

PUBLIC DISCLOSURE

May 14, 2018

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Village Bank's (Village Bank) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 4, 2015, to the current evaluation dated May 14, 2018. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Village Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following criteria.

- Number and dollar amount of community development loans, qualified investments, and community development services.
- The responsiveness of such activities to the community development needs of the assessment area.

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending. In addition, no other loan types, such as small farm or consumer loans, represent a major product line. Therefore, as they provide no material support for conclusions or ratings, this evaluation does not present them.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans. The number of loans is a better indicator of the number of individuals and businesses served.

In evaluating the bank's performance under the Lending Test, examiners considered all home mortgage loan originations reported on the bank's 2016 and 2017 Home Mortgage Disclosure

Act (HMDA) Loan Application Registers (LARs). In 2016, the bank reported 306 originations totaling \$242.5 million. In 2017, the bank reported 274 originations totaling \$226.7 million.

Examiners compared the bank's 2016 home mortgage performance under Geographic Distribution and Borrower Profile criterion to 2016 aggregate loan data and 2010 U.S. Census data. Examiners compared the bank's 2017 home mortgage performance to 2015 American Community Survey (ACS) Census data. The Geographic Distribution and Borrower Profile criteria only considered loans extended within the bank's assessment area.

Village Bank is neither required nor reported its small business loans. However, the bank collects small business lending data for its own purposes. Examiners validated and analyzed the 2016 and 2017 small business loan data provided. A small business loan has an original loan amount of \$1 million or less and is secured by non-farm non-residential properties or classified as a commercial and industrial loan. In 2016, the bank originated 76 loans totaling \$10.1 million. In 2017, the bank originated 66 loans totaling \$8.4 million.

As the bank is not required to report and elected not to do so, the small business analysis under the Lending Test does not include comparisons to aggregate data. D&B data for 2016 and 2017 provided a standard of comparison for the bank's small business lending activity.

For the Community Development Test, management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated May 4, 2015.

DESCRIPTION OF INSTITUTION

Background

Village Bank is a state-chartered, mutual co-operative bank headquartered in the village of Auburndale, within the City of Newton, Massachusetts (MA). The bank primarily services Newton, Waltham, Weston, and Wayland. Village Bank 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 4, 2015 using the ISI Examination Procedures.

Operations

Village Bank operates seven full-service offices and one limited-service branch in Middlesex County. The offices are in Auburndale (2) which includes the main office, Newton Highlands, Newtonville, Nonantum, Waban, West Newton, and Wayland. The bank also operates a loan production office in Auburndale. The bank has not opened, nor closed any branches since the last evaluation. The bank also offers other delivery systems including online, telephone, and mobile banking.

Village Bank offers retail customers various loan products including home mortgages, home equity lines of credit, and personal and automobile loans. Additionally, the bank offers deposit products such as checking, savings, and retirement accounts. Village Bank offers commercial customers checking, savings, and investment accounts, and commercial real estate and construction loans, working capital lines of credit, and equipment loans.

Ability and Capacity

As of March 31, 2018, Village Bank had total assets of approximately \$1.1 billion, which included total loans of \$931.3 million or approximately 83.4 percent of total assets and total securities of \$135.3 million or 12.1 percent of total assets. Assets increased approximately \$269.9 million, or 31.9 percent, since March 31, 2015 (the last quarter utilized at the prior evaluation). An increase in the bank’s loan portfolio drove the asset growth. Total loans increased by approximately \$262.2 million or 39.2 percent.

The bank is primarily a residential lender. Residential loans, including multi-family loans, account for the largest portion of the loan portfolio at 65.4 percent. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 18.7 percent of the loan portfolio. The loan portfolio distribution has remained relatively stable since the last evaluation. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 03/31/2018		
Loan Category	\$(000s)	%
Construction and Land Development	144,713	15.5
Secured by Farmland	0	0.0
1-4 Family Residential	578,919	62.2
Multi-family (5 or more) Residential	29,981	3.2
Commercial Real Estate	135,117	14.5
Total Real Estate Loans	888,730	95.4
Commercial and Industrial	39,454	4.2
Agricultural	0	0.0
Consumer	3,123	0.3
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	931,307	100.0
<i>Source: Reports of Condition and Income</i>		

