

PUBLIC DISCLOSURE

June 20, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winchester Co-operative Bank
Certificate Number: 27238

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Winchester, Massachusetts 01890

Division of Banks
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Boston, Massachusetts 02118

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 **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in its assessment area.
- The geographic distribution of loans 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 prior evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

Winchester Co-operative Bank, established in 1893, is a mutually owned community bank headquartered in Winchester, Massachusetts (MA). Winchester Co-operative Bank has one wholly owned subsidiary, Olde Sachem Village Securities Corporation, to purchase and sell investment securities for the bank's portfolio.

The bank received a Satisfactory rating at its previous CRA Performance Evaluation, dated March 18, 2020, performed by the FDIC and the Massachusetts Division of Banks, based on Interagency Intermediate Small Institution (ISI) Examination Procedures.

Operations

Winchester Co-operative Bank operates two full-service branches in Middlesex County, MA. In addition to its main office at 19 Church Street in Winchester, an upper-income census tract, the bank operates one additional full-service branch at 198 Lexington Street in Woburn, a middle-income census tract. Both branches have automated teller machines (ATMs). Since the prior evaluation, the bank has not opened or closed any branches. Additionally, there has been no merger or acquisition activity since the prior evaluation.

Winchester Co-operative Bank offers residential, consumer, and commercial loans, with a continued primary focus on residential lending. Residential lending products include home mortgage loans, construction loans, home equity lines of credit, and home equity loans. Consumer lending products include automobile, personal, and passbook loans. Commercial lending products include commercial real estate and commercial and industrial loans. Winchester Co-operative Bank also offers various deposit products, including personal and business checking, savings, money market, individual retirement accounts, and certificate of deposit accounts. Alternative banking services include 24-hour online, telephone, and mobile banking; mobile deposits; card management; and electronic bill pay. Additionally, the bank participates in the surcharge-free SUM ATM and MoneyPass ATM networks providing free ATM access for customers.

Ability and Capacity

The bank's assets totaled approximately \$759.2 million as of March 31, 2023, including total loans of \$544.5 million, total securities of \$143.1 million, and total deposits of \$653.6 million. Total assets increased by approximately \$53.8 million, or 7.6 percent, since the prior evaluation. Loan portfolio composition has not significantly changed since the prior evaluation. Loans secured by one-to-four family residential properties continue to represent the largest portion of the portfolio, at 83.7 percent followed by construction, land development, and other loan loans at 6.7 percent. Loans secured by nonfarm nonresidential properties represent 5.5 percent of the portfolio.

Although the bank historically originated a limited number of commercial loans, it made a relatively high number in 2020 and 2021, due to offering Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA). PPP was part of the Coronavirus Aid, Relief, and Economic Security Act of 2020 and was designed to provide businesses with access to low-interest

forgivable loans. Loan proceeds assisted with payroll and other business-related costs during the COVID-19 pandemic. SBA discontinued the PPP in mid-2021. All but ten commercial loans (all in 2022) for approximately \$3.1 million originated during the evaluation period were PPP loans. In 2020, the bank made 115 PPP loans for approximately \$5.4 million and in 2021, 67 PPP loans for approximately \$3.6 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 3/31/2023		
Loan Category	\$(000)s	%
Construction, Land Development, and Other Land Loans	36,677	6.7
Secured by Farmland	514	0.1
Secured by 1-4 Family Residential Properties	455,388	83.7
Secured by Multifamily (5 or more) Residential Properties	19,728	3.6
Secured by Nonfarm Nonresidential Properties	29,974	5.5
Total Real Estate Loans	542,281	99.6
Commercial and Industrial Loans	216	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	2,010	0.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	544,507	100.0

Source: P Reports of Condition and Income

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Winchester Co-operative Bank designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division. The assessment area has not changed since the prior evaluation. The assessment area consists of Arlington, Burlington, Lexington, Medford, Reading, Stoneham, Wilmington, Winchester, and Woburn, all located in Middlesex County. The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

