

PUBLIC DISCLOSURE

March 18, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winchester Co-operative Bank
Certificate Number: 27238

19 Church Street
Winchester, Massachusetts 01890

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

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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.

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 7, 2017, to the current evaluation dated March 18, 2020. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate WCB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors.

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Loan Products Reviewed

Examiners determined that the bank's major product line is home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Residential real estate loans and multi-family loans represent 89.8 percent of WCB's loan portfolio as of December 31, 2019. Commercial loans, including commercial real estate and commercial and industrial loans represent only 5.0 percent of the portfolio and do not represent a major product line for the bank. The bank has not originated a small farm loan during the evaluation period. Based on the loan portfolio composition and discussions with WCB management, examiners considered only the bank's record of home mortgage lending as part of this evaluation.

The bank is required to record and submit residential mortgage data pursuant to the Home Mortgage Disclosure Act (HMDA). This evaluation analyzed all home mortgage loans reported on the bank's 2017, 2018, and 2019 HMDA Loan Application Registers (LARs). For 2017, the bank reported 278 loans totaling approximately \$130 million; for 2018, the bank reported 252 loans totaling approximately \$124 million; and for 2019, the bank reported 216 loans totaling approximately \$103 million. As the bank's lending between 2017, 2018 and 2019 was consistent, this evaluation presents lending data for the most recent reporting year (2019) and the

most recent full calendar year with available aggregate data (2018). The Assessment Area Concentration criterion; however, reflects all years analyzed.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. Although number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated February 7, 2017.

DESCRIPTION OF INSTITUTION

Background

WCB is a mutually owned community bank headquartered in Winchester, Massachusetts. The bank operates in Middlesex County in eastern Massachusetts. WCB operates a single wholly owned subsidiary, Olde Sachem Village Securities Corporation, for the purchase and sale of investment securities for the bank's portfolio.

The FDIC and Massachusetts Division of Banks assigned a Satisfactory rating at its previous Performance Evaluation, dated February 7, 2017, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

WCB operates two full-service branches in Middlesex County, Massachusetts. The main branch is located in Winchester; and WCB opened a new branch in the neighboring town of Woburn in 2019. WCB is a full-service mutual financial institution that offers a wide range of products and services to retail and business customers. Deposit products include a variety of checking, savings, time deposit, and retirement accounts. Retail lending products include home mortgages, lines of credit, construction loans, and consumer loans. Business lending includes commercial real estate, multi-family investment lending, and commercial and industrial loans. WCB also offers a variety of alternative banking services, which include online and mobile banking, telephone banking, and automatic teller machines (ATMs) at both branches. There have been no merger or acquisition activities since the previous evaluation.

Ability and Capacity

WCB's assets totaled approximately \$705 million as of December 31, 2019, and included total loans of \$508 million, securities of \$82 million, and deposits of \$597 million. Total assets increased 17.3 percent since the previous evaluation. WCB's loan portfolio mix predominantly reflects its residential lending focus and remains consistent with the previous evaluation. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2019		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	24,326	4.8
Secured by Farmland	559	0.1
Secured by 1-4 Family Residential Properties	435,810	85.7
Secured by Multifamily (5 or more) Residential Properties	20,791	4.1
Secured by Nonfarm Nonresidential Properties	24,950	4.9
Total Real Estate Loans	506,436	99.6
Commercial and Industrial Loans	290	0.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,507	0.3
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	508,233	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution’s CRA performance. WCB designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764). The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

The assessment area includes 55 census tracts that make up the following towns: Arlington, Burlington, Lexington, Medford, Reading, Stoneham, Wilmington, Woburn, and Winchester. The bank added Reading and Wilmington to the assessment area since the previous evaluation. All nine municipalities are in Middlesex County and Medford contains all four moderate-income census tracts. The census tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data.

- 4 moderate-income census tracts,
- 29 middle-income census tracts, and
- 22 upper-income census tracts.

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)	55	0.0	7.3	52.7	40.0	0.0
Population by Geography	290,860	0.0	5.6	54.6	39.8	0.0
Housing Units by Geography	115,146	0.0	5.9	55.9	38.2	0.0
Owner-Occupied Units by Geography	74,717	0.0	4.0	51.1	44.9	0.0
Occupied Rental Units by Geography	35,152	0.0	9.4	66.0	24.5	0.0
Vacant Units by Geography	5,277	0.0	7.9	56.3	35.9	0.0
Businesses by Geography	27,893	0.0	4.7	58.3	37.0	0.0
Farms by Geography	456	0.0	3.5	54.6	41.9	0.0
Family Distribution by Income Level	73,828	15.8	14.9	20.8	48.4	0.0
Household Distribution by Income Level	109,869	21.0	13.3	15.9	49.8	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$482,279
			Median Gross Rent			\$1,425
			Families Below Poverty Level			3.8%

Source: 2015 ACS Census and 2019 D&B Data

Due to rounding, totals may not equal 100.0

() The NA category consists of geographies that have not been assigned an income classification.*

Examiners used the 2018 and 2019 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.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Opportunities for home mortgage lending in the assessment area are slightly restricted, as only 64.9 percent of the 115,146 housing units are owner-occupied. The remaining units are occupied rental units (30.5 percent) and vacant units (4.6 percent). In addition, housing is very expensive. A median housing cost of \$482,279 is well above the United States average of \$224,511.

