

PUBLIC DISCLOSURE

November 14, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Webster Five Cents Savings Bank
Certificate Number: 90297

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Webster, Massachusetts 01570

Division of Banks
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Federal Deposit Insurance Corporation
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New York, New York 10118

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

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INSTITUTION RATING

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

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

The Lending Test is rated High Satisfactory.

- Lending levels reflect adequate responsiveness to the assessment area’s credit needs.
- The institution originated an adequate percentage of loans in the assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution uses innovative and/or flexible lending practices in order to meet the assessment area’s needs.

- The institution has made a relatively high level of community development loans.

The Investment Test is rated Outstanding.

- The bank made an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The institution makes significant use of innovative and/or complex investments to support community development initiatives

The Service Test is rated Outstanding.

- Delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The institution is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Background

Webster Five Cents Savings Bank (WebFive) is a state-chartered savings bank headquartered in Webster, Massachusetts (MA). The bank is wholly-owned by WebFive Financial Services, Inc., which is wholly-owned by WebFive Mutual Holding Company (MHC). The bank received a “Satisfactory” rating from the FDIC and a High Satisfactory from the Massachusetts Division of Banks during its prior joint CRA evaluation, dated March 11, 2019, based on Interagency Large Institution Examination Procedures.

Operations

WebFive operates seven full-service branches, which includes the main office, primarily serving southern and central communities in MA. In addition to the main office in Webster, the branches are located in Auburn, Dudley, Oxford, Shrewsbury, and Worcester (2). The bank did not open or close any branches and no merger or acquisition activities have occurred, since the last evaluation.

The bank offers residential, commercial, and consumer loans with a continued primary focus on residential and commercial lending. The bank offers a variety of consumer and commercial deposit services including checking, savings, money market, certificates of deposit, and individual retirement accounts. Alternative banking services include automated teller machines (ATMs), internet, mobile and telephone banking, remote deposit capture, and person-to-person payment features.

Ability and Capacity

As of September 30, 2022, the bank had total assets of \$1.1 billion and total deposits of \$933.0 million. Assets included total loans of \$799.1 million and total securities of \$215.3 million. Assets increased by approximately \$239.5 million, or 28.2 percent since December 31, 2018 (the last quarter utilized at the prior evaluation). Asset growth was driven primarily by an increase in the bank’s loan portfolio due to the bank’s active participation in the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). During the COVID-19 pandemic, banks offered these non-revenue based loans to support small businesses. Total loans increased by approximately \$121.5 million, or 17.9 percent, and securities increased by approximately \$93.6 million, or 76.9 percent, over the evaluation period. The following table illustrates the bank’s loan portfolio.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	122,078	15.9
Secured by Farmland	904	0.1
Secured by 1-4 Family Residential Properties	196,564	25.6
Secured by Multifamily (5 or more) Residential Properties	66,556	8.7
Secured by Nonfarm Nonresidential Properties	303,878	39.5
Total Real Estate Loans	689,980	89.7
Commercial and Industrial Loans	35,839	4.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	5,020	0.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	38,065	5.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	768,904	100.0
<i>Source: Reports of Condition and Income</i>		

The bank provides for the credit needs of its communities in a manner consistent with its size, financial condition, resources, and local economic conditions. Although examiners did not identify any financial or legal impediments that affect the bank's ability to meet the assessment area's credit needs, several economic and demographic indicators, such as COVID-19, low interest rates, and economic relief packages affected lending opportunities.

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. WebFive designated one contiguous assessment area within the Worcester, MA-Connecticut (CT) Metropolitan Statistical Area (MSA). WebFive has not changed its assessment area since the prior evaluation. The following table details the cities and towns in the bank’s assessment area.

Massachusetts (Worcester, MA-CT MSA)		
Auburn	Leicester	Sutton
Boylston	Millbury	Webster
Charlton	Northborough	West Boylston
Douglas	Oxford	Westborough
Dudley	Paxton	Worcester
Grafton	Shrewsbury	
Holden	Southbridge	
Connecticut (Worcester, MA-CT MSA)		
Putnam	Thompson	Woodstock

Economic and Demographic Data

WebFive’s assessment area consists of 101 census tracts with the following income designations according to 2015 American Community Survey (ACS) data:

- 15 low-income census tracts,
- 19 moderate-income census tracts,
- 35 middle-income census tracts,
- 29 upper-income census tracts, and
- 3 census tracts with no income designation.

The 15 low-income tracts are located in Southbridge (2) and Worcester (13). The 19 moderate-income census tracts are located in Dudley (1), Millbury (1), Putnam (1), Southbridge (1), Webster (3), and Worcester (12). The three census tracts with no income designation are the College of the Holy Cross, Clark University, and Saint Vincent Hospital. There are no underserved- or distressed-nonmetropolitan middle-income geographies inside the bank’s assessment area, nor is there a designated disaster area.

