

PUBLIC DISCLOSURE

January 21, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Walpole Co-operative Bank
Certificate Number: 26487**

**982 Main St
Walpole, MA 02081**

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

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 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 reasonable 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.

Walpole Co-operative Bank's Satisfactory Community Reinvestment Act (CRA) performance under the Lending and Community Development Tests 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 ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of loans and other lending related activities in the assessment area.
- The geographic distribution reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.
- Fair Lending policies and procedures are adequate.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

Walpole Cooperative Bank (WCB) is headquartered at 982 Main Street in Walpole, Massachusetts. WCB was assigned a CRA rating of “Satisfactory” at its prior Division of Banks performance evaluation, performed on November 28, 2016. The previous rating was assigned using Interagency Intermediate Small Institution Examination Procedures. For the current evaluation, examiners used bank data and the most recent Reports of Income and Condition (Call Report), dated September 30, 2019.

Operations

WCB currently operates from a single location in Walpole, MA. The branch is located in an upper-income census tract. The bank has neither opened nor closed any branches, and no merger or acquisition activities have occurred, since the last examination.

WCB offers loan products including commercial and home mortgage loans, while primarily focusing on commercial lending. The bank offers a variety of deposit services including checking accounts, savings accounts, money market accounts, certificates of deposit, and IRAs. Alternative banking services include online and mobile banking, electronic bill pay, mobile deposit, and person-to-person payments. The bank is a member of the SUM Network and as a member, the bank’s customers can use any SUM program ATM surcharge-free.

Ability and Capacity

As of September 30, 2019, WCB’s assets totaled approximately \$510.3 million and deposits totaled \$366.6 million. The loan portfolio consisted of \$433.0 million in total loans, which represented 84.9 percent of total assets. During the evaluation period, total assets increased by 9.2 percent and total loans increased by 15.3 percent.

The bank is primarily a commercial lender, with commercial real estate loans and commercial and industrial loans totaling 45.2 percent of the loan portfolio. Home mortgage loans totaled 41.0 percent of the loan portfolio. The following table illustrates WCB’s loan portfolio as of September 30, 2019.

Loan Portfolio Distribution as of 9/30/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	60,178	13.9
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	124,163	28.7
Secured by Multi-family (5 or more) Residential Properties	53,047	12.3
Secured by Non-farm Non-Residential Properties	181,394	41.9
Total Real Estate Loans	418,782	96.7
Commercial and Industrial Loans	14,338	3.3
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	0	0.0
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	88	0.0
Total Loans	433,032	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 regulation requires financial institutions to define an assessment area within which its CRA performance will be evaluated. WCB designated a single assessment area in Massachusetts consisting of portions of Norfolk and Bristol County. The bank's assessment area includes the following towns located in Norfolk County: Bellingham, Canton, Dedham, Dover, Foxboro, Franklin, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Plainville, Sharon, Stoughton, Walpole, Wellesley, Westwood, and Wrentham, and the Bristol County town of Mansfield. There have been no changes to the assessment area since the last examination. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The income distribution of the 70 census tracts in the assessment area is as follows: one moderate-income census tract, 16 middle-income census tracts, and 53 upper-income census tracts. The moderate-income census tract is located in Stoughton.

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)	70	0.0	1.4	22.9	75.7	0.0
Population by Geography	382,264	0.0	0.4	22.2	77.4	0.0
Housing Units by Geography	142,169	0.0	0.6	24.3	75.1	0.0
Owner-Occupied Units by Geography	105,769	0.0	0.3	21.0	78.7	0.0
Occupied Rental Units by Geography	30,624	0.0	1.4	34.9	63.7	0.0
Vacant Units by Geography	5,776	0.0	1.6	28.3	70.1	0.0
Businesses by Geography	33,012	0.0	0.7	21.4	77.9	0.0
Farms by Geography	784	0.0	1.0	18.9	80.1	0.0
Family Distribution by Income Level	98,330	11.0	11.2	18.4	59.4	0.0
Household Distribution by Income Level	136,393	15.9	10.7	14.1	59.3	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$471,069
Median Family Income MSA - 39300 Providence-Warwick, RI- MA MSA		\$73,950	Median Gross Rent			\$1,290
			Families Below Poverty Level			3.0%
<i>Source: 2015 ACS Census and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2018 D&B data, there were 33,796 businesses in the assessment area. Gross annual revenues (GAR) for these businesses are below:

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

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 46.1 percent; followed by retail trade (11.6 percent); and finance, insurance, and real estate (10.0 percent). In addition, 68.2 percent of area businesses have four or fewer employees, and 88.8 percent operate from a single location.

The information in the following table will be used for comparison purposes when the bank's level of lending to home mortgage borrowers of different income levels within the assessment area is evaluated in the analysis of the borrower profile and/or when determining low- and moderate-income individuals for community development lending, investments, and services.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2017 (\$74,500)	<\$37,250	\$37,250 to <\$59,600	\$59,600 to <\$89,400	≥\$89,400
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
<i>Source FFIEC</i>				

There are 142,169 housing units within the assessment area. Of these, 74.4 percent are owner occupied, 21.5 percent are occupied rental units, and 4.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2018 year-end unemployment rate was 3.1 for the State of Massachusetts compared to 2.3 percent in Norfolk County and 3.3 percent in Bristol County.

Competition

According to the FDIC Deposit Market Share data as of June 30, 2019, 35 financial institutions operated 147 full-service branches within the assessment area. Of these institutions, Walpole Co-operative Bank ranked 14th with a deposit market share of 2.1%.

There is a high level of competition for home mortgage loans among many banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2017, 394 lenders reported 13,001 originated or purchased residential mortgage loans. The competition within the assessment area remained steady during the examination period. In 2018, 391 lenders originated or purchased 14,291 residential mortgage loans.

Walpole Co-operative Bank is not required to collect or report its small business loan data. The bank elected to collect, but not report, its small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the aggregate data reflects the level of demand for small business loans. The 2017 aggregate data shows that 128 institutions reported 30,058 small business loans in the counties of the assessment area, indicating a high degree of competition for this product.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help assess credit and community development needs. The information obtained helps

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

Examiners contacted a representative from an economic development corporation serving the assessment area. The contact indicated the need for small dollar loans, lines of credit, and SBA micro loans to assist small businesses. Additionally, the contact noted a need for financial literacy for small business owners.

A second community contact was conducted with a third party involved with community and economic development within a town of the assessment area. The contact indicated the need for an increase in affordable housing stock within the area. The contact also mentioned the need for the economic development of a neglected downtown area.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, institution management, and demographic and economic data, examiners determined that loans for economic development, particularly to small businesses, represent the primary credit and community needs of the area. Examiners also determined that there was a need for the increase of affordable housing stock.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated November 28, 2016 to the current evaluation dated January 21, 2020. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Walpole Co-operative Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. For demographic comparisons, examiners used 2015 ACS and D&B, and the U.S. Bureau of Labor Statistics. Financial data about the bank is gathered from the September 30, 2019 Call Report.

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

Loan Products Reviewed

As part of the Lending test, examiners considered small business and home mortgage loans based on the bank's business strategy and the number and dollar volume of loan originations during the evaluation period. As the bank is primarily a commercial lender, examiners attributed more weight to small business lending activity when evaluating performance during the evaluation period. Although the Lending Test reflects the number and dollar volume of loans, examiners gave more weight to the number of loans, as it better indicates the number of individuals and businesses served.

Bank records indicate 90 small business loans totaling \$21.1 million in 2017; and 68 small business loans totaling \$16.0 million in 2018. The bank is not required to, and did not elect to, report small business data; however, the bank does collect small business loan data. Therefore, examiners analyzed all small business loan activity in 2017 and 2018. Examiners considered D&B demographic data while evaluating small business lending activities. Examiners did not use aggregate data, as the bank does not report small business loan activity.