According to the Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.7 percent in Middlesex County. This level is slightly lower than the Massachusetts statewide rate of 3.3 percent and lower than the national rate of 3.9 percent. The unemployment rate in the assessment area has declined slowly throughout the evaluation period. Major employers in the assessment area include Lahey Clinic Hospital & Medical Center and Oracle Corporation in Burlington, and Winchester Hospital in Winchester.

Competition

The bank operates in a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2019, 28 financial institutions operated 123 offices in the assessment area. Of these, WCB ranked 8th with 3.7 percent branch office market share. The top three banks were Bank of America, Citizens Bank, and Northern Bank and Trust Company. Collectively, these three banks held 45.7 percent of market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2018, 340 lenders reported 10,294 residential mortgage loans originated or purchased. WCB ranked 16th with a market share of 1.3 percent by number. The three most prominent home mortgage lenders accounted for 21.1 percent of total market share.

Community Contact

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

Examiners contacted a representative of a housing and community service organization serving part of the bank's assessment area. The contact referenced rapidly rising housing costs, especially for rental units. As a result, property owners are evicting residents who are being forced from their communities as the cost of living rises. The contact described the assessment area's primary needs to be affordable housing and affordable rental housing. Additional needs include "fresh start" deposit accounts for those individuals with impaired account histories, financial literacy training, and credit counseling.

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and affordable rental housing represent primary community development needs for the assessment area. The rapidly rising real estate costs and diminishing number of affordable housing units support this need. Additionally, there is also a need for deposit products that accommodate individuals with damaged account histories, financial literacy, and credit counseling for low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WCB demonstrated reasonable performance under the Lending Test. Loan-to-Deposit Ratio, Assessment Area Concentration, and Geographic Distribution performance primarily support this conclusion.

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 87.8 percent over the past 12 calendar quarters from March 31, 2017 to December 31, 2019. The ratio ranged from a low of 80.1 percent as of March 31, 2017, to a high of 95.4 percent as of December 31, 2018. The ratio climbed steadily to a peak then receded during the evaluation period. WCB maintained a loan-to-deposit ratio comparable to similarly situated institutions (SSIs). WCB's ratio was slightly above one SSI and below the other SSI. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table contains the bank's ratio and those of SSIs.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2019 (\$000s)	Average Net LTD Ratio (%)
Winchester Co-operative Bank	705,345	87.8
The Savings Bank	613,652	97.8
Winchester Savings Bank	577,102	87.1
<i>Source: Reports of Condition and Income 03/31/2017 - 12/31/2019</i>		

Assessment Area Concentration

The bank made the majority of home mortgage loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	162	58.3	116	41.7	278	81,658	62.7	48,561	37.3	130,219
2018	130	51.6	122	48.4	252	70,941	57.2	53,029	42.8	123,970
2019	122	56.5	94	43.5	216	64,371	62.6	38,390	37.4	102,761
Total	414	55.5	332	44.5	746	216,970	60.8	139,980	39.2	356,950
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

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

Lending in moderate-income census tracts was below aggregate in 2018 and the percentage of owner-occupied housing units in both 2018 and 2019. Although the bank's lending was less than aggregate in 2018, there is significant competition for loans in Medford and the bank does not maintain a branch in Medford. Market share for 2018 shows that the top 10 lenders captured 47 percent of the market and were primarily large national institutions and mortgage companies. Of these 10 lenders, there were two smaller local institutions and each maintained a presence in Medford. Market share data also shows that of the 128 reporting lenders, 85 originated two or fewer mortgage loans. In addition to significant competition, the percentage of owner-occupied housing units is below 50 percent in all four moderate-income census tracts resulting in reduced opportunities. Given these factors, the bank's performance is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
Moderate						
2018	4.0	5.0	2	1.5	622	0.9
2019	4.0	--	1	0.8	165	0.3
Middle						
2018	51.1	52.6	50	38.5	18,462	26.0
2019	51.1	--	50	41.0	20,917	32.5
Upper						
2018	44.9	42.5	78	60.0	51,857	73.1
2019	44.9	--	71	58.2	43,289	67.2
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	130	100.0	70,941	100.0
2019	100.0	--	122	100.0	64,371	100.0

Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Examiners focused on comparisons to aggregate data and area demographics.