Winchester Co-operative Bank’s assessment area consists of 61 census tracts with the following income designations according to 2020 United States (U.S.) Census data:

- 8 moderate-income tracts,
- 21 middle-income tracts,

- 31 upper-income tracts, and
- 1 census tract with no income designation

During the prior evaluation, census tract designations were based on the 2015 American Community Survey (ACS), and the assessment area consisted of 55 census tracts, which included 4 moderate-income, 29 middle-income, and 22 upper-income census tracts. Due to the release of the 2020 U.S. Census data and related census tract boundary changes, the assessment area increased to 61 census tracts. The changes consisted of one new moderate-income tract in Woburn, two new middle-income tracts in Burlington, one new upper-income tract in Medford, one new upper-income tract in Arlington, and one new census tract with no income designation in Medford.

Additionally, the 2020 U.S. Census data resulted in the following changes to existing census tracts - one tract changed from moderate-income to middle-income (Medford), two tracts changed from middle-income to moderate-income (Arlington and Medford), ten tracts changed from middle-income to upper-income, and one tract changed from upper-income to middle-income.

Based on the 2020 U.S. Census data, the moderate-income census tracts are in Arlington, Medford (4), and Woburn (3). There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank's assessment area. However, there is one census tract in Medford designated as a Qualified Opportunity Zone (QOZ). QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of promoting economic development and creating jobs.

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)	61	0.0	13.1	34.4	50.8	1.6
Population by Geography	302,755	0.0	11.2	35.0	53.0	0.7
Housing Units by Geography	121,274	0.0	12.4	35.4	51.3	0.9
Owner-Occupied Units by Geography	79,111	0.0	7.8	33.9	57.5	0.7
Occupied Rental Units by Geography	37,446	0.0	20.8	38.4	39.5	1.2
Vacant Units by Geography	4,717	0.0	22.8	35.3	40.2	1.8
Businesses by Geography	37,077	0.0	16.7	35.3	47.4	0.6
Farms by Geography	530	0.0	12.8	37.4	49.2	0.6
Family Distribution by Income Level	77,613	15.4	14.0	20.3	50.4	0.0
Household Distribution by Income Level	116,557	20.6	12.8	16.2	50.3	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Housing Value			\$634,038
			Median Gross Rent			\$1,823
			Families Below Poverty Level			2.9%
<i>Source: 2020 U.S. Census and 2022 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 criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown in the Demographic Information of the Assessment Area table, 65.2 percent of the 121,274 housing units are owner-occupied, slightly limiting the bank’s opportunities for home mortgage lending in the assessment area. In addition, only 7.8 percent of owner-occupied units are in the moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those tracts.

Examiners used the 2020, 2021, and 2022 Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<i>Source: FFIEC</i>				

The assessment area’s median housing value is high at \$634,038. Additionally, 29.4 percent of the families in the assessment area (29.4 percent) are low- or moderate-income and approximately 2.9 percent live below the poverty level, which represents a subset of low-income families. These factors may limit the bank’s home mortgage lending opportunities to low- and moderate-income families. According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation. This increase is directly attributable to the COVID-19 pandemic. Specifically, in 2020, the pandemic adversely affected the labor market, with elevated unemployment rates in Middlesex County, statewide, and nationally. However, the economy and labor market rebounded, as the annual average unemployment rates in Middlesex County, statewide, and nationally have declined since 2020. Specifically, the 2022 annual average unemployment rate dropped to 3.1 percent in Middlesex County, which reflects more than a 50 percent decrease from the 2020 annual average unemployment rate. The following table reflects unemployment rates in Middlesex County compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Middlesex County	7.7	4.5	3.1
Massachusetts	9.4	5.5	3.8
National Average	8.1	5.3	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>			

As for small business lending, the lack of borrower revenue data for PPP loans limited the analysis of small business loans under the Borrower Profile criterion; however, examiners analyzed PPP loans by loan size. According to 2022 D&B data, 37,007 nonfarm businesses operated in the assessment area. Service industries represent the largest portion of businesses at 40.3 percent, followed by non-classifiable establishments at 22.3 percent. The majority of nonfarm businesses in the assessment area are small, with a significant majority of businesses (91.0 percent) having nine or fewer employees and 90.6 percent operating from a single location.

