native Hawaiian, or other Pacific Islander. Examiners compared the bank application activity with that of the 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 following table for information on the bank's minority application flow as well as for the aggregate lenders in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>2022</b>		<b>2022 Aggregate Data</b>	<b>2023</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	64	17.0	15.9	19	13.1
Black/ African American	2	0.5	1.5	0	0.0
Hawaiian/Pacific Islander	1	0.3	0.1	0	0.0
2 or more Minority.0	1	0.3	0.1	0	0.0
Joint Race (White/Minority)	9	2.4	2.7	2	1.4
<b>Total Racial Minority</b>	<b>77</b>	<b>20.5</b>	<b>20.5</b>	<b>21</b>	<b>14.5</b>
White	163	43.4	53.9	49	33.8
Race Not Available	135	36.1	25.6	75	51.7
<b>Total</b>	<b>375</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	10	2.6	4.4	5	3.4
Joint (Hisp/Lat /Not Hisp/Lat)	7	1.9	1.6	0	0.0
<b>Total Ethnic Minority</b>	<b>17</b>	<b>4.5</b>	<b>6.0</b>	<b>5</b>	<b>3.4</b>
Not Hispanic or Latino	218	58.1	69.0	68	46.9
Ethnicity Not Available	140	37.4	25.0	72	49.7
<b>Total</b>	<b>375</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>
<i>Source: HMDA Aggregate Data (2022), HMDA LAR Data (2022 and 2023)</i>					

In 2022, the bank received 375 home mortgage loan applications from within its assessment area. Of these applications, the bank received 77 or 20.5 percent from racial minority applicants, of which 55 or 71.4 percent resulted in originations. The aggregate received 20.5 percent, the same percentage of its applications from minority applicants as the bank, of which it originated 63.8 percent resulted in originations. For the same period, the bank also received 17 or 4.5 percent from ethnic groups of Hispanic origin within its assessment area. Of these applications, the bank originated 12 or 71 percent with an aggregate application rate of 6.0 percent with a 58.0 percent origination rate.

In 2023, the overall application volume decreased, primarily due to market conditions. The bank received 145 applications from within its assessment area. Of these applications, the bank received 21 or 14.5 percent from racial minority applicants, of which 12 or 57.1 percent resulted in originations. For the same period, the bank also received 5 or 3.4 percent from ethnic groups of Hispanic origin within its assessment area. Of these applications, 4 or 80.0 percent resulted in originations.

The bank's minority application flow improved since the previous evaluation. The application rate from racial minorities meets aggregate and specifically the application rate received from Asian applicants was higher than the aggregate. The bank's strategic outreach to community organizations and advertising has improved access to credit. The bank will continue to analyze differences between aggregate lending trends to locate additional opportunities for improvement. Considering the assessment area demographics, market competition and conditions, comparisons to the 2022 aggregate data, the bank's minority application flow is reasonable.

## **LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

### **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

## Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

## 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. 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 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.

**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 (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.