There are no significant financial or legal impediments identified 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 requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Village Bank designated a single assessment area consisting of Newton, Waltham, Wayland, and Weston. All are in Middlesex County in the Cambridge-Newton-Framingham Metropolitan District (MD). The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 36 census tracts in a portion of Middlesex County. There are no distressed, underserved, or designated disaster areas within the assessment area. The census tracts reflect the following income designations according to the 2015 ACS Census:

- 3 moderate-income tracts,
- 12 middle-income tracts, and
- 21 upper-income tracts.

The 2015 ACS Census adjusted the income designation of some census tracts within the assessment area when compared to the 2010 U.S. Census data. With the 2015 ACS Census, the number of moderate-income tracts decreased by two (Newton and Waltham) and middle- and upper-income tracts each increased by one. The percentage of owner-occupied housing units and businesses in the moderate-income census tracts decreased significantly, from 6.2 percent to 1.9 percent and 9.7 percent to 5.1 percent respectively, when compared to the 2010 U.S. Census data. This change significantly reduced lending opportunities. The following table provides additional assessment area economic and demographic information.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	8.3	33.3	58.3	0.0
Population by Geography	175,395	0.0	5.6	35.3	59.2	0.0
Housing Units by Geography	67,895	0.0	6.8	37.4	55.8	0.0
Owner-Occupied Units by Geography	41,604	0.0	1.9	32.1	66.0	0.0
Occupied Rental Units by Geography	22,664	0.0	14.7	46.9	38.4	0.0
Vacant Units by Geography	3,627	0.0	13.3	38.8	47.9	0.0
Businesses by Geography	17,503	0.0	5.1	36.8	58.0	0.0
Farms by Geography	265	0.0	6.0	35.1	58.9	0.0
Family Distribution by Income Level	41,439	15.8	11.7	15.8	56.8	0.0
Household Distribution by Income Level	64,268	21.1	11.6	14.0	53.3	0.0
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA MD		\$100,380	Median Housing Value			\$639,469
			Median Gross Rent			\$1,521
			Families Below Poverty Level			4.1%
Source: 2010 U.S. Census & 2015 ACS Census and 2017 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 2017 D&B data, there were 17,503 non-farm businesses operating in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. GARs for these businesses are as follows:

- 83.9 percent have \$1 million or less.
- 8.9 percent have more than \$1 million.
- 7.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 54.8 percent; followed by finance, insurance, and real estate (11.4 percent); retail trade (9.4 percent); and construction (5.3 percent). In addition, 69.5 percent of area businesses have four or fewer employees, and 87.8 percent operate from a single location.

According to data obtained from the Massachusetts Executive Office of Labor and Workforce Development as of December 2017, the top employers in the assessment area include Newton Wellesley Hospital, Bitpipe Inc., Ascensus, and Boston Marriott Newton.

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

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<i>Source: FFIEC</i>				

The median home sales price rose to \$639,469, per the 2015 ACS Census data. Warren Group Housing statistics provided further insight into home prices. The 2017 averaged median home sales price was \$870,249 among the four towns included in the assessment area. Waltham was the least expensive area with a median average sales price of \$517,000. Weston was the most expensive at \$1,339,000. The high home prices suggest limited lending opportunities for low- and moderate income families, whose incomes fall below \$83,840.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2017 year-end unemployment rate was 3.5 percent statewide. For the same period, the unemployment rates of the four municipalities included in the assessment area averaged 2.2 percent.

Competition

The assessment area is moderately competitive for financial services. According to the June 30, 2017, FDIC Deposit Market Share data, 20 financial institutions operated 64 full-service branches within the assessment area. Of these institutions, Village Bank ranked third with a 10.3 percent deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2016, 318 lenders reported 6,738 originated or purchased home mortgages. Village Bank ranked eighth reporting 189 home mortgages, totaling \$153.9 million. This represents 2.8 percent market share by number and 4.2 percent market share by dollar amount. The majority of top ranked lenders are large national banks and mortgage companies, such as JP Morgan Chase Bank, NA, Leader Bank, and Guaranteed Rate Inc. Village Bank was the top-ranked state-chartered financial institution in the area.