As shown in the following table, WCB’s lending to low- and moderate-income borrowers in 2018 was several percentage points above aggregate performance. Although not shown in the table, this was also the case in 2017. Lending to moderate-income borrowers was also above the percentage of moderate-income families in 2018 and 2019. Lending to low-income borrowers was below the percentage of low-income families in both years; however, 2019 performance shows a positive trend. Additionally, 2015 ACS data shows that 3.8 percent of families have incomes below the poverty level. Low-income families in the assessment area earn no more than \$57,750. Considering a median housing price of \$482,279, low-income families likely may have difficulty qualifying for conventional home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	15.8	4.3	8	6.2	2,629	3.7
2019	15.8	--	11	9.0	2,139	3.3
Moderate						
2018	14.9	13.1	21	16.2	5,113	7.2
2019	14.9	--	19	15.6	6,014	9.3
Middle						
2018	20.8	22.4	16	12.3	5,768	8.1
2019	20.8	--	19	15.6	8,869	13.8
Upper						
2018	48.4	49.8	71	54.6	48,061	67.7
2019	48.4	--	63	51.6	37,724	58.6
Not Available						
2018	0.0	10.4	14	10.8	9,371	13.2
2019	0.0	--	10	8.2	9,625	15.0
Totals						
2018	100.0	100.0	130	100.0	70,941	100.0
2019	100.0	--	122	100.0	64,371	100.0
<i>Source: 2015 ACS Census; 1/1/2018 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

COMMUNITY DEVELOPMENT TEST

WCB’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability for community development activity within the assessment area.

Community Development Loans

WCB originated six community development loans totaling approximately \$7.2 million during the evaluation period. This level of activity represents approximately 1.1 percent of average total

assets and 1.5 percent of average net loans over the evaluation period. This represents a significant increase in the dollar volume of community development lending since the prior examination. At that time, community development lending accounted for 0.2 percent of total assets and 0.3 percent of total loans. Examiners considered community development lending outside the assessment area as the bank was responsive to the community development needs and opportunities within its assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	2	1,400	0	0	0	0	0	0	2	1,400
2018	1	355	0	0	0	0	0	0	1	355
2019	3	5,400	0	0	0	0	0	0	3	5,400
YTD 2020	0	0	0	0	0	0	0	0	0	0
Totals	6	7,155	0	0	0	0	0	0	6	7,155

Source: Bank Data

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

- In 2017, the bank originated two loans totaling \$1.4 million for two multi-family properties in Lowell, Massachusetts. The majority of units had rents below Housing and Urban Development (HUD)’s fair market rental rates. For properties where a majority of the tenants’ monthly rents was lower than HUD’s fair market rental rates, the full loan amount qualified under the affordable housing purpose.
- In 2019, the bank extended a \$4.0 million line of credit for improvements to a mixed-use property in Woburn, Massachusetts (inside the assessment area). The multi building property consisted of an apartment complex providing 39 units of affordable housing and 7 units of below-market rate commercial office space. The primary purpose of this community development loan was affordable housing.
- In 2019, the bank originated two loans totaling \$1.4 million for two multi-family properties in Waltham, Massachusetts. Collectively, as all 14 residential units had monthly rental amounts below HUD’s fair market rental rates, they are affordable housing for low- and moderate-income individuals.

Qualified Investments

WCB made 70 qualified investments totaling \$181,096. This dollar amount is comprised solely of grants and donations benefiting the assessment area and included one donation outside the assessment area. This equates to 0.03 percent of average total assets during the evaluation period. The bank increased its number and dollar amount of donations since the previous evaluation, when it made 39 donations for approximately \$119,859. Of these donations, 51.6

percent benefited affordable housing organizations and 48.4 percent benefited community service organizations. The following table details qualified investments by year and purpose.

Qualified Investments										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2017	3	11,950	7	18,750	0	0	0	0	10	30,700
2018	10	42,350	12	39,750	0	0	0	0	22	82,100
2019	19	38,150	14	17,300	0	0	0	0	33	55,450
YTD 2020	1	1,000	4	11,846	0	0	0	0	5	12,846
Total	33	93,450	37	87,646	0	0	0	0	70	181,096

Source: Bank Records

Qualified Donations

The following are notable examples of qualified donation activities.