The assessment area contains nine census tracts designated as Qualified Opportunity Zones (QOZ). QOZs are economically distressed communities approved by the United States (U.S.) Department of Treasury, with the intent of spurring economic development and job creation. Specifically, the QOZs are in Southbridge (2), Webster (1), and Worcester (6). 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)	101	14.9	18.8	34.7	28.7	3.0
Population by Geography	464,186	13.0	16.7	37.8	31.4	1.0
Housing Units by Geography	187,192	13.9	17.9	38.4	29.0	0.8
Owner-Occupied Units by Geography	105,265	4.2	11.3	45.8	38.6	0.1
Occupied Rental Units by Geography	66,701	28.4	26.5	27.2	16.1	1.8
Vacant Units by Geography	15,226	17.8	25.6	36.5	18.5	1.6
Businesses by Geography	38,840	9.9	15.1	34.5	35.9	4.5
Farms by Geography	917	4.0	8.8	44.4	42.1	0.7
Family Distribution by Income Level	112,390	23.6	16.6	19.5	40.3	0.0
Household Distribution by Income Level	171,966	27.2	14.7	17.1	41.0	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$246,608
			Median Gross Rent			\$958
			Families Below Poverty Level			9.1%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criteria compares home mortgage lending to the distribution of owner-occupied housing units. As shown in the table above, a significantly lower percentage of owner-occupied housing units are located within the low- and moderate-income census tracts when compared to middle- and upper-income census tracts. Conversely, these same tracts also have larger percentages of the area’s rental and vacant units, thus, limiting mortgage lending opportunities in those areas.

In addition, according to The Warren Group, the median price of homes in Worcester County increased significantly during the evaluation period, rising to an average price of \$385,000 year-to-date in 2022. This factor suggests an expensive housing market, which also presents challenges for low- and moderate-income individuals to obtain home purchase loans, especially with 9.1 percent of families in the assessment area living below the poverty level.

According to 2021 D&B data, 38,840 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 85.8 percent have \$1.0 million or less,
- 4.8 percent have more than \$1.0 million, and
- 9.4 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criteria compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 39.1 percent, followed by non-classifiable establishments at 16.8 percent, retail trade at 11.9 percent, and finance, insurance, and real estate at 10.1 percent. The majority of non-farm businesses in the assessment area are considered small, with the majority (89.5 percent) operating with nine or fewer employees, and the majority (89.9 percent) operating from a single location. Additionally, 82.9 percent of the businesses in the assessment area have GARs of less than \$0.5 million.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation period. The increase resulted from the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, the unemployment rate in Worcester County was 16.3 percent. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Worcester County	3.3	9.3	5.9
Massachusetts	2.6	6.7	3.5
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

Examiners used the 2019, 2020, and 2021 Federal Financial Institutions Examination Council’s (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 for the Worcester, MA-CT MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source: FFIEC</i>				

Competition

The bank operates in a competitive market for financial services in the assessment area. According to Deposit Market Share data as of June 30, 2022, 32 financial institutions operated 220 branches within the assessment area. Of these institutions, WebFive ranked 10th with a 3.6 percent deposit

market share. The top three financial institutions, Bank of America, N.A., Berkshire Bank, and TD Bank, N.A., collectively held 35.0 percent deposit market share.

The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and community banks. In 2021, aggregate home mortgage lending data showed 457 lenders originated or purchased 20,540 home mortgage loans in the assessment area. WebFive ranked 23rd with a 1.1 percent market share and 2nd among community banks outperformed by Cornerstone Bank which was ranked 18th with 1.6 percent market share. Lenders that ranked higher were primarily mortgage companies and large national lenders. The top five lenders, Rocket Mortgage; Fairway Independent Mortgage Corporation; United Wholesale Mortgage; NewRez LLC; and US Bank, N.A.; collectively held 20.1 percent market share.

The assessment area is also extremely competitive for small business lending. In 2020, aggregate small business lending data, showed 151 lenders originated or purchased 19,506 small business loans in the assessment area. WebFive ranked 18th with a 1.5 percent market share. The top three lenders American Express National Bank; Bank of America, N.A.; and Synchrony Bank, collectively held 31.4 percent of the market share. WebFive ranked 3rd among community banks out performed by larger community banks; Avidia Bank and Berkshire Bank ranked 7th and 13th, respectively.

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. Examiners utilized two recent contacts, both from nonprofit organizations.

One contact was a local nonprofit organization dedicated to managing and developing affordable housing properties in the city of Worcester and surrounding areas. The contact explained that affordable housing is a critical need in the area. Given the area's high housing prices, it is often difficult for elderly, disabled, and low-income individuals to afford housing. Additionally, the affordable housing stock in the area requires renovation. The contact also emphasized the continued negative impact of the COVID-19 pandemic on low- and moderate -income individuals due to employment instability. Furthermore, the contact stated there is a need for adult and youth financial literacy programs in the area.

The other contact represented a community development financial institution (CDFI) that supports entrepreneurs, local economies, and small businesses in MA and Rhode Island (RI). The organization services support primarily small businesses and start-ups that have been denied for traditional financing. The contact noted the post-pandemic economic conditions continue to present challenges for small businesses. The contact also suggested commercial lending products with no prepayment penalties could benefit low- and moderate -income entrepreneurs. Additionally, the contact stated that a need exists for grants, monetary donations, and financial literacy education programs for commercial borrowers.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contacts and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, financial literacy, and increased community organization financial support and partnerships are primary community development needs. In addition, examiners determined that there is a need for flexible lending programs, grants, and financial literacy programs for small businesses.

