

PUBLIC DISCLOSURE

May 10, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Village Bank
Certificate Number: 26336

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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**.

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 reasonable 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 14, 2018, to the current evaluation dated May 10, 2021. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate the bank's 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 two 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. No other loan types, such as small farm or consumer loans, represent a major product line. They provide no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The bank reported 258 loans totaling \$272.3 million in 2018, 235 loans totaling \$211.3 million in 2019, and 301 loans totaling \$362.5 million in 2020. Examiners compared the bank's 2018 and 2019 home mortgage performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2020. Examiners also compared 2018, 2019, and 2020 home mortgage performance to the 2015 American Community Survey (ACS) demographic data.

As an ISI, Village Bank is not required to and does not report small business loans. Therefore, examiners based the analysis upon a random statistical sample of small business loans originated

in 2020. In 2020, the bank originated 305 small business loans totaling approximately \$28.5 million, of which 240 totaling approximately \$17.4 million were Small Business Administration (SBA) Paycheck Protection Program (PPP) loans. Examiners sampled 58 small business loans totaling \$7.9 million. D&B data for 2020 provided a comparison standard for the sampled small business loans.

Although examiners analyzed 2018 home mortgage lending, 2018 lending was similar to 2019 and 2020 performance; therefore, examiners did not present 2018 performance under the Geographic Distribution and Borrower Profile criteria. However, examiners presented the bank's 2018 lending performance under the Assessment Area Concentration criteria.

For the Lending Test, examiners reviewed the number and dollar volume of loans. Although number and dollar volume are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served. When arriving at overall conclusions and ratings, examiners gave more weight to the bank's home mortgage lending performance given the bank's business focus, origination activity, and the loan portfolio distribution.

Examiners also reviewed community development loans, investments, and services, since the prior evaluation date of May 14, 2018, to the current evaluation date of May 10, 2021.

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's assessment area consists of 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 14, 2018 using the ISI Examination Procedures.

Operations

Village Bank operates eight full-service branches, one limited-service branch, and a loan production office (LPO) in a portion of Middlesex County, MA. In addition to the main office in Auburndale, the full-service offices are located in Newton Centre, Newton Highlands, Newtonville, Nonantum, Waban, Wayland, and West Newton. The limited-service branch, which provides services to a senior retirement community and the LPO are located in Newton. The bank opened a new branch in Newton Centre in 2019. All branches are located in upper-income census tracts, except Newton Highlands and Nonantum, which are in middle-income census tracts. The bank did not close any branches and there has been no merger or acquisition activity since the prior evaluation.

Village Bank offers residential, commercial, and consumer loans with a continued primary focus on residential lending. Consumer lending products include home mortgage loans, construction

loans, home equity lines of credit, personal, and automobile loans. For commercial customers, the bank offers commercial real estate and construction loans, lines of credit, and equipment loans. Consumer and commercial deposit services include checking, savings, money market, certificate of deposit accounts, and individual retirement accounts. The bank also offers wealth management services. Alternative banking services include internet and mobile banking, person-to-person payment, automated teller machines, and 24/7 telephone banking service.

Ability and Capacity

Assets totaled approximately \$1.6 billion as of March 31, 2021, and included loans of \$1.1 billion and securities of \$224.7 million. Assets increased approximately \$448.0 million, or 40.1 percent, since March 31, 2018 (the last quarter used at the prior evaluation). The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 03/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	211,462	18.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	658,773	59.0
Secured by Multifamily (5 or more) Residential Properties	27,086	2.4
Secured by Nonfarm Nonresidential Properties	157,594	14.1
Total Real Estate Loans	1,054,915	94.5
Commercial and Industrial Loans	57,392	5.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	4,061	0.4
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
Total Loans	1,116,368	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Village Bank designated a single assessment area 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 located in a portion of Middlesex County. 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 three moderate-income census tracts are in Waltham. There are no underserved or distressed nonmetropolitan middle-income geographies within the assessment area. The following table illustrates select demographic characteristics of the assessment area.