The bank is not required to report small business loan data and elected not to do so. Therefore, the small business analysis under the Lending Test does not include comparisons to aggregate data. However, the aggregate data reflects the competition level for small business loans and is included here for performance context. In 2016, aggregate data showed 142 institutions reported 41,119 small business loans in Middlesex County, indicating significant competition for small business loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a housing organization serving the assessment area. This organization promotes affordable housing, community service, and adult education for low- and moderate-income individuals and immigrants. The contact identified a great need for affordable housing in the area. The housing stock is very low and there are large numbers of families on the Housing Authority's waiting list for public rental housing. The contact noted that organizations could benefit from additional funds to support community services targeted towards low- and moderate-income individuals. The contact stated there are opportunities to support both affordable housing and community services through participation in Community Investment Tax Credits (CITC) that support Community Investment Plans. Lastly, the contact indicated that there is a need for ongoing financial literacy and homebuyer education. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary need in the assessment area. High real estate prices limit opportunities for low- and moderate-income individuals to become homeowners. Additionally, examiners determined that community services for low- and moderate-income individuals represent another primary need in the assessment area. Opportunities for financial institutions to meet these needs include providing credit to organizations that develop affordable housing units, investing in CITCs, and assisting community service organizations that support low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Village Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 94.1 percent over the past 12 calendar quarters from June 30, 2015 to March 31, 2018. The ratio ranged from a low of 90.5 percent as of June 30, 2015, to a high of 97.1 percent as of March 31, 2018. The ratio trended upward during the evaluation period. Village Bank maintained a ratio greater than one institution and less than two, as shown in the following table. Examiners selected comparable institutions based on asset size, lending focus, and assessment area.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2018 \$(000s)	Average Net LTD Ratio (%)
Village Bank	1,116,704	94.1
Leader Bank, N.A.	1,287,300	121.6
Wellesley Bank	819,586	110.4
East Cambridge Savings Bank	1,061,101	88.1
<i>Source: Reports of Condition and Income 06/30/2015 through 03/31/2018</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. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	189	61.8	117	38.2	306	153,906	63.5	88,567	36.5	242,473
2017	165	60.2	109	39.8	274	134,664	59.4	91,992	40.6	226,656
Subtotal	354	61.0	226	39.0	580	288,570	61.5	180,559	38.5	469,129
Small Business										
2016	39	51.3	37	48.7	76	6,953	68.8	3,155	31.2	10,108
2017	34	51.5	32	48.5	66	3,697	44.0	4,696	56.0	8,393
Subtotal	73	51.4	69	48.6	142	10,650	57.6	7,851	42.4	18,501
Total	427	59.1	295	40.9	722	299,220	61.4	188,410	38.6	487,630
Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Examiners focused the comparison on aggregate data and demographics and weighted the bank's 2016 performance greater than its 2017. The following table shows that in 2016, the bank's performance in moderate-income census tracts is significantly greater than both the aggregate and demographics. In 2017, originations in the moderate-income tracts declined and performance was less than demographics. This is partially because in 2017, the ACS update reclassified two moderate-income tracts (Newton and Waltham) to middle- and upper-income. In 2017, the bank originated ten loans in these previously classified moderate-income tracts. Additionally, with one additional loan, the bank's lending would be in line with demographics.

Market share data further supports the bank's excellent performance. In 2016, the bank ranked sixth in lending in moderate-income census tracts with a 3.5 percent market share. The bank was the top-ranked state chartered financial institution in the assessment area in originations in moderate-income census tracts. This market ranking is relatively consistent with the bank's overall market rank of eighth in the assessment area in 2016.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2016	6.2	8.4	20	10.6	9,021	5.9
2017	1.9	--	2	1.2	575	0.4
Middle						
2016	29.9	33.4	40	21.2	26,031	16.9
2017	32.1	--	26	15.8	17,837	13.2
Upper						
2016	63.9	58.1	129	68.3	118,854	77.2
2017	66.0	--	137	83.0	116,252	86.3
Totals						
2016	100.0	100.0	189	100.0	153,906	100.0
2017	100.0	--	165	100.0	134,664	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 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 excellent dispersion. Examiners focused the comparison on demographics and weighted the bank's 2016 performance greater than its 2017. The following table shows that the bank's 2016 performance in moderate-income census tracts is more than double the percentage of businesses operating in the same areas.