Pandemic relief through community development programs remained as a need for residents and businesses throughout much of the evaluation period. Financial institutions had many opportunities to provide much needed grants to community development organizations that provide affordable housing and community services to low- and moderate -income individuals who have been negatively impacted by the COVID-19 pandemic. Finally, economic development opportunities existed in the form of flexible lending programs, grants, and financial literacy for small business owners.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated March 11, 2019, to the current evaluation dated November 14, 2022. Examiners used the Interagency Large Institution Examination Procedures to evaluate WebFive's CRA performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

Activities 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. The bank did not originate any small farm loans during the evaluation period. No other loan types, such as consumer loans, represent a major product line and therefore, are not presented.

Examiners considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 435 home mortgage loans totaling \$123.1 million in 2019, 737 loans totaling approximately \$228.4 million in 2020, and 414 loans totaling approximately \$138.0 million in 2021. Examiners compared the bank's 2019, 2020, and 2021 home mortgage performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Examiners also compared 2019, 2020, and 2021 home mortgage performance to the 2015 ACS demographic data.

Examiners considered all small business loans reported on the bank's 2019, 2020, and 2021 CRA Loan Registers. The bank reported 63 small business loans totaling \$14.9 million in 2019, 360 loans totaling \$31.1 million in 2020, and 220 loans totaling \$22.6 million in 2021. Examiners compared the bank's 2019 and 2020 small business performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2021. It should be noted that small business aggregate lending data is based upon full counties and is not assessment area specific. However, WebFive's assessment area does not include full counties. Examiners also compared 2019, 2020, and 2021 small business performance to D&B business demographic data.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage and small business loans originated in 2019, 2020, and 2021. The bank originated or purchased significantly more home mortgage loans by number and dollar amount than small business loans during the evaluation period; therefore, examiners assigned more weight to the bank's home mortgage lending performance when arriving at overall conclusions and ratings. Although examiners presented the number and dollar volume, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served.

Examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals and small businesses, delivery systems for providing retail-banking services, including branches and alternative delivery systems, and the impact of any branch openings and closings during the evaluation period.

Examiners also reviewed community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices from March 11, 2019 through the current evaluation date of November 14, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WebFive's Overall Lending Test performance is rated High Satisfactory. The bank's good performance in Geographic Distribution, Borrower Profile, Innovative and Flexible Lending Practices and Community Development Lending support this rating.

Lending Activity

WebFive's lending activity reflects adequate responsiveness to the assessment area's credit needs, considering the institution's size, loan portfolio composition, and competition for loans.

For home mortgage lending, loan volume increased significantly from 2019 to 2020. Sustained low mortgage interest rates and increased home sales during 2020 contributed to the increase in home mortgage lending volume. WebFive's market share improved from 1.1 percent in 2019 to 1.9 percent in 2020, ranking 1st among community banks. Conversely, in 2021, home mortgage lending declined slightly from 2020, and the bank's market share declined to 1.1 percent in 2021, ranking 2nd among community banks. This decline was due to interest rates stabilizing, as they had previously been at historic lows. Consequently, the number of refinance transactions slowed and purchase transactions remained stable due to lack of inventory.

For small business lending, loan volume by number and dollar increased significantly in 2020 and 2021 over 2019. In 2019, the bank ranked 39th out of 130 small business lenders with a 0.3 percent market share. WebFive's ranking improved in 2020 to 18th out of 151 small business lenders, with a market share of 1.5 percent. Further, the bank ranked 4th among community banks in 2019 and 3rd in 2020. The increases were due to the bank's active participation in the SBA PPP. In 2020, the bank originated 336 PPP loans in the assessment area totaling \$26.2 million. Although loan volume by number declined in 2021 to 220 loans, this was due to the SBA PPP ending mid-year. The total dollar amount in 2021 also declined to \$22.6 million in the assessment area.

Assessment Area Concentration

The bank made an adequate percentage of loans in the assessment area. The following table illustrates the distribution of the bank's lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	186	42.8	249	57.2	435	39,381	32.0	83,692	68.0	123,072
2020	477	64.7	260	35.3	737	116,965	51.2	111,472	48.8	228,437
2021	295	71.3	119	28.7	414	87,731	63.6	50,291	36.4	138,022
Subtotal	958	60.4	628	39.6	1,586	244,077	49.9	245,454	50.1	489,530
Small Business										
2019	47	74.6	16	25.4	63	9,066	60.6	5,892	39.4	14,958
2020	291	80.8	69	19.2	360	23,790	76.4	7,353	23.6	31,143
2021	185	84.1	35	15.9	220	17,629	78.0	4,959	22.0	22,588
Subtotal	523	81.3	120	18.7	643	50,485	73.5	18,204	26.5	68,689
Total	1,481	66.4	748	33.6	2,229	294,562	52.8	263,658	47.2	558,219
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

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

Home Mortgage

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The bank maintains two branches located in low-income tracts which are easily accessible to the majority of low-income census tracts within the assessment area. The following table shows that, in 2019, the bank's lending in low-income census tracts exceeded demographics, but trailed aggregate. Although lending increased in 2020 and 2021, the bank fell below demographics and remained below aggregate both years. WebFive was the 2nd ranked community bank lending in low-income census tracts throughout the evaluation period.