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	22,302	0.0	4.9	35.4	59.7	0.0
Farms by Geography	347	0.0	7.8	40.9	51.3	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		\$100,380	Median Housing Value			\$639,469
			Median Gross Rent			\$1,521
			Families Below Poverty Level			4.1%
<i>Source: 2015 ACS and 2020 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</i>						

According to 2020 D&B data, there were 22,302 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these businesses follow.

- 86.9 percent have \$1 million or less
- 6.7 percent have more than \$1 million

- 6.4 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 indicates that as of 2020, 82.7 percent of businesses in the assessment area have GARs of less than \$0.5 million, 60.9 percent of businesses have four or fewer employees, and 89.5 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small. Service industries represent the largest portion of businesses at 45.2 percent; followed by non-classifiable establishments (20.1 percent); finance, insurance, and real estate (12.6 percent); and retail trade (7.9 percent).

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 presents the low-, moderate-, middle-, and upper-income categories, which are based on the 2019 and 2020 FFIEC-updated median family 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 Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<i>Source: FFIEC</i>				

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2019 was 2.3 percent in Middlesex County, which was lower than the MA state average of 2.9 percent and the national rate of 3.7 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic. As of December 2020, the unemployment rate was 7.3 percent in Middlesex County, which was lower than the MA state average of 8.9 percent and the national rate of 8.1 percent.

According to data obtained from the Massachusetts Executive Office of Labor and Workforce Development, major employers in the assessment area include Boston College Health Services, Newton Wellesley Hospital, Fresenius Medical Care North, and National Grid USA Service Company Inc.

Competition

The bank operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, 21 financial institutions operated 95 branch offices in the assessment area. Of these, Village Bank ranked 4th with a 8.1 percent deposit market share. The top three banks were Bank of America, National Association (N.A.); Citizens Bank, N.A.; and People’s United Bank, N.A. with a collective market share of 52.4 percent.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 292 lenders originated or purchased 6,744 home mortgage loans in the bank's assessment area. Village Bank ranked 11th by number with a market share of 2.4 percent and was the highest ranked state-chartered community bank. The financial institutions that ranked ahead of Village Bank were large national banks or mortgage companies.

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, aggregate data reflects the competition level for small business loans and is included here for performance context. In 2019, aggregate data showed 142 institutions reported 46,331 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 representative of a community development corporation that creates and preserves affordable rental housing in the assessment area. The contact described the significant demands on affordable rental housing. In addition, the contact expressed how the COVID-19 pandemic has negatively affected consumer credit scores and the ability to qualify for lending products. The contact identified an opportunity for institutions to be involved with innovative products and financial education to assist customers in rebuilding credit scores. 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 and financial education represent primary credit needs for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Village Bank demonstrated reasonable performance under the Lending Test. Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance 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 92.8 percent over the past 12 calendar quarters from June 30, 2018 to March 31, 2021. The ratio ranged from a low of 78.7 percent as of March 31, 2021, to a high of 100.6 percent as of December 31, 2018. The ratio trended downward during the evaluation period. Village Bank maintained a ratio similar to comparable institutions, as shown in the following table. Examiners selected comparable institutions based on asset size, lending focus, and assessment area.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2021 (\$000s)	Average Net LTD Ratio (%)
The Village Bank	1,564,753	92.8
Main Street Bank	1,231.672	94.3
East Cambridge Savings Bank	1,228,490	93.2
<i>Source: Reports of Condition and Income 06/30/2018 – 03/31/2021</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										
2018	146	56.6	112	43.4	258	149,961	55.1	122,360	44.9	272,321
2019	156	66.4	79	33.6	235	137,151	64.9	74,124	35.1	211,275
2020	174	57.8	127	42.2	301	158,214	43.6	204,304	56.4	362,518
Subtotal	476	59.9	318	40.1	794	445,326	52.6	400,788	47.4	846,114
Small Business	36	62.1	22	37.9	58	5,241	66.3	2,667	33.7	7,908
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable 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 reasonable dispersion throughout the assessment area. In 2019, Village Bank’s lending performance within the moderate-income census tracts exceeded aggregate and demographic data. In 2019, the bank was the top ranked state-chartered community bank in the assessment area. In 2020, lending performance within the moderate-income census tracts declined, but remained above demographics.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Moderate						
2019	1.9	2.7	6	3.8	8,192	6.0
2020	1.9	--	4	2.3	1,459	0.9
Middle						
2019	32.1	33.7	42	26.9	30,254	22.1
2020	32.1	--	42	24.1	28,308	17.9
Upper						
2019	66.0	63.6	108	69.2	98,705	72.0
2020	66.0	--	128	73.6	128,447	81.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	156	100.0	137,151	100.0
2020	100.0	--	174	100.0	158,214	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Although the following table indicates the bank did not originate any small