Competition

Winchester Co-operative Bank operates in a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, 30 financial institutions

operated 120 branches in the bank's assessment area. Of these institutions, Winchester Co-operative Bank ranked 9th with a deposit market share of 3.1 percent. The top three financial institutions, Bank of America N.A.; Citizens Bank, N.A.; and Leader Bank, N.A. collectively held approximately 46.5 percent market share.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2021, aggregate home mortgage lending data showed that 400 lenders originated or purchased 20,767 home mortgage loans in the assessment area. Winchester Co-operative Bank ranked 32nd with a 0.8 percent market share. The lenders that ranked higher than Winchester Co-operative Bank were primarily large national lenders and mortgage companies. The top five lenders, Guaranteed Rate, Inc.; Leader Bank, N.A.; Citibank North America; Rocket Mortgage; and JPMorgan Chase Bank, N.A., collectively held a 28.7 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the area's credit and community development needs. This information helps to determine whether local financial institutions respond to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a representative from a local community development organization that promotes affordable housing in the assessment area. The contact noted several challenges related to affordable housing, including, but not limited to developing and accessing it. First, the contact explained that due to zoning, financing, and construction obstacles, it often takes several years before affordable housing projects come to fruition. Second, many customers are unaware of the various first time homebuyer programs and grants available and often do not understand the process for pursuing these resources. Further, although many lenders offer first time homebuyer programs and grants, lenders often struggle with the complexity of grants and therefore, do not take full advantage of them. With this challenge, the contact stressed the importance of lenders fully understanding its own product offerings to most effectively serve borrowers requiring financial assistance.

The contact also noted the need for more financial literacy classes and programs, particularly in regards to home buying. Further, the contact stated that many local financial institutions are involved with the organization and community, specifically naming Winchester Co-operative Bank.

Credit and Community Development Needs and Opportunities

Examiners considered demographic and economic data, information gathered from the community contact, and information from the bank to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing is the primary community development need. Additionally, financial education opportunities exist to assist consumers in understanding the home buying process and pursuing certain programs and grants. Flexible and affordable home loan products represent a primary credit need.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 18, 2020, to the current evaluation dated June 20, 2023. Examiners used ISI Examination Procedures to evaluate Winchester Co-operative Bank's CRA performance. As the Appendices describe, these procedures include two tests: the Lending Test and the Community Development Test.

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

Activities Reviewed

Examiners determined that the bank's major product line is home mortgage lending. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. Although the bank has not historically focused on commercial lending, PPP lending during the COVID-19 pandemic resulted in a substantial number of small business loans in 2020 and 2021. Therefore, the evaluation analyzes small business loans. The bank did not originate any small farm loans during the evaluation period.

Examiners considered all originated home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). In 2020, the bank reported 329 originations totaling \$153.7 million. In 2021, the bank reported 309 originations totaling \$171.6 million. Lastly, in 2022, the bank reported 228 originations, totaling \$139.2 million. Sustained low mortgage interest rates and an increase in refinance transactions in 2020 and 2021 contributed to the increase in home mortgages during those years. In 2022, the number of home mortgages compared more similarly to pre-pandemic levels. Examiners compared Winchester Co-operative Bank's 2020 and 2021 home mortgage lending performance to 2015 ACS demographic data. Examiners compared the bank's 2022 home lending performance to 2020 U.S. Census data. Examiners also compared the bank's 2020 and 2021 lending activity to aggregate data; as 2022 aggregate data is not yet available.