In moderate-income census tracts, the bank exceeded demographics in 2019 and 2021. The bank also exceeded aggregate in 2019 and was comparable in 2021. Although lending increased in 2020, the bank fell slightly below demographics, but exceeded aggregate performance. According to market share reports, WebFive ranked in the top 10 percent of banks' lending in moderate-income census tracts and was the top ranked community bank throughout the evaluation period, which further supports the conclusion.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.2	6.1	9	4.8	3,943	10.0
2020	4.2	4.7	17	3.6	3,489	3.0
2021	4.2	5.7	12	4.1	5,051	5.8
Moderate						
2019	11.3	12.3	30	16.1	4,997	12.7
2020	11.3	10.2	53	11.1	10,288	8.8
2021	11.3	11.9	35	11.9	23,286	26.5
Middle						
2019	45.8	42.2	104	55.9	19,411	49.3
2020	45.8	41.2	241	50.5	54,110	46.3
2021	45.8	42.3	185	62.7	41,480	47.3
Upper						
2019	38.6	39.2	43	23.1	11,031	28.0
2020	38.6	43.8	165	34.6	48,979	41.9
2021	38.6	39.9	63	21.4	17,914	20.4
Not Available						
2019	0.1	0.2	0	0.0	0	0.0
2020	0.1	0.1	1	0.2	100	0.1
2021	0.1	0.1	0	0.0	0	0.0
Totals						
2019	100.0	100.0	186	100.0	39,381	100.0
2020	100.0	100.0	477	100.0	116,965	100.0
2021	100.0	100.0	295	100.0	87,731	100.0
Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The geographic distribution of small business loans reflects adequate penetration. As shown in the following table, in 2019 and 2020, lending in low-income tracts trailed aggregate performance and demographics. In 2021, lending in low-income tracts increased exceeding demographics. The bank's lending performance in moderate-income census tracts in 2019 was comparable to demographics and exceeded aggregate. In 2020, lending increased significantly, exceeding demographics and aggregate. In 2021, lending performance exceeded demographics. The increased lending activity in 2020 and 2021 was largely due to PPP lending.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	9.7	8.2	2	4.3	137	1.5
2020	9.6	9.9	19	6.5	1,088	4.6
2021	9.9	--	23	12.4	1,624	9.2
Moderate						
2019	15.0	14.2	7	14.9	1,987	21.9
2020	15.0	13.9	62	21.3	5,458	22.9
2021	15.1	--	37	20.0	3,077	17.5
Middle						
2019	34.4	35.9	28	59.6	5,758	63.5
2020	34.6	32.1	135	46.4	9,129	38.4
2021	34.5	--	82	44.3	8,736	49.6
Upper						
2019	36.3	38.3	6	12.8	785	8.7
2020	36.2	40.2	59	20.3	5,236	22.0
2021	35.9	--	31	16.8	3,459	19.6
Not Available						
2019	4.6	3.4	4	8.5	399	4.4
2020	4.7	3.9	16	5.5	2,879	12.1
2021	4.5	--	12	6.5	733	4.2
Totals						
2019	100.0	100.0	47	100.0	9,066	100.0
2020	100.0	100.0	291	100.0	23,790	100.0
2021	100.0	--	185	100.0	17,629	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among individuals of different income levels and businesses of different sizes. The bank's good performance in home mortgage lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage

The distribution of home mortgage loans reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. During the evaluation period, lending to low-income borrowers was below aggregate performance in 2019 and 2020 and was significantly below demographics. In 2021, according to market share data, the bank was the top ranked community bank and the bank's performance exceeded aggregate, but remained below demographics. However, as noted previously, low-income families in the assessment area, earning less than \$48,350, would have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$246,608. Additionally, 9.1 percent of all families in the assessment area live below the poverty level.

Lending to moderate-income borrowers during the evaluation period exceeded demographics and aggregate performance in all three years. WebFive ranked in the top 10 percent of banks' lending in moderate-income census tracts throughout the evaluation period and was the top ranked community bank in 2019 and 2020. In 2021 the bank ranked 2nd among community banks, outperformed by Cornerstone Bank.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.6	7.0	6	3.2	659	1.7
2020	23.6	4.8	15	3.1	2,144	1.8
2021	23.6	5.7	20	6.8	2,989	3.4
Moderate						
2019	16.6	22.1	47	25.3	6,499	16.5
2020	16.6	19.3	97	20.3	18,071	15.5
2021	16.6	19.6	62	21.0	11,750	13.4
Middle						
2019	19.5	23.2	55	29.6	9,949	25.3
2020	19.5	23.1	129	27.0	29,089	24.9
2021	19.5	23.3	80	27.1	17,915	20.4
Upper						
2019	40.3	33.4	56	30.1	15,308	38.9
2020	40.3	38.9	197	41.3	57,291	49.0
2021	40.3	35.4	109	36.9	29,971	34.2
Not Available						
2019	0.0	14.4	22	11.8	6,965	17.7
2020	0.0	13.9	39	8.2	10,371	8.9
2021	0.0	16.0	24	8.1	25,106	28.6
Totals						
2019	100.0	100.0	186	100.0	39,381	100.0
2020	100.0	100.0	477	100.0	116,965	100.0
2021	100.0	100.0	295	100.0	87,731	100.0
<i>Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects, given the product lines offered by the institution adequate penetration of loans to businesses with GARs of \$1.0 million or less. In 2019, the bank's lending was well below demographics and aggregate performance. In 2020, lending activity increased significantly, primarily due to PPP lending, exceeding aggregate performance, but remaining below demographics.