business loans in the moderate-income census tracts, the bank originated four PPP loans within the moderate-income tracts in 2020. However, as the bank provided these small business loans for examiners to consider under the Community Development Test, and examiners qualified them as community development loans, they are not considered under this section. The small percentage of businesses and the high level of competition for small business loans within the three moderate-income census tracts assists in supporting the bank’s reasonable lending performance. Further, no branches are located in or near the moderate-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
Moderate					
2020	4.9	0	0.0	0	0.0
Middle					
2020	35.4	16	44.4	3,115	59.4
Upper					
2020	59.7	20	55.6	2,126	40.6
Not Available					
2020	0.0	0	0.0	0	0.0
Totals					
2020	100.0	36	100.0	5,241	100.0
<i>Source: 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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. As shown in the following table, the bank’s lending to low-income borrowers exceeded aggregate performance, but fell below the percentage of low-income families in 2019. A low-income family in the assessment area, earning less than \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$639,469. Additionally, 4.1 percent of families in this assessment area are below the poverty level. These factors help explain the disparity between lending to low-income families and the percentage of low-income families.

Village Bank was the second ranked state-chartered community bank for home mortgage lending to low-income individuals in 2019. The bank’s lending to low-income borrowers declined in 2020 and remained below demographics.

In 2019, the bank’s lending to moderate-income borrowers was comparable to aggregate performance, but fell below the percentage of moderate-income families in the assessment area. Although below demographics, Village Bank was the top ranked state-chartered community bank for home mortgage lending to moderate-income individuals within the assessment area. In 2020, the bank’s lending to moderate-income families increased, illustrating a positive trend.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	15.8	2.3	6	3.8	912	0.7
2020	15.8	--	4	2.3	784	0.5
Moderate						
2019	11.7	7.7	11	7.1	4,003	2.9
2020	11.7	--	19	10.9	5,510	3.5
Middle						
2019	15.8	16.0	13	8.3	4,554	3.3
2020	15.8	--	17	9.8	7,242	4.6
Upper						
2019	56.8	63.0	48	30.8	43,438	31.7
2020	56.8	--	65	37.4	67,068	42.4
Not Available						
2019	0.0	10.9	78	50.0	84,243	61.4
2020	0.0	--	69	39.7	77,609	49.1
Totals						
2019	100.0	100.0	156	100.0	137,151	100.0
2020	100.0	--	174	100.0	158,214	100.0
<i>Source: 2015 ACS; Bank Data, 2019 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 reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that in 2020, the bank originated 55.6 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.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	86.9	20	55.6	2,558	48.8
>\$1,000,000					
2020	6.7	9	25.0	2,136	40.8
Revenue Not Available					
2020	6.4	7	19.4	547	10.4
Totals					
2020	100.0	36	100.0	5,241	100.0
<i>Source: 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Village Bank originated 187 community development loans totaling approximately \$27.0 million during the evaluation period. Of these loans, the bank originated 181 loans totaling \$24.7 million in 2020 and 2021, as part of the SBA PPP and in response to the COVID-19 pandemic. When considering the PPP loans, the volume of community development lending was significantly greater than that during the previous evaluation, where the bank originated 12 loans totaling \$5.3 million. Current activity level represents 2.1 percent of average total assets and 2.6 percent of average total loans.