During 2017, lending in moderate-income areas fell and remained comparable to updated demographics. This is partially because in 2017, the ACS update reclassified two moderate-income tracts (Newton and Waltham) to middle- and upper-income. In 2017, the bank originated eight loans in these previously classified moderate-income tracts. Additionally, with one additional loan, the bank's lending would be greater than demographics.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2016	9.7	8	20.5	824	11.9
2017	5.1	1	2.9	90	2.4
Middle					
2016	27.7	12	30.8	1,557	22.4
2017	36.8	13	38.2	2,006	54.3
Upper					
2016	62.7	19	48.7	4,572	65.8
2017	58.0	20	58.8	1,601	43.3
Not Available					
2016	0.0	0	0.0	0	0.0
2017	0.0	0	0.0	0	0.0
Totals					
2016	100.0	39	100.0	6,953	100.0
2017	100.0	34	100.0	3,697	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and 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 to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

Home mortgage lending to low-income borrowers in 2016, at 1.6 percent, is comparable to aggregate at 1.5 percent. Lending to low-income borrowers in 2017 was slightly better than in 2016. In both 2016 and 2017, lending was below the percentage of low-income families. A low-income family in the assessment area has an annual income of \$49,300 or less and would therefore not likely qualify for a mortgage under conventional underwriting standards given a median housing value of \$639,469. Thus, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between the lending to low-income borrowers and demographics.

Lending to moderate-income borrowers in 2016, at 3.2 percent, is less than the aggregate at 7.4 percent. Both the bank and aggregate were below demographics at 13.4 percent. This again reflects the limitations of lending to moderate-income borrowers in an expensive area. In 2017, although demographics decreased to 11.7 percent, lending increased by both number and percentage, thus reflecting improved performance.

Market share data further supported the bank's reasonable performance under this criterion. In 2016, the bank ranked fifth in lending to low-income borrowers with a 3.0 percent market share. Village Bank ranked 13th with a 1.2 percent market share in lending to moderate-income borrowers. These market rankings are relatively consistent with the bank's overall market rank of eighth in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	15.3	1.5	3	1.6	785	0.5
2017	15.8	--	4	2.4	482	0.4
Moderate						
2016	13.4	7.4	6	3.2	2,016	1.3
2017	11.7	--	8	4.8	2,698	2.0
Middle						
2016	16.6	16.8	16	8.5	6,037	3.9
2017	15.8	--	11	6.7	4,085	3.0
Upper						
2016	54.7	64.3	100	52.9	73,051	47.5
2017	56.7	--	86	52.2	61,763	45.9
Not Available						
2016	0.0	10.0	64	33.8	72,017	46.8
2017	0.0	--	56	33.9	65,636	48.7
Totals						
2016	100.0	100.0	189	100.0	153,906	100.0
2017	100.0	--	165	100.0	134,664	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that in 2016 the bank originated 74.4 percent of its small business loans to businesses with GARs of \$1 million or less. This number is less than the percentage of businesses in this revenue category. In 2017, the percentage of loans originated to businesses with GARs under \$1 million increased to 85.3 percent, slightly above the percentage of businesses in this revenue category. This level of lending reflects reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	83.3	29	74.4	2,989	43.0
2017	83.9	29	85.3	2,498	67.6
>\$1,000,000					
2016	9.0	10	25.6	3,964	57.0
2017	8.9	5	14.7	1,199	32.4
Revenue Not Available					
2016	7.7	0	0.0	0	0.0
2017	7.2	0	0.0	0	0.0
Totals					
2016	100.0	39	100.0	6,953	100.0
2017	100.0	34	100.0	3,697	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; "--" data not available. 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

Village Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The bank demonstrated a positive trend in their level of community development loans and qualified donations. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

Village Bank originated 12 community development loans totaling approximately \$5.3 million during the evaluation period. This is an increase from the nine qualified community development loans totaling \$2.1million at the prior evaluation.