Although lenders were not required to collect GARs for PPP loans, WebFive collected the GARs in 2020, but not in 2021, which explains the apparent decrease in lending to businesses with GARs of

\$1.0 million or less in 2021. Therefore, examiners evaluated PPP loans using loan size as a proxy for those with revenues not available in 2021. Of the 156 PPP loans originated in 2021, 124 PPP loans had loan sizes of \$100,000 or less, indicating that the bank helped serve the needs of small businesses in the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	83.7	44.0	7	14.9	625	6.9
2020	84.7	32.9	212	72.9	8,137	34.2
2021	85.8	--	11	5.9	499	2.8
>\$1,000,000						
2019	6.0	--	40	85.1	8,441	93.1
2020	5.5	--	79	27.1	15,653	65.8
2021	4.8	--	18	9.7	2,855	16.2
Revenue Not Available						
2019	10.4	--	0	0.0	0	0.0
2020	9.8	--	0	0.0	0	0.0
2021	9.4	--	156	84.3	14,275	81.0
Totals						
2019	100.0	100.0	47	100.0	9,066	100.0
2020	100.0	100.0	291	100.0	23,790	100.0
2021	100.0	--	185	100.0	17,629	100.0
<i>Source: 2019, 2020, & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative or Flexible Lending Practices

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. The bank originated 617 innovative or flexible loans, totaling approximately \$57.1 million, to individuals and businesses during the evaluation period. This is a significant increase from the previous evaluation when the bank originated 77 innovative or flexible loans totaling \$5.3 million. The increase was primarily due to PPP loans. Of these innovative and flexible loans, the bank extended approximately \$26.7 million through residential, \$30.3 million through small business, and \$12,300 through consumer lending programs. All programs are available throughout the bank's assessment area. The following table details the bank's innovative and flexible lending programs with originations from March 11, 2019 through November 14, 2022.

Innovative or Flexible Lending Programs										
Type of Program	2019		2020		2021		2022		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Massachusetts Housing Finance Agency(MHFA) Homebuyer Program	4	937	10	2,733	3	480	5	1,419	22	5,569
Fannie Mae HomeReady	0	0	3	507	7	1,568	4	1,063	14	3,138
Freddie Mac HomePossible	0	0	3	507	7	1,398	2	243	12	2,148
Federal Housing Administration (FHA) Loan Program	8	2,077	2	396	3	999	0	0	13	3,472
Veteran's Administration (VA) Loan Program	1	332	3	788	2	567	0	0	6	1,687
Webster Five Community Loan Program	0	0	0	0	42	7,392	14	3,310	56	10,702
Subtotal Residential Loans	13	3,346	21	4,931	64	12,404	25	6,035	123	26,716
SBA 504	9	845	0	0	7	858	0	0	16	1,703
Paycheck Protection Program (PPP) Loans	0	0	253	9,722	191	18,913	0	0	444	28,635
Subtotal Commercial Loans	9	845	253	9,722	198	19,771	0	0	460	30,338
Webster Five First Step Program	8	7	3	3	23	2	0	0	34	12
Subtotal Consumer Loans	8	7	3	3	23	2	0	0	34	12
Totals	30	4,198	277	14,656	285	32,177	25	6,035	617	57,066
<i>Source: Bank Data</i>										

The following summarizes several of the bank's innovative and/or flexible programs.

Residential Lending Programs

- **Massachusetts Housing Finance Agency (MHFA) Homebuyer Program** – This program provides below-market rate mortgages to income-eligible borrowers to purchase or refinance a home. The program also offers low down payment requirements and flexible underwriting guidelines, including mortgage insurance programs.
- **Fannie Mae HomeReady** – This program offers a low down payment as low as 3.0 percent and credit flexibilities to low-income borrowers to purchase a home.
- **Freddie Mac HomePossible** – This program offers low down payments as low as 3.0 percent and credit flexibilities to very low- and low-income borrowers to purchase a home.

- ***Webster Five Community Loan Program*** – The bank offers a \$500 closing credit to any borrower who makes 80.0 percent or less of area median income.

Small Business Lending Programs

- ***SBA 504 Certified Development Company (CDC) Program*** – The SBA 504 CDC Program is an economic development program offering small business financing while promoting job growth and creating jobs. This program provides approved small businesses with long-term, fixed-rate financing for acquiring fixed assets for business expansion or modernization.
- ***SBA Paycheck Protection Program (PPP)*** – The SBA created the PPP in April 2020 to incentivize small businesses to keep workers employed during the COVID-19 pandemic.

Consumer Lending Programs

- ***Webster Five First Step Program*** – The bank offers this fixed-rate, unsecured small dollar installment loan product. The loans help individuals establish or improve their credit history.