- *Caritas Communities* – This non-profit community service organization provides low-income individuals with permanent housing. Of their clients, 59 percent earn less than \$15,000 annually. The organization operates three residences within the assessment area that provide single room affordable housing opportunities for low-income individuals.
- *Council of Social Concern* – This non-profit community service organization assists approximately 2,200 individuals and families annually who do not have the financial means to meet basic needs. The organization offers a food pantry, subsidized childcare, parenting education, and various other social services to a predominantly low- and moderate-income client base. The bank’s multiple donations were responsive to identified community service needs in the assessment area.
- *Winchester Housing Authority (WHA)* – This government-appointed organization manages housing opportunities for low-income families, the elderly, and disabled in Winchester, Massachusetts. WHA manages public housing units and administers Section 8 Housing Choice Vouchers, a HUD program that provides housing assistance to low-income families. The bank’s donation was responsive to affordable housing needs in the assessment area.

Community Development Services

During the evaluation period, eight bank employees provided 20 instances of financial expertise or technical assistance to seven different community development-related organizations in the assessment area. These community development services included employee or director involvement in community service organizations as well as financial education and other financial services for low- and moderate-income individuals. Performance declined slightly from the previous evaluation when there were 25 instances. 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
	#	#	#	#	#
2017	0	4	0	0	4
2018	0	8	0	0	8
2019	0	8	0	0	8
YTD 2020	0	0	0	0	0
Total	0	20	0	0	20
<i>Source: Bank Records</i>					

Employee Involvement

WCB employees provide service through participating in local community development organizations and providing financial or otherwise technical expertise. The following organizations are examples of the organizations that benefited from bank employee involvement.

- *English at Large* – This community service organization helps unemployed and underemployed refugees and immigrants overcome language barriers and achieve their goals. Over 60 percent of the individuals served by English at Large are low- and moderate-income individuals. An officer from WCB served on the board in 2017, 2018, and 2019.
- *Winchester Got Lunch* – This community service organization provides healthy meals during the summer months to children who rely on subsidized school lunch programs during the school year. During the remainder of the year, the organization participates in food drives and other fundraisers supporting low- and moderate-income residents. An officer from WCB served as Treasurer in 2017, 2018, and 2019.

Financial Services Education

WCB also provided educational resources related to financial literacy geared toward low- and moderate-income individuals in its assessment area.

- *Medford Housing Authority* – WCB partnered with the Medford Housing Authority to sponsor three annual First Time Homebuyer Programs. The bank’s residential lending/CRA officer presented the course material.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

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. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2018 and 2019 HMDA LARs to determine if the application flow from different racial groups within the bank’s assessment area reflected the assessment area demographics. Examiners compared the bank’s 2018 residential lending to 2018 aggregate data. This assists in deriving reasonable expectations for the minority application rate. Aggregate data for 2019 was unavailable as of the evaluation date; therefore, examiners made no comparison to aggregate performance.

According to 2015 ACS US Census data, the bank’s assessment area contained a total population of 290,860 individuals of which 18.8 percent are minorities. 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 other. Refer to the following table for information on the bank’s minority application flow as well as aggregate data in the bank’s assessment area.

RACE	Bank 2018		2018 Aggregate Data	Bank 2019	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	9	6.2	11.6	5	3.6
Black/ African American	0	0.0	1.6	2	1.4
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	3	2.1	2.1	2	1.4
Total Racial Minority	12	8.3	15.8	9	6.4
White	107	73.8	62.6	111	79.3
Race Not Available	26	17.9	21.5	20	14.3
Total	145	100.0	100.0	140	100.0
ETHNICITY					
Hispanic or Latino	2	1.4	2.5	2	1.4
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.7	1.1	0	0
Total Hispanic Minority	3	2.1	3.6	2	1.4
Not Hispanic or Latino	108	74.5	74.5	111	79.3
Ethnicity Not Available	34	23.5	22.0	27	19.3
Total	145	100.0	100.0	140	100.0

Source: ACS US Census 2015, HMDA Aggregate Data 2018, HMDA LAR Data 2018 and 2019

In 2018, the bank received 145 HMDA reportable loan applications. Of these, the bank received 12, or 8.3 percent, from racial minority applicants. Of these 12 applications, the bank originated 83.3 percent. The bank received 2.1 percent from ethnic groups of Hispanic or Latino origin within its assessment area. The 2018 aggregate performance was 3.6 percent.

In 2019, the bank received 140 HMDA reportable loan applications from within its assessment area. Of these, the bank received 9, or 6.4 percent, from racial minority applicants. Of these applications, the bank originated 55.6 percent. The bank received 1.4 percent from ethnic groups of Hispanic or Latino origin.

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 19 Church Street Winchester, Massachusetts 01890.

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 19 Church Street Winchester, Massachusetts 01890.

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

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

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