The current activity level represents 0.5 percent of average total assets and 0.6 percent of average total loans since the prior evaluation. Of the 12 community development loans, 10 totaling approximately \$4.6 million benefitted affordable housing. These loans demonstrate the bank's responsiveness to this community development need. The following table illustrates community development lending activity by year and purpose.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	4	2,009	0	0	0	0	0	0	0	0	4	2,009
2016	2	969	0	0	0	0	0	0	0	0	2	969
2017	3	1,392	0	0	1	607	0	0	0	0	4	1,999
YTD 2018	1	225	1	80	0	0	0	0	0	0	2	305
Total	10	4,595	1	80	1	607	0	0	0	0	12	5,282
<i>Source: Bank Records</i>												

The following are notable examples of the bank's community development loans.

- In 2015, the bank originated a \$638,800 loan to an organization that develops and manages affordable housing units in Newton. Loan proceeds financed the purchase of a property for an affordable housing project. All units are affordable in accordance with the Massachusetts state statute, Chapter 40B.
- In 2017, the bank originated a \$719,000 loan to an organization that develops affordable housing properties. Proceeds financed the purchase and renovation of a seven unit affordable housing project in Newton.
- In 2017, the bank made a \$607,500 Small Business Administration (SBA) 504 loan to a business that operates in Natick. The SBA 504 loan program is an economic

development program that offers an alternative financing method that supports business and job growth.

Qualified Investments

Village Bank made 72 qualified investments totaling approximately \$10.7 million. This includes six prior period equity investments of approximately \$10.3 million and 66 donations totaling \$446,520. This dollar amount of equity investments equates to 1.1 percent of average total assets and 7.7 percent of average securities since the last evaluation. The level of qualified donations is an increase from the \$244,330 qualified donations at the prior evaluation.

Of the total dollar amount, 92.1 percent benefitted community services within the assessment area. These investments demonstrate the bank's responsiveness to the need for community services. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	759	3	9,501	0	0	0	0	0	0	6	10,260
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0	0	0
YTD 2018	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	3	759	3	9,501	0	0	0	0	0	0	6	10,260
Qualified Grants & Donations	12	91	54	356	0	0	0	0	0	0	66	447
Total	15	850	57	9,857	0	0	0	0	0	0	72	10,707
<i>Source: Bank Records</i>												

The following are notable examples of the bank's qualified investment activities.

Prior Period

- **Barry L. Price Rehabilitation Center** – This non-profit organization provides employment services, residential living, and habilitation services to individuals with mental and physical disabilities. A majority of clients are low- or moderate-income. In 2014, the bank provided financing to this organization through a \$6.7 million tax-exempt bond. The investment's current book value is \$6.4 million.
- **John M. Barry Boys and Girls Club** - This organization provides children and young adults a safe place to learn and grow, life enhancing programs, character development experiences, and other opportunities. A majority of individuals served are low- and

moderate-income. In 2007, the bank provided financing to this organization through a \$1.2 million tax-exempt bond. The investment's current book value is approximately \$969,196.

- **Scandinavian Charitable Society of Greater Boston Inc.** - This non-profit organization provides affordable housing and assistance to elderly individuals. In 2009, the bank refinanced an existing loan with a \$2.8 million tax-exempt bond through the Massachusetts Development Finance Agency. The investment's current book value is \$2.1 million.

Donations

- **Citizens for Affordable Housing in Newton Development Organization** – This community-based non-profit develops affordable housing for low- and moderate-income individuals and families.
- **Family Access of Newton** – This non-profit organization provides programs to low- and moderate-income families that nurture child development, promote effective parenting skills, support working parents, and engage seniors and young adults.
- **Freedom Center for Child and Family Development** – This organization prevents mental health disorders and promotes mental health. They provide intervention that focuses on homeless and low-income youth and families.
- **Family Promise Metrowest** – This cooperative, interfaith partnership provides homeless families and children transitional shelter, meals, and supportive case management helping them to obtain permanent housing.