Community Development Loans

WebFive made a relatively high level of community development loans. The bank originated 48 community development loans totaling approximately \$88.0 million during the evaluation period, which represents 8.9 percent of average total assets and 11.9 percent of average total loans. The total volume of community development lending is significantly greater than the previous evaluation, where the bank originated 12 loans totaling \$15.4 million. This increase is attributed to the bank's growth and expanding loan portfolio, specifically commercial lending. Compared to similarly situated institutions, the bank's number and volume of community development loans exceeded all three institutions. Comparable institutions were selected based on asset size, geographic location, and lending focus.

Of the 48 community development loans, 30 totaling \$37.5 million supported affordable housing for low- and moderate-income individuals. Affordable housing was identified as the primary community development need by the community contact. The following table illustrates the bank's community development loans by year and community development category.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	6	16,435	7	15,950	0	0	0	0	13	32,385
2020	12	7,361	1	300	1	158	1	5,000	15	12,819
2021	10	13,224	4	14,051	0	0	0	0	14	27,275
YTD 2022	2	491	3	10,507	0	0	1	4,537	6	15,535
Total	30	37,511	15	40,808	1	158	2	9,537	48	88,014
<i>Source: Bank Data</i>										

The following are notable examples of the bank’s community development loans:

- In 2019, the bank originated a \$3.0 million loan to a nonprofit organization to purchase a rehabilitation and skilled care facility. The organization provides long-term care to low-income seniors and veterans.
- In 2020, the bank originated five loans totaling approximately \$1.6 million to a nonprofit organization supporting the needs of women in central MA. More than 80 percent of those served are of low-income. The funds support building renovations to increase the number of short-term affordable housing units from 41 to 47 units. Of these 47 units, 40 units are for low-income households and 7 units for moderate-income households.
- In 2021, the bank originated a \$13.0 million loan to a nonprofit organization supporting education in Worcester, MA. The funds will be used to renovate an existing school to increase capacity. The majority (70.2 percent) of students are eligible for free or reduced price lunch.

INVESTMENT TEST

The bank’s Investment Test performance is rated Outstanding. The following sections discuss the bank’s performance under each criterion.

Investment Activity

The institution has an excellent level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 257 qualified investments totaling approximately \$20.9 million. The total dollar amount of qualified investments equates to 2.1 percent of average total assets and 13.2 percent of average total securities since the previous evaluation. This total includes qualified equity investments of \$20.1 million and donations of approximately \$849,000. Previously, the bank had 208 qualified investments and donations totaling approximately \$2.9 million. The bank’s 88.0

percent increase in qualified investments and donations is significantly higher than the bank’s 17.2 percent increase in total assets.

A majority of investments and donations, by dollar volume, supported community services for low- and moderate-income individuals in the assessment area. When compared to similarly situated institutions, the bank’s investment activity exceeded that of three institutions. Comparable institutions were selected based on asset size, geographic location, and lending focus. 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	7	787	0	0	0	0	0	0	7	787
03/11/2019 – 12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	2	7,900	0	0	0	0	2	7,900
2021	1	1,583	0	0	0	0	0	0	1	1,583
YTD 2022	0	0	1	9,810	0	0	0	0	1	9,810
Subtotal	8	2,370	3	17,710	0	0	0	0	11	20,080
Qualified Grants & Donations	15	97	223	729	7	20	1	3	246	849
Total	23	2,467	226	18,439	7	20	1	3	257	20,929

Source: Bank Data

Equity Investments

The bank has 11 qualified equity investments totaling approximately \$20.1 million. Four investments totaling \$19.3 million are new and seven investments totaling \$787,000 remain from the prior period. The total dollar amount of equity investments equates to 2.1 percent of average total assets and 9.8 percent of average total securities since the previous evaluation. Investment activity has significantly increased since the last evaluation. The following are examples of the new equity investments.

- In 2022, the bank purchased a \$9.8 million bond for the YMCA of Central Massachusetts through the Massachusetts Development Finance Agency. The purpose of the bond is to expand and upgrade branch locations of the YMCA of Central Massachusetts. The YMCA of Central Massachusetts has three locations in low-income census tracts and one location in a moderate-income census tract.
- In 2021, the bank purchased a \$1.6 million Massachusetts Housing Finance Agency affordable housing bond. The funds from the bond will be used to finance the acquisition and rehabilitation of 1-4 family dwellings that will be occupied by low- to moderate-income individuals and families.

Donations

During the evaluation period, WebFive made approximately \$849,000 in qualified donations. This dollar volume of activity is higher than the prior evaluation by \$336,000. The majority of the bank's CRA qualified donations supported community service organizations that primarily serve low- and moderate-income individuals. The following are notable examples of qualified donations.