In addition, this evaluation considered all home mortgage loans reported on the bank's 2017 and 2018 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2017, the bank reported 106 loans totaling \$50.2 million, and for 2018 the bank reported 93 loans totaling \$63.2 million. Examiners used aggregate HMDA data to analyze performance.

Examiners did not consider small farm or consumer lending within the scope of the evaluation because the bank did not originate any small farm or consumer loans during the evaluation period.

The Community Development Test considered the number and dollar amount of qualified community development loans, investments, and services throughout the evaluation period.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Walpole Co-operative Bank demonstrated reasonable performance under the Lending Test. The bank's borrower profile and assessment area concentration performance provide primary support for this conclusion.

Loan-to-Deposit Ratio

The 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 109.0 percent over the past 12 calendar quarters from December 31, 2016 to September 30, 2019. The ratio ranged from a low of 101.7 on December 31, 2016 to a high of 116.5 on September 30, 2019. The ratio showed an increasing trend during the evaluation period. WCB maintained a ratio higher than that of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets as of 9/30/2019 \$(000s)	Average LTD Ratio (%)
Bridgewater Savings	622,905	90.8
Mechanics Coop	611,946	107.9
Norwood Coop	571,595	99.2
The Bank of Canton	643,963	95.9
Walpole Cooperative	510,281	109.0
<i>Source: Call Report Data</i>		

Assessment Area Concentration

The bank made a majority of small business and home mortgage loans, by number, within its assessment area. However, the bank made less than a majority by dollar volume. This is as a result of existing commercial relationships with customers that have projects outside of the assessment area. Examiners weight the number of loans higher than the dollar amount as it is seen as a more accurate measure. 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										
2017	47	44.3	59	55.7	106	17,988	35.9	32,163	64.1	50,151
2018	45	48.4	48	51.6	93	20,448	32.3	42,802	67.7	63,249
Subtotal	92	46.2	107	53.8	199	38,436	33.9	74,965	66.1	113,400
Small Business										
2017	66	73.3	24	26.7	90	13,069	61.8	8,077	38.2	21,146
2018	55	80.9	13	19.1	68	12,240	76.6	3,732	23.4	15,972
Subtotal	121	76.6	37	23.4	158	25,309	68.2	11,809	31.8	37,118
Total	213	59.7	144	40.3	357	63,745	42.4	86,774	57.7	150,518
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the assessment area. The bank’s reasonable performance of small business and home mortgage lending supports this conclusion. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

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 47.0 percent of loans in 2017 and 38.2 percent of loans in 2018 were originated to businesses with GARs of \$1 million or less. This number compares reasonably to the percent 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					
2017	83.4	31	47.0	4,995	38.2
2018	83.4	21	38.2	5,792	47.3
>1,000,000					
2017	7.4	35	53.0	8,074	61.8
2018	7.3	34	61.8	6,448	52.7
Revenue Not Available					
2017	9.2	0	0.0	0	0.0
2018	9.4	0	0.0	0	0.0
Totals					
2017	100.0	66	100.0	13,069	100.0
2018	100.0	55	100.0	12,240	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

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 2017, at 4.3 percent, is reasonable when compared to the aggregate data of 2.5 percent. A low-income family in the assessment area would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$471,069. This helps to explain the difference between bank performance of lending to low-income borrowers and the 11.0 percent of families of this income level. The bank's performance of lending to moderate-income borrowers, at 12.8 percent, is also similar to the aggregate at 11.2 percent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	11.0	2.5	2	4.3	419	2.3
2018	11.0	3.1	1	2.2	151	0.7
Moderate						
2017	11.2	11.2	6	12.8	1,040	5.8
2018	11.2	12.1	4	8.9	1,181	5.8
Middle						
2017	18.4	20.5	5	10.6	1,110	6.2
2018	18.4	20.1	8	17.8	1,901	9.3
Upper						
2017	59.4	54.9	20	42.6	9,204	51.2
2018	59.4	53.4	13	28.9	4,616	22.6
Not Available						
2017	0.0	10.9	14	29.8	6,215	34.6
2018	0.0	11.3	19	42.2	12,599	61.6
Totals						
2017	100.0	100.0	47	100.0	17,988	100.0
2018	100.0	100.0	45	100.0	20,448	100.0
<i>Source: 2015 ACS Census ; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available.</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