As an ISI, the bank is not required to and does not report small business loans; however, the bank voluntarily collected relevant CRA data, allowing examiners to analyze small business lending for 2020, 2021, and 2022. During 2020 and 2021, small business loans consisted of SBA PPP loans. The bank made 115 PPP loans for approximately \$5.4 million in 2020 and 67 PPP loans for approximately \$3.6 million in 2021. As the pandemic ended and the bank returned to focusing on home mortgage lending, it only originated 10 small business loans totaling approximately \$3.1 million in 2022. As the bank did not elect to report small business loan data, examiners did not use aggregate data as a standard of comparison.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. When arriving at overall conclusions

and the rating, examiners assigned greater weight to home mortgage lending performance due to the bank’s business focus, origination activity, and loan portfolio distribution.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation, dated March 18, 2020, to the current evaluation date of June 20, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Winchester Co-operative Bank demonstrated reasonable performance under the Lending Test. Reasonable performance under all factors support this conclusion. The following sections address overall bank performance for each Lending Test criteria.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 74.1 percent over the last 13 calendar quarters from March 31, 2020 to March 31, 2023. The LTD ratio ranged from a high of 83.1 percent as of March 31, 2023, to a low of 66.2 percent as of March 31, 2022. During the evaluation period, the ratio declined. A steady increase in deposits in 2020 and 2021 due to federal and state government COVID-19 distributions, paired with declining lending activity, contributed to the declining trend in the quarterly LTD ratio. Starting June 30, 2022, the LTD ratio began to increase, reaching its peak as of March 31, 2023.

Examiners compared the bank’s average LTD ratio to that of two similarly situated institutions. Examiners selected the similarly situated institutions based on asset size, lending focus, and geographic location. The following table shows that the bank’s ratio was lower than the similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (S000s)	Average Net LTD Ratio (%)
Winchester Co-operative Bank	759,172	74.1
The Savings Bank	752,127	79.5
Winchester Savings Bank	721,240	88.2
Stoneham Bank	762,502	94.6
<i>Source: Reports of Condition and Income 3/31/2020-3/31/2023</i>		

Assessment Area Concentration

Winchester Co-operative Bank originated a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. Please refer to the following table for totals by year and loan category.

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										
2020	200	60.8	129	39.2	329	95,448	62.1	58,227	37.9	153,676
2021	162	52.4	147	47.6	309	93,476	54.5	78,153	45.5	171,628
2022	132	57.9	96	42.1	228	82,634	59.4	56,585	40.6	139,219
Subtotal	494	57.0	372	43.0	866	271,558	58.5	192,965	41.5	464,523
Small Business										
2020	101	87.8	14	12.2	115	5,064	94.3	305	5.7	5,369
2021	61	91.0	6	9.0	67	3,432	96.1	139	3.9	3,571
2022	6	60.0	4	40.0	10	734	24.0	2,327	76.0	3,061
Subtotal	168	87.5	24	12.5	192	9,230	76.9	2,771	23.1	12,001
Total	662	62.6	396	37.4	1,058	280,788	58.9	195,736	41.1	476,524
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The assessment area does not contain any low-income census tracts; therefore, examiners focused on the percentage, by number, of home mortgage loans in moderate-income census tracts.

Home Mortgage Loans

As the following table shows, in 2020 and 2021, lending in moderate-income census tracts fell below aggregate and demographic data. However, in both years, the bank's assessment area only included four moderate-income census tracts, all located in Medford, which is a highly competitive area and does not contain any bank branches. Further, neither the Winchester nor the Woburn branch abuts these tracts. Lastly, in 2020 and 2021, the percentage of owner-occupied housing units in all four moderate-income census tracts is only 4.0 percent, further limiting opportunities. In 2022, as the number of moderate-income census tracts in the bank's assessment area increased to eight, the increase allowed for additional home mortgage lending opportunities. As such, lending in moderate-income census tracts significantly increased by number and percentage by number, with performance nearly identical to demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.0	-	0	0.0	0	0.0
Moderate						
2020	4.0	4.2	4	2.0	982	1.0
2021	4.0	4.2	2	1.2	562	0.6
2022	7.8	-	10	7.6	4,780	5.8
Middle						
2020	51.1	52.2	69	34.5	24,919	26.1
2021	51.1	50.7	63	38.9	28,100	30.1
2022	33.9	-	35	26.5	15,416	18.7
Upper						
2020	44.9	43.5	127	63.5	69,548	72.9
2021	44.9	45.0	97	59.9	64,814	69.3
2022	57.5	-	86	65.2	62,360	75.5
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.7	-	1	0.8	78	0.1
Totals						
2020	100.0	100.0	200	100.0	95,448	100.0
2021	100.0	100.0	162	100.0	93,476	100.0
2022	100.0	-	132	100.0	82,634	100.0