- ***Worcester County Food Bank (WCFB)*** – In 2021, the bank donated \$20,000 to WCFB. WCFB provides food to local pantries and community meal programs to low- and moderate-income families in Worcester County.
- ***CASA Project Inc. (CASA)*** – In 2020, the bank donated \$7,000 to the CASA Project Inc., which advocates for abused and neglected children within the Worcester County juvenile court system. CASA advocates for any medical, mental health, and educational services that children need while in foster care.
- ***Worcester Community Housing Resources (WCHR)*** – During the evaluation period, the bank donated \$31,500 to WCHR, an organization that focuses on creating affordable housing opportunities for low- and moderate-income individuals living within greater Worcester County. WCHR provides opportunities for home ownership and rental units for low- and moderate-income individuals, families, and special needs populations.
- ***Habitat for Humanity*** – During the evaluation period, the bank donated \$11,000 to Habitat for Humanity, contributing to the organization's MetroWest and Greater Worcester areas. Habitat for Humanity partners with volunteers and families to build houses for low- and moderate-income families that earn 30 to 60 percent of the area's median income and are unable to qualify for traditional house-buying programs.

Responsiveness to Credit and Community Development Needs

The institution exhibits good responsiveness to credit and economic development needs. The bank provided approximately \$18.4 million in investments and donations for community service-related initiatives that serve low- and moderate-income individuals and families. The bank also made investments and donations that supported affordable housing activities. The community contact noted the need for additional affordable housing in the assessment area.

Community Development Initiatives

The institution makes significant use of innovative and/or complex investments to support community development initiatives. During the current evaluation period, the bank invested in three Massachusetts Development Finance Agency tax bonds that promote community service activities in low- and moderate-income areas and one Massachusetts Housing Finance Agency bond that promotes affordable housing for low- and moderate-income individuals.

SERVICE TEST

The bank’s overall Service Test performance is rated Outstanding. The follow sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank’s assessment area. WebFive operates seven full-service branches, two of which are located in low-income census tracts. Of the seven branches, six locations offer drive-up window and ATM services.

The following table illustrates the branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	15	14.9	26,251	23.6	2	28.6	3	23.1
Moderate	19	18.8	18,646	16.6	0	0.0	0	0.0
Middle	35	34.7	21,936	19.5	4	57.1	8	61.5
Upper	29	28.7	42,287	40.3	1	14.3	2	15.4
NA	3	2.9	0	0.0	0	0.0	0	0.0
Total	101	100.0	112,390	100.0	7	100.0	13	100.0

Source: 2015 ACS Data; Bank Data

As the table above illustrates, the distribution of branches and ATMs in the low-income census tracts is above the both the percentage of low-income census tracts and the percentage of low-income population residing in these tracts. Conversely, the distribution among moderate-income census tracts is below the percentage of population residing in these tracts and the percentage of moderate-income census tracts in the assessment area.

WebFive’s two Worcester branches, which are both located in low-income census tracts, are easily accessible to 13 low-income census tracts that account for a majority of the low-income tracts in the assessment area. Although the bank does not have a branch in a moderate-income census tract, the bank’s Worcester, Webster, and Dudley branches are all easily accessible to those that live in 14 of the moderate-income census tracts in the assessment area. In addition to having high concentrations of low- and moderate-income census tracts, the cities of Worcester and Webster are also designated QZs. Many of these opportunity zones have the lowest median family incomes within Worcester County. The Worcester and Webster branches are located within and adjacent to these QZs. These branch locations demonstrate accessibility of banking services available to low- and moderate-income individuals and businesses.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income geographies and/or to low- and moderate-income individuals. During the evaluation period, the bank did not open, close, or relocate any branch locations.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. All seven of the bank's branch locations offer the same business hours, operating Monday through Friday from 9:00 AM to 4:00 PM, and Saturday from 9:00 AM to 1:00 PM. All branch locations have 24-hour walk-up ATM access. Six of the seven branch locations also maintain extended drive-up hours on Thursday and Friday from 9:00 AM to 5:00 PM, as well as drive up ATM services.

In addition to its branches and ATMs, WebFive offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers no minimum balance checking and savings accounts as well as personal and business online and mobile banking, 24-hour telephone banking, person to person transfers, remote deposit capture, and remote wallet. The bank is also part of the SUM network, which offers surcharge free ATM transactions at participating ATM locations within its network.

WebFive also offers deposit products that meet the Basic Banking for Massachusetts guidelines of no- or low-cost accounts to encourage those with modest incomes to establish banking relationships. These products provide opportunities for those unbanked and underbanked to more easily enter mainstream banking. In addition, the bank established the "First Step" Loan program, which was designed to offer an opportunity for new and/or underbanked consumers to apply for a small dollar (\$300-\$1,000) loan to help either establish a formal credit history or obtain funds for small purchases or emergency needs.

The bank also employs several bilingual employees that serve the community. Languages spoken at WebFive include Albanian, Greek, Gujarati, Italian, Polish, Russian, Spanish, and Vietnamese. Many of the bilingual employees work in the bank's Front Street and Chandler Street locations, which are located in close proximity to a majority of the bank's low- and moderate-income census tracts.

Community Development Services

The institution is a leader in providing community development services. A majority of the bank's community development service activity consists of employees serving on the boards of local community development organizations in the assessment area. The bank provided 143 instances, or approximately 3,254 hours, of community development services to 36 organizations. This level of

community development services is consistent with the previous evaluation. Examiners also considered the impact of the COVID-19 pandemic and the bank’s inability to provide services to organizations in person for a portion of the evaluation period. The bank’s level of service activity was also higher than that of three similarly situated institutions. The following table summarizes 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
	#	#	#	#	#
03/11/2019-12/31/2019	3	27	3	0	33
2020	2	26	4	0	32
2021	3	32	6	0	41
YTD 2022	3	28	6	0	37
Total	11	113	19	0	143
<i>Source: Bank Data</i>					

The following are examples of community development services provided.