Geographic Distribution

The geographic distribution of loans is reviewed to assess how well the bank is addressing the credit needs of geographies of different income levels, particularly those of low- and moderate-income levels. As the bank’s assessment area contains no low-income and only one moderate-income census tract, this criterion was assigned limited weight in arriving at the overall CRA rating. In 2017 and 2018, WCB’s distribution of home mortgage loans was reasonable.

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.

Discriminatory or Other Illegal Credit Practices

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

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. No evidence of disparate treatment was noted based on these procedures.

Minority Application Flow

Examiners reviewed WCB's 2017 and 2018 HMDA LARs to determine if the application flow from different racial groups within the bank's assessment area reflected assessment area demographics. Examiners compared the bank's 2017 and 2018 residential lending to 2017 and 2018 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding the bank's minority application flow as well as the aggregate data.

MINORITY APPLICATION FLOW						
RACE	Bank 2017		2017 Aggregate Data	Bank 2018		2018 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0	0.3
Asian	0	0.0	5.4	0	0.0	6.5
Black/ African American	0	0.0	3.1	0	0.0	3.1
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	1	1.8	1.8	1	2.0	1.6
Total Minority	1	1.8	10.5	1	2.0	11.5
White	35	61.4	68.8	26	51.0	67.2
Race Not Available	21	36.8	20.7	24	47.1	21.3
Total	57	100.0	100.0	51	100.0	100.0
ETHNICITY						
Hispanic or Latino	0	0.0	2.0	0	0.0	2.6
Not Hispanic or Latino	34	59.7	76.0	27	52.9	74.3
Joint (Hisp/Lat /Not Hisp/Lat)	1	1.8	1.4	0	0.0	1.1
Ethnicity Not Available	22	38.6	20.6	24	47.1	22.0
Total	57	100.0	100.0	51	100.0	100.0

According to 2015 CS US Census data, the assessment area contained 382,264 individuals, of which 14.3% are minorities. The assessment area's minority and ethnic population is 3.4 percent Black/African American, 5.3 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 3.5 percent Hispanic or Latino, and 2.1 percent other race.

In 2017, the bank received 57 HMDA-reportable loan applications from within its assessment area. Of these applications, it received one or 1.8 percent from minority applicants. This figure is compared to aggregate data showing 10.5 percent of loan applications were received from racial minorities in the assessment area. The bank received one or 1.8 percent of its applications from ethnic groups of Hispanic and Latino origin, compared to aggregate data showing 3.4 percent of applications were received from Hispanic and Latino applicants in the assessment area.

In 2018, the bank received 51 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 1 or 2.0 percent from minority applicants, compared to aggregate data showing 11.5 percent of loan applications were received from racial minorities in the assessment area. The bank received no application from ethnic groups of Hispanic and Latino origin, compared against aggregate data showing 3.7 percent of applications received from Hispanic and Latino applicants.

COMMUNITY DEVELOPMENT TEST

The bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified donations, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 26 community development loans totaling approximately \$8.9 million during the evaluation period. This level of activity represents 1.7 percent of total assets and 2.0 percent of total loans as of the September 30, 2019 Call Report. As the bank has been responsive to the needs of its assessment area, examiners considered loans originated outside the assessment area under the Community Development Test.