As examiners determined the bank met the assessment areas' overall needs, examiners counted community development loans made outside the assessment area. Of the 187 community development loans, the bank made 121 loans, totaling \$18.5 million inside the assessment area and 66 community loans, totaling \$8.4 million outside the assessment area. As illustrated in the following table, the bank originated six loans totaling \$2.3 million, within the bank's assessment area, that supported affordable housing, specifically addressing a primary credit need as identified by the community contact.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	2	232	0	0	0	0	0	0	2	232
2019	2	974	0	0	0	0	0	0	2	974
2020	1	400	0	0	107	15,699	0	0	108	16,099
YTD 2021	1	650	0	0	74	9,018	0	0	75	9,668
Total	6	2,256	0	0	181	24,717	0	0	187	26,973

Source: Bank Data

The following are notable examples of qualified community development loans.

- In 2019, the bank originated an \$870,595 construction loan to a community based non-profit affordable housing developer. Loan proceeds were used to rehabilitate a single family home and construct two multifamily properties. The loan is responsive to affordable housing needs.
- In 2020 and 2021, the bank originated 181 PPP loans totaling \$24.7 million inside and outside the assessment area, meeting both the size and purpose test to qualify as community development loans. The loans helped small businesses retain permanent jobs for low- or moderate-income individuals or in low- or moderate-income areas during the COVID-19 pandemic.
- In 2021, the bank originated a \$650,000 loan to a local affordable housing organization. Loan proceeds will be used to acquire six affordable multifamily properties for low- and moderate-income individuals and families. The loan is responsive to affordable housing needs.

Qualified Investments

Village Bank made 83 qualified investments totaling approximately \$16.0 million. This total includes 8 qualified equity investments of \$15.4 million and 75 donations totaling \$641,676. Equity investment activity increased since the previous evaluation where the bank made six equity investments for approximately \$10.3 million. The increase in investments at 49.7 percent is higher than the bank's 40.1 percent increase in total assets. Total donations increased by \$195,156. In total, the bank's investments represent 1.2 percent of average total assets and 10.2 percent of average total securities.

The bank's investment activity supported affordable housing initiatives and community development organizations that assist low- and moderate-income individuals. The bank's donations assisted some of the lowest income individuals and areas of its assessment area. Village Bank's investment activity, by number and dollar exceeds that of similarly situated

institutions. 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		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	3	9,501	0	0	0	0	3	9,501
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	2	5,380	0	0	0	0	2	5,380
2020	0	0	2	406	0	0	0	0	2	406
YTD 2021	0	0	1	80	0	0	0	0	1	80
Subtotal	0	0	8	15,367	0	0	0	0	8	15,367
Qualified Grants & Donations	13	69	62	573	0	0	0	0	75	642
Total	13	69	70	15,940	0	0	0	0	83	16,009

Source: Bank Data

The following are notable examples of qualified equity investments:

- In 2019, the bank purchased a \$5.1 million MassDevelopment tax-exempt bond to renovate and equip a new facility for a non-profit health care organization providing hospice care in Newton. The majority of individuals enrolled at the hospice center are eligible for Medicaid. Medicaid provides access to healthcare services for low- and moderate-income families, seniors, and disabled individuals.
- In 2019, 2020, and 2021, the bank made four investments totaling \$746,181 in a CRA Qualified Investment Fund. The fund supports community development service-related initiatives for low- and moderate-income individuals in Middlesex County.

The following are notable examples of organizations that received donations:

- **Family Access of Newton (formerly known as Newton Community Service Center)** - The bank donated \$155,000. Family Access of Newton, a community-based non-profit organization provides child development and parenting programs and counseling and consultation services to low- and moderate-income families.
- **Citizens for Affordable Housing Development Organization, Inc. (CAN-DO)** - The bank donated \$20,000. CAN-DO, a non-profit organization provides affordable housing for low- and moderate-income individuals and families within the City of Newton.
- **John M. Barry Boys and Girls Club** –The bank donated \$211,126. The organization provides children and young adults a safe place to learn and grow, life enhancing programs, character development activities, and other educational opportunities. The majority of individuals served are low-and moderate-income.