*Source: 2015 ACS; 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank did not originate any PPP loans in moderate-income census tracts in 2020 or 2021. As previously explained, all moderate-income census tracts are in Medford where the bank has no or nearby branches. Further, commercial lending is not typically the bank's focus. Similar to 2020 and 2021, the bank did not originate any small business loans in the moderate-income census tracts in 2022. Although the percentage of businesses operating in the moderate-income census tracts increased to 16.7 percent with the reclassifications, six loans does not allow for a meaningful analysis as the addition or subtraction of a loan can materially affect the overall analysis.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2020	0.0	0	0.0	0	0.0
	2021	0.0	0	0.0	0	0.0
	2022	0.0	0	0.0	0	0.0
Moderate						
	2020	4.8	0	0.0	0	0.0
	2021	4.8	0	0.0	0	0.0
	2022	16.7	0	0.0	0	0.0
Middle						
	2020	58.3	25	24.7	1,106	21.8
	2021	58.3	20	32.8	632	18.4
	2022	35.3	4	66.7	340	41.4
Upper						
	2020	36.9	76	75.3	3,959	78.2
	2021	36.9	41	67.2	2,801	81.6
	2022	47.4	2	33.3	394	58.6
Not Available						
	2020	0.0	0	0.0	0	0.0
	2021	0.0	0	0.0	0	0.0
	2022	0.6	0	0.0	0	0.0
Totals						
	2020	100.0	101	100.0	5,065	100.0
	2021	100.0	61	100.0	3,433	100.0
	2022	100.0	6	100.0	694	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance in home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with gross annual revenues of \$1.0 million or less. Due to the lack of revenue data for 2020 and 2021 small business loans, this factor included a supplemental analysis by loan size.

Home Mortgage Loans

The following table shows that in 2020 and 2021, lending to low-income borrowers exceeded aggregate data. In 2022, lending to low-income borrowers increased by approximately 1.6 percent by number. In all three years, lending to low-income borrowers fell below the percentage of low-income families in the assessment area. However, low-income families in the assessment area, earning less than \$69,350, most likely would have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$634,038. Additionally, the percentage of low-income families in the assessment area includes those families living below the poverty level. Therefore, the disparity between the bank's lending performance to low-income families and demographics is reasonable, as the bank has limited lending opportunities to these families.

In 2020, lending to moderate-income borrowers fell below aggregate and demographics. However, in 2021, lending to moderate-income borrowers increased by number and percentage, with performance exceeding aggregate data and slightly trailing demographics. In 2022, lending to moderate-income borrowers increased by number and was in line with demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	15.8	2.7	8	4.0	2,056	2.2
2021	15.8	3.5	6	3.7	2,957	3.2
2022	15.4	-	7	5.3	1,716	2.1
Moderate						
2020	14.9	13.4	18	9.0	5,698	6.0
2021	14.9	12.6	21	13.0	7,436	8.0
2022	14.0	-	18	13.6	8,562	10.4
Middle						
2020	20.8	23.1	38	19.0	13,601	14.3
2021	20.8	21.7	33	20.4	13,037	13.9
2022	20.3	-	22	16.7	9,182	11.1
Upper						
2020	48.4	51.8	128	64.0	69,911	73.2
2021	48.4	50.7	90	55.6	59,660	63.8
2022	50.4	-	70	53.0	52,483	63.5
Not Available						
2020	0.0	9.1	8	4.0	4,183	4.4
2021	0.0	11.5	12	7.4	10,387	11.1
2022	0.0	-	15	11.4	10,691	12.9
Totals						
2020	100.0	100.0	200	100.0	95,448	100.0
2021	100.0	100.0	162	100.0	93,476	100.0
2022	100.00	-	132	100.0	82,634	100.0
<i>Source: 2015 ACS; 2020 U.S. Census; Bank Data, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

Examiners evaluated small business loans using loan size as the bank did not and was not required to collect borrower revenue data for PPP loans. In 2020 and 2021, a substantial majority of PPP loans, by number, had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. Further, the six small business originations in 2022 were to businesses with gross annual revenues of \$1 million or less.