The bank’s community development lending primarily financed activities that help promote affordable housing and economic development. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2016	0	0	0	0	1	214	0	0	1	214
2017	4	530	0	0	3	3,766	0	0	7	4,296
2018	6	1,292	0	0	1	581	0	0	7	1,873
YTD 2019	8	1,133	0	0	3	1,338	0	0	11	2,471
Total	18	2,955	0	0	8	5,899	0	0	26	8,854

Source: Bank Records

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

- The bank originated 5 SBA 504 loans totaling \$5.0 million to local businesses during the evaluation period. The SBA 504 program is designed to provide financing for the purchase of fixed assets (real estate, buildings, and machinery). The development of these businesses creates employment opportunities and promotes economic development.
- In 2019, the bank originated two loans totaling \$1.2 million for the construction of a Chapter 40B residential development in the assessment area. The 40B development will have a total of 100 units, of which 25 units will be affordable. The Chapter 40B program was created to increase the stock of affordable housing in municipalities where less than 10.0 percent of the housing stock is defined as affordable. The pro rata share of the loan amounts that qualify as community development is \$292,500.
- In 2018, the bank originated a \$1.5 million loan to update and improve a multifamily property. Of the ten units, four units are designated as Section 8 affordable housing for low- and moderate-income individuals. The pro rata share of the loan amount that will qualify as community development is \$600,000.

Qualified Investments

The bank made 31 qualified donations totaling \$84,550 during the current evaluation period. The bank does not have any equity investments. The bank’s donations helped promote community services to low- and moderate-income individuals.

The following table illustrates the bank’s community development donations by purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Qualified Grants & Donations	0	0	31	85	0	0	0	0	31	85

Source: Bank Records

The following are examples of the bank’s qualified donation activity.

- **Homeowner Options for Massachusetts Elders-** the mission of this organization is to assist low- and moderate-income elder homeowners successfully age-in-place. Services offered by this organization include homeowner counseling, foreclosure prevention, and economic literacy classes.
- **Three Squares New England-** this organization aims to alleviate food insecurity by fundraising to help support local hunger relief efforts; build a community that fosters collaboration learning and action; and raise awareness of the problems of food insecurity

and food waste. This organization serves a greater regional area that includes the assessment area.

- **Elder Dental Program-** this nonprofit community-based program based in Norfolk County helps low-income individuals aged 60 and older access dental care at greatly reduced costs. The program relies on a network of local dentists who volunteer to treat low-income older adults.

Community Development Services

During the evaluation period, bank management provided 12 instances of financial expertise or technical assistance to three different community development organizations. 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	Totals
	#	#	#	#	#
2016	0	1	1	0	2
2017	2	1	1	0	4
2018	1	1	1	0	3
YTD 2019	1	1	1	0	3
Total	4	4	4	0	12
<i>Source: Bank Records</i>					

Below are some examples of the bank’s community development services.

- **Health and Social Services Consortium (HESSCO)** - this organization’s Money Management Program primarily assists low-income individuals who have difficulty paying their bills or managing their money. A VP of the bank served on the organization’s Money Management Advisory Board during the evaluation period.
- **Bay Colony Development Corporation** – Bay Colony is a certified community development corporation whose purpose is to stimulate economic development through the creation and preservation of jobs by providing companies with fixed asset financing at affordable rates and reasonable terms. An SVP of the bank serves on the organization’s Advisory Board.
- **Neighborworks of Southern New England-** this organization’s mission is to promote safe and affordable housing to low- and moderate-income individuals. Programs offered include financial counseling, homebuyer education, rental assistance, Section 8 housing, and homeless prevention. Over the evaluation period, bank employees taught a total of 4 first-time homebuyer workshop to the organization’s clients.

Other Services

- **Massachusetts Community & Banking Council-** This statewide program encourages banks to offer low cost checking and savings accounts to low- and moderate-income individuals. The bank's checking and savings accounts meet the program's guidelines.

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 refinancing 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, 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)."

[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.