Community Development Services

During the evaluation period, the bank provided 1,305 hours of community development services to 14 organizations, serving low- and moderate-income individuals and small businesses. Personnel served as board and committee members of affordable housing and community service organizations. In addition, bank personnel provided financial education on an ongoing basis, to individuals served by these community organizations. The bank's participation in financial education is particularly responsive given that the community contact noted a need for financial education in the assessment area. The following table illustrates the bank's community development service hours by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	3	450	0	0	453
2019	3	436	0	0	439
2020	3	410	0	0	413
YTD 2021	0	0	0	0	0
Total	9	1,296	0	0	1,305
<i>Source: Bank Data</i>					

The following are examples of community development services provided.

- **John M. Barry Boys and Girls Club** - During the evaluation period, a senior vice president served as a Board member and presented financial literacy training to youth, a majority of which are low- and moderate-income. In addition to the service component, the bank was further responsive to this organization by providing loans and yearly contributions.
- **Springwell** - During the evaluation period, a senior vice president served as an advisory member and presented elder money management seminars. Springwell is a non-profit organization that provides nutrition, transportation, and money management services to elderly individuals. In addition to the outreach component, the bank was also responsive to this organization through yearly contributions. The majority of individuals served are low- and moderate-income.
- **The Second Step** – During the evaluation period, the bank provided financial literacy training to clients of 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 adults and children. The majority of the clientele are low- and moderate-income individuals. The curriculum is tailored to individualized client needs and provided by employees with the applicable technical expertise.

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

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

MINORITY APPLICATION FLOW

Division examiners reviewed the bank's 2019 and 2020 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

According to the 2015 ACS Census Data, the assessment area contained a total population of 175,395 individuals of which 27.4 percent are minorities. The minority population consists of 4.0 percent Black/African American, 12.8 percent Asian, 0.1 percent American Indian, 7.8 percent Hispanic or Latino, and 2.7 percent other.

Examiners compared the bank's application activity to 2019 aggregate. This data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow and the aggregate in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2019 HMDA		2019 Aggregate Data	Bank 2020 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.6	0.2	1	0.4
Asian	5	3.0	13.6	15	6.7
Black/ African American	0	0.0	1.1	1	0.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	1	0.6	2.4	6	2.7
Total Racial Minority	7	4.2	17.5	23	10.4
White	78	46.4	57.1	107	48.2
Race Not Available	83	49.4	25.4	92	41.4
Total	168	100.0	100.0	222	100.0
ETHNICITY					
Hispanic or Latino	2	1.2	2.8	4	1.8
Joint (Hisp/Lat /Not Hisp/Lat)	2	1.2	1.0	3	1.4
Total Ethnic Minority	4	2.4	3.8	7	3.2
Not Hispanic or Latino	82	48.8	70.2	119	53.6
Ethnicity Not Available	82	48.8	26.0	96	43.2
Total	168	100.0	100.0	222	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2019 and HMDA LAR Data 2019 and 2020

In 2019, the bank received 168 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 7 or 4.2 percent from minority applicants and 4 or 57.0 percent resulted in originations. The aggregate received 17.5 percent of its applications from minority consumers, of which, it originated 52.3 percent. For the same period, the bank received 4 or 2.4 percent of all applications from ethnic groups of Hispanic origin within its assessment area and all were originated, compared to an aggregate ethnic minority application rate of 3.8 percent with a 52.0 percent origination rate.

In 2020, examiners noted a positive trend as the bank received 222 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 23 or 10.4 percent from minority applicants and 14 or 60.0 percent resulted in originations. For the period, the bank received 7 or 3.2 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which it originated 5 or 71.0 percent.

The bank's 2019 and 2020 application activity reflects a reasonable racial minority application flow. Considering the assessment area's demographic composition and comparisons to 2019 aggregate data, and the positive trend in 2020, the bank's minority application flow is reasonable.

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

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

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

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

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

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