

# **PUBLIC DISCLOSURE**

April 3, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Belmont Savings Bank  
Certificate Number: 23901

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Belmont, Massachusetts 02478

Division of Banks  
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Boston, Massachusetts 02118

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

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## INSTITUTION RATING

**INSTITUTION’S CRA RATING:** This institution is rated **Satisfactory** by the Division of Banks and the Federal Deposit Insurance Corporation. An institution in this group has a satisfactory record of helping meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

<b>PERFORMANCE TESTS</b>			
<b>Belmont Savings Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory**	X	X	X
Needs to Improve			
Substantial Non-Compliance			

\*The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

\*\*FDIC Rules and Regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” rating for the three tests. As the Division of Banks does not have a “Low Satisfactory” rating, this jointly issued performance evaluation uses the term “Satisfactory” in lieu of the “Low Satisfactory” rating for the Lending, Investment, and Service Test ratings.

**The Lending Test is rated Satisfactory.**

- Lending reflects adequate responsiveness to AA credit needs.
- Belmont Savings Bank originated an adequate percentage of loans in the AA.
- The geographic distribution of loans reflects adequate dispersion throughout the AA.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.

- The bank exhibits an adequate record of serving the credit needs of the economically disadvantaged areas of its AA, low-income individuals, and small businesses, consistent with safe and sound banking practices.
- The institution makes little use of innovative and flexible lending practices in order to serve AA credit needs.
- The institution has made a relatively high level of community development loans.

**The Investment Test is rated Satisfactory**

- The institution has an adequate level of qualified community development investments and grants.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and complex investments to support community development initiatives.

**The Service Test is rated Satisfactory**

- The bank's delivery systems are reasonably accessible to essentially all portions of the institution's AA.
- No changes in branch locations.
- Services do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies and individuals.
- The institution provides an adequate level of community development services.

## **SCOPE OF EVALUATION**

### **General Information**

The evaluation covers the period from the prior evaluation dated January 27, 2014, to the current evaluation dated April 3, 2017. Examiners used Interagency Large Institution Examination Procedures to evaluate Belmont Savings Bank's (BSB) Community Reinvestment Act (CRA) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

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

- Assessment Area concentration;
- Geographic distribution;
- Borrower profile;
- Responsiveness to credit needs of highly disadvantaged areas, individuals, or Businesses;
- Innovative and flexible lending practices; and
- Community development loans.

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments;
- Responsiveness to credit and community development needs; and
- Innovativeness or complexity of qualified investments.

The Service Test considered the following criteria.

- Accessibility of delivery systems;
- Changes in branch locations;
- Reasonableness of business hours and services; and
- Community development services.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending. Examiners did not consider other product lines such as small farm loans, consumer, and other loan types due to the low volume of originations and limited representation in the loan portfolio. Therefore, as they provide no material support for conclusions or ratings, they are not presented.

In evaluating the bank's performance under the Lending Test, examiners considered all home mortgage loan originations reported on the bank's 2015 and 2016 HMDA Loan Application

Registers (LARs). In 2015, the bank reported 849 loans totaling \$407.8 million. In 2016, the bank reported 927 loans totaling \$510.8 million.

This evaluation also considered all small business loans reported on the bank's CRA Loan Register (LR) in 2015 and 2016. In 2015, the bank reported 15 small business loans totaling \$7.6 million. In 2016, the bank reported 10 loans totaling \$5.9 million.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans. The number of loans is a better indicator of the number of individuals and businesses served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the bank's AA.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of January 27, 2014, through the current examination date of April 3, 2017.

## **DESCRIPTION OF INSTITUTION**

### **Background**

BSB is headquartered in Belmont, Massachusetts (MA). The bank is a public corporation and a wholly owned subsidiary of BSB Bancorp, Inc. BSB has one affiliate, BSB Funding Corporation. BSB Funding Corporation holds the loan to Belmont Savings Bank's employee stock ownership plan. The bank has one subsidiary, BSB Investment Corporation, which buys, sells, and holds investment securities.

The bank received a "Satisfactory" rating from the Division and FDIC during its prior joint evaluation using Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

In addition to its main office in Belmont, the bank operates five full-service branches located in Belmont, Cambridge, Newton, Watertown, and Waltham, MA.

BSB is primarily a residential lender offering traditional banking products such as home mortgage, commercial, and consumer purpose loans, as well as home equity lines of credit. The bank offers a first time homebuyer product with discounted rates and reduced closing costs. Deposit services include certificates of deposits and various checking and savings accounts for individuals and businesses. Alternative banking services include online and mobile banking functions. Automatic Teller Machines (ATMs) are located at each branch. Cambridge and Waltham branches have two ATMs. The bank does not have any stand-alone ATMs. BSB has no ATMs in low- and moderate-income census tracts; however, the ATMs in Belmont, Cambridge, and Watertown are located next to low-or moderate-income census tracts. The bank did not open or close any branches, and no merger or acquisition activities have occurred since the previous evaluation.

## **Ability and Capacity**

As of December 31, 2016, the bank had total assets of approximately \$2.2 billion, which included total loans of \$1.9 billion or 86.4 percent of total assets. This represents a significant increase since the previous evaluation. During the previous evaluation, the bank's assets totaled \$1.02 billion, which included \$803 million in loans. The bank's net loan to deposit ratio, as of the same date, was approximately 126.5 percent.

All types of real-estate secured loans increased in