- **Central Massachusetts Housing Alliance (CMHA)** – A loan officer of the bank serves on the Board of Directors for the Central Massachusetts Housing Alliance. The CMHA helps the Greater Worcester community by providing homelessness prevention programs, ensuring the availability of high-quality support services, and promoting access to decent affordable housing through education.
- **Worcester Business Development Corporation (WBDC)** – The President of WebFive serves on the Board of Directors of the WBDC. The WBDC works to encourage economic development by promoting employment opportunities and assisting with the development and growth of businesses in the Worcester area. The WBDC also works with the SBA to provide financing for new business projects.
- **Angels Net Foundation** – An Assistant Vice President for WebFive served as an Advisory Board Member for Angels Net Foundation. Angels Net Foundation is a non-profit organization that provides immigrants and refugees in the Worcester area with financial literacy, conversational ESL, financial planning, and budgeting classes.

Financial Literacy

- The Fieldstone School is a health care training school in Worcester, MA provide healthcare training courses for underserved members of the community. The majority of students are from low-income families. WebFive presents the FDIC Money Smart Curriculum annually to students at the school.

- WebFive provided “Your Checking Account” workbooks to Bartlett High School in Webster, MA. The workbooks provide teaching tools to help students learn about managing a checking account. In addition, WebFive employees conducted a financial literacy seminar for 11th grade students on budgeting and spending annually. The majority of students (67.9 percent) are eligible for free or reduced lunch.
- Women’s Initiative of the United Way of Central Massachusetts Dollars \$cholars conference provides financial literacy education to 8th grade girls. Every year, Webster Five employees served as financial literacy mentors at the Dollars \$cholars conferences working with eighth grade girls, from the Worcester Public School System, teaching the basic principles of responsible money management-important skills to help young girls make a successful transition to adulthood. The majority of students are eligible for free or reduced lunch.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division 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. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

Division of Bank examiners reviewed the bank’s 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the bank’s assessment area reflected the assessment area’s demographics.

According to the 2015 ACS Census Data, the Bank’s assessment area contained a total population of 464,186 of which 25.6 percent are minorities. The assessment area’s minority and ethnic population is 5.6 percent Black/African American, 6.1 percent Asian, 0.2 percent American Indian, 11.6 percent Hispanic or Latino, and 2.1 percent other.

Examiners compared the bank application activity with that of the 2020 and 2021 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	2020		2020 Aggregate Data	2021		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.1	0.2	0	0.0	0.3
Asian	25	4.3	8.7	5	1.3	7.9
Black/ African American	14	2.4	4.0	11	2.8	5.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or more Minority	2	0.3	0.1	0	0.0	0.1
Joint Race (White/Minority)	14	2.4	1.2	6	1.5	1.2
Total Racial Minority	56	9.5	14.3	22	5.6	14.8
White	422	71.8	63.0	289	74..	59.6
Race Not Available	110	18.7	22.7	78	20.4	25.6
Total	588	100.0	100.0	389	100.0	100.0
ETHNICITY						
Hispanic or Latino	48	8.2	6.6	35	9.0	7.8
Joint (Hisp/Lat /Not Hisp/Lat)	23	3.9	1.3	15	3.9	1.2
Total Ethnic Minority	71	12.1	7.9	50	12.9	9.0
Not Hispanic or Latino	408	69.4	69.3	263	67.6	66.5
Ethnicity Not Available	109	18.5	22.8	76	19.5	24.5
Total	588	100.0	100.0	389	100.0	100.0
<i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i>						

In 2020, the bank received 588 home mortgage loan applications from within its assessment area. Of these applications 56, or 9.5 percent, were received from racial minority applicants, of which 38, or 68.0 percent, resulted in originations. The aggregate received 14.3 percent of its applications from minority consumers, of which 61.0 percent were originated. For the same period, the bank also received 71 applications, or 12.1 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 48 or 67.6 percent were originated, compared with an aggregate application rate of 7.9 percent with a 58.0 percent origination rate.

In 2021, the bank received 389 home mortgage loan applications from within its assessment area. Of these applications, 22 or 5.6 percent were received from racial minority applicants, of which 16 or 73.0 percent, resulted in originations. The aggregate received 14.8 percent of its applications from minority consumers, of which 61.0 percent were originated. For the same period, the bank also received 50 applications, or 12.9 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 32 or 64.0 percent, was originated, compared with an aggregate application rate of 7.9 percent with a 60.5 percent origination rate.

Since the previous evaluation, the bank deployed several strategies to increase the application flow and reach all demographics. Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, the bank's minority application flow is adequate. The bank should remain cognizant of its community outreach and marketing strategies to reach all groups within the assessment area.

LARGE BANK PERFORMANCE CRITERIA

Lending Test

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

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

Investment Test

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

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

Service Test

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

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

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

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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