Distribution of PPP Loans By Loan Size				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	92	91.1	2,674	52.8
2021	55	90.2	1,508	44.0
\$100,000 - \$249,999				
2020	7	6.9	1,260	24.9
2021	4	6.6	794	23.1
\$250,000 - \$1,000,000				
2020	2	2.0	1,131	22.3
2021	2	3.2	1,131	32.9
Totals				
2020	101	100.0	5,065	100.0
2021	61	100.0	3,433	100.0
<i>Source: 2020 and 2021 Bank Data Due to rounding, totals may not equal 100.0</i>				

Response to Complaints

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Winchester Co-operative Bank demonstrated adequate responsiveness to the assessment area's community development needs through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area. As the bank responded to the community development needs and opportunities within its assessment area, examiners also considered community development activities within a broader, statewide area that includes the assessment area.

Community Development Loans

During the evaluation period, Winchester Co-operative Bank originated nine community development loans totaling approximately \$3.1 million and representing 0.4 percent of average total assets and 0.6 percent of average net loans. The bank increased its community development lending by number since the prior evaluation, when the bank originated six community development loans; however, the dollar volume decreased from \$7.2 million. The bank's community development lending responded to the assessment area's economic development needs. Additionally, the bank's community development lending responded to the affordable housing and revitalization or stabilization needs of the broader statewide area.

Of the nine qualified community development loans, seven loans totaling \$2.7 million benefitted the greater statewide area, but did not directly benefit the assessment area. Due to the assessment area characteristics, economic and financial constraints, competition, and limited opportunity for

community development lending, the bank sought affordable housing lending opportunities in the broader statewide area including the Cities of Chelsea and Lynn.

When compared to three similarly situated institutions based on the number and dollar of community development loans, the bank’s performance was similar to one, greater than one, and less than one. 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)
2020	2	1,762	0	0	0	0	3	57	5	1,819
2021	0	0	0	0	0	0	1	34	1	34
2022	1	870	0	0	0	0	0	0	1	870
YTD 2023	0	0	0	0	2	400	0	0	2	400
Total	3	2,632	0	0	2	400	4	91	9	3,123

Source: Bank Data

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

- In 2023, the bank originated a \$100,000 loan and \$300,000 line of credit to a small business located within a moderate-income census tract in Woburn. The small business used the loan and line of credit proceeds to stabilize its financial situation and prevent employee layoffs. The majority of employees are low- and moderate-income warehouse workers. The loan and line of credit proceeds promoted economic development within the assessment area by helping to retain jobs for low- and moderate-income people.
- In 2020, the bank originated a \$912,000 cash-out refinance to renovate a multifamily residential property in Chelsea. The property consists of nine two-bedroom units, of which five are rented through the Chelsea Housing Authority to low-income residents. The rent for the remaining four units is less than the U.S. Department of Housing and Urban Development Fair Market rents for Chelsea. The loan helped maintain affordable housing in the broader statewide area.
- In 2020 and 2021, the bank originated four SBA PPP loans totaling \$90,472 in response to the COVID-19 pandemic. All four SBA PPP loans benefitted low- or moderate-income census tracts outside of the bank’s assessment area, but in the broader statewide area. The loans helped revitalize and stabilize low- and moderate-income census tracts by retaining businesses in these geographies.