Community Development Services

During the evaluation period, employees provided 30 instances of financial expertise or technical assistance to eight different community development-related organizations in the assessment area. The following table illustrates the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2015	3	5	0	0	0	8
2016	3	5	0	0	0	8
2017	3	5	0	0	0	8
YTD 2018	2	4	0	0	0	6
Total	11	19	0	0	0	30
<i>Source: Bank Records</i>						

The following are notable examples of the bank's community development services:

- **Citizens for Affordable Housing in Newton Development Organization** – This community-based non-profit develops affordable housing for low- and moderate-income individuals and families. A financial advisor is a Board member and the compliance officer provides technical assistance on grant writing and reporting.
- **Springwell** – Springwell is a non-profit organization in Waltham that provides nutrition, transportation, and money management services to elderly individuals. A vice president is an advisory Board member and provides Money Management seminars for low-income individuals.
- **The Second Step** – The Second Step is a domestic violence relief organization that provides safety planning, legal advocacy, counseling, peer support, transitional housing, and other essential services to adult and children. The majority of the clientele are low- and moderate-income individuals. A senior vice president provides financial literacy courses.

Other Services

- Deposit products meet Massachusetts Community and Banking Council's Basic Banking guidelines. This statewide program offers low-cost checking and savings accounts. This assists in increasing access to financial services for low- and moderate-income individuals.
- The bank participates in the Interest on Lawyer's Trust Accounts program. Earned interest helps fund improvements in administering justice and delivering legal services to low-income clients. During the evaluation period, 104 accounts earned \$219,591 in interest.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the bank's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The bank maintains a written fair lending policy and supports the fair lending process through consistently applying its policy and accompanying procedures.

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

MINORITY APPLICATION FLOW

Examiners reviewed the 2016 and 2017 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. Comparing this data assists in deriving reasonable expectations for the application rate the bank received from minority residential loan applicants.

According to the 2010 U.S. Census Data, the assessment area contained 170,033 individuals of which 23.6 percent are minorities. The assessment area's minority and ethnic population is 3.4 percent Black/African American, 10.6 percent Asian, 7.3 percent Hispanic or Latino, and 2.2 percent other.

In 2016, the bank received 205 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 18 or 8.8 percent from minority applicants and 88.9 percent resulted in originations. Examiners compared this to aggregate data. The aggregate received 18.8 percent of its applications from minority applicants of which, it originated 60.4 percent.

In 2017, the bank received 181 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 13 or 7.2 percent from minority applicants, of which 84.6 percent resulted in originations.

Please refer to the following table for information on the bank's minority application flow.

MINORITY APPLICATION FLOW					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	6	2.9	12.6	6	3.3
Black/ African American	0	0.0	0.9	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	4	2.0	2.5	2	1.1
Total Minority	10	4.9	16.3	8	4.4
White	132	64.4	63.7	119	65.8
Race Not Available	63	30.7	20.0	54	29.8
Total	205	100.0	100.0	181	100.0
ETHNICITY					
Hispanic or Latino	6	2.9	1.9	3	1.7
Not Hispanic or Latino	133	64.9	76.9	121	66.8
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.5	1.1	3	1.7
Ethnicity Not Available	63	30.7	20.1	54	29.8
Total	205	100.0	100.0	181	100.0

The bank's racial minority application flow was lower than the aggregate trend, most notably in applications received from Asian applicants. Bank management was aware of the bank's relative deficiency in receiving applications from this racial group and affirmed that applicants of all racial and ethnic backgrounds are welcome to apply for credit. As a mitigating factor, examiners noted that applications received from Asian applicants within the assessment area are heavily concentrated among certain lenders, with the top five lenders accounting for 37.6 percent of total applications received from Asian applicants; Village Bank ranked 30th with a market share of 0.6 percent. Considering the bank's efforts to ensure fair lending and the assessment area's composition, the bank's Minority Application Flow is adequate.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

Family Income: Includes the income of all members of a family that are age 15 and older.

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

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

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

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

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

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

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

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

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

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

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

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 307 Auburn Street Auburndale, Massachusetts 02466."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 307 Auburn Street, Auburndale, Massachusetts 02466."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.