Qualified Investments

During the evaluation period, Winchester Co-operative Bank made 121 qualified investments totaling approximately \$1.9 million, which consists of one qualified bond totaling \$1.7 million and 120 donations totaling \$200,812. The dollar amount of qualified investments equates to 0.2 percent

of average total assets and 1.9 percent of average total securities. The bank increased its qualified investments by both number and dollar amount since the prior evaluation, where the bank made 70 qualified investments, all of which were donations, totaling \$181,096. When compared to three similarly situated institutions, the bank’s performance by number of qualified investments was similar to two and greater than one. When compared to the similarly situated institutions based on dollar amount, the bank’s performance was similar to two and less than one.

The following table illustrates the bank’s community development investments by year and purpose. These investments demonstrate the bank’s responsiveness to the affordable housing and community services needs in the assessment area and broader statewide area. Specifically, the bank provided approximately \$1.7 million in qualified investments for affordable housing (93.7 percent of all qualified investments by dollar amount), which examiners identified as a significant need.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	1	1,663	0	0	0	0	0	0	1	1,663
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
Subtotal	1	1,663	0	0	0	0	0	0	1	1,663
Qualified Grants & Donations	26	83	94	118	0	0	0	0	120	201
Total	27	1,746	94	118	0	0	0	0	121	1,864

Source: Bank Data

Investments

The following describes the current period bond investment.

- In 2021, the bank invested in a \$1.7 million Guaranteed Multifamily Structured Pass-Through Security. A multifamily property in Waltham secures the bond. The property consists of nine affordable housing units. Eight units are restricted to individuals and families earning less than 80 percent of the area median income, and one unit is restricted to individuals and families earning less than 60 percent of the area median income. The investment helped maintain affordable housing in the broader statewide area.

Donations

The following are notable examples of the qualified donations.

- **Housing Corporation of Arlington** – The Housing Corporation of Arlington promotes affordable housing for low- and moderate-income individuals and families living in Arlington and its surrounding communities. The organization maintains 150 affordable

apartments within the assessment area. The organization restricts the units to individuals and families earning 60 percent or less of the area median income. The organization also offers a homelessness prevention grant program to assist residents in stabilizing their housing situation. The bank’s multiple donations helped expand and maintain affordable housing within the assessment area.

- **Food Pantries** –The bank donated to local food pantries that serve the assessment area. The recipients include Arlington Eats, Bread of Life, Council of Social Concern, the En Ka Society Food Pantry, Food Link, Lexington Interfaith Food Pantry, Merrimack Valley Food Bank, People Helping People, Reading Food Pantry, The Salvation Army Food Pantry, Stoneham Food Pantry, and the Wilmington Food Pantry. These organizations provide basic food and toiletries, free of charge, to qualifying individuals and families within the assessment area. The donations helped provide vital community services to low- and moderate-income individuals within the assessment area.

Community Development Services

During the evaluation period, Winchester Co-operative Bank employees and trustees provided 47 instances of financial expertise or technical assistance to 10 different community development organizations in the assessment area. These community development services included employee involvement in community development organizations and financial education and other financial services targeted to low- and moderate-income individuals. The number of instances and organizations increased since the prior evaluation, where the bank provided 20 instances of financial expertise or technical assistance to 7 different organizations. When compared to three similarly situated institutions by the number of instances, the bank’s activity was similar to two institutions and less than the other institution. The bank’s continued financial literacy efforts, especially during the COVID-19 pandemic, were particularly responsive to the financial education needs of low- and moderate-income individuals in the assessment area.

The following table illustrates community development services by year and purpose.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020	1	8	0	0	9
2021	2	9	0	0	11
2022	3	12	0	0	15
YTD 2023	0	12	0	0	12
Total	6	41	0	0	47
<i>Source: Bank Data</i>					

The following are notable examples of the bank’s community development services.

Employee and Trustee Involvement

- **Mission of Deeds** – This non-profit community service organization provides furniture, basic kitchen supplies, and other household items to low- and moderate-income families and individuals in the assessment area. A Director serves as the organization’s Board President.
- **English at Large** – This community service organization helps unemployed and underemployed refugees and immigrants overcome language barriers by providing English courses and other support programs. A majority of the clients served by the organization are low- and moderate-income individuals. A bank vice president serves on the organization’s Board of Directors and Finance Committee. The bank’s support helps provide access to community services for low- and moderate-income individuals within the assessment area.

Financial Literacy

- **Medford Community Housing** – During the COVID-19 pandemic, the bank sponsored two first time homebuyer webinars through Medford Community Housing, a non-profit affordable housing organization. A bank vice president presented at the first webinar in 2020, and a vice president and mortgage originator presented at the second webinar in 2021. The covered topics included mortgage requirements, credit score requirements for special programs, and information on credit reports. By participating in the first time homebuyer webinars, the bank helped address the affordable housing and financial literacy needs for low- and moderate-income individuals in the assessment area.
- **Community Service Network, Inc. of Stoneham** – In 2020, the bank hosted a first time homebuyer seminar in conjunction with Community Service Network, Inc. of Stoneham, a non-profit affordable housing organization. A vice president and mortgage originator presented on topics such as obtaining a mortgage and special programs. By providing financial literacy through this affordable housing organization, the bank helped address the affordable housing and financial literacy needs for low- and moderate-income individuals in the assessment area.

Other Services

- **Woburn, MA Branch and ATM** – Although the branch and ATM location in Woburn is in a middle-income census tract, it is within approximately three miles of the three moderate-income census tracts in Woburn. Further, approximately 40 percent of the individuals residing in this tract are low- and moderate-income. Lastly, the branch and ATM are on a bus line stop, which assists in making banking services available to all individuals, including low- and moderate-income individuals residing in other areas of the assessment area.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, 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 evaluation. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

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

According to the 2015 ACS Census data, the bank's assessment area contained a total population of 290,860 individuals, of which 18.8 percent are from minority groups. The assessment area's minority and ethnic population is 3.5 percent Black/African American, 9.7 percent Asian, 0.1 percent American Indian, 3.2 percent Hispanic or Latino, and 2.4 percent from other minority groups.

The following table exhibits the bank's minority application flow compared to aggregate lenders in the assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2020		2020 Aggregate Data	Bank 2021		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0	0.1
Asian	3	1.2	13.2	8	3.8	13.6
Black/ African American	1	0.4	1.1	1	0.5	1.5
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	7	2.8	2.3	5	2.4	2.2
Total Racial Minority	11	4.4	16.9	14	6.7	17.6
White	203	80.9	60.1	160	75.5	56.5
Race Not Available	37	14.7	23.0	38	17.9	25.9
Total	251	100.0	100.0	212	100.0	100.0
ETHNICITY						
Hispanic or Latino	3	1.2	1.9	6	2.8	2.5
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	0	0.0	1.2
Total Ethnic Minority	3	1.2	3.0	6	2.8	3.7
Not Hispanic or Latino	165	66.7	72.5	141	66.5	70.1
Ethnicity Not Available	83	33.1	24.5	65	30.7	26.2
Total	251	100.0	100.0	212	100.0	100.0
<i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i>						

Winchester Co-operative Bank received 251 HMDA reportable loan applications in 2020. Of these, the bank received 11, or 4.4 percent, from racial minority applicants. The bank originated all loans from racial minority applicants, compared to the aggregate origination rate of 67.2 percent. The bank received three, or 1.2 percent, from groups of Hispanic or Latino origin within its assessment area, compared to the aggregate performance of 3.0 percent. Of these, the bank originated two, or 66.7 percent, while the aggregate originated 60.5 percent.

In 2021, the bank received 212 HMDA reportable loan applications from within its assessment area. Of these, the bank received 14, or 6.7 percent, from racial minority groups. Of these applications, the bank originated 10, or 71.4 percent, compared to the aggregate origination rate of 69.4 percent. The bank received six, or 2.8 percent, from ethnic groups of Hispanic or Latino origin, compared to the aggregate performance of 3.7 percent. Of these, the bank originated three, or 50.0 percent, while the aggregate originated 64.6 percent.

Considering the assessment area’s demographic and housing composition, the bank’s minority application flow is considered adequate.

INTERMEDIATE SMALL 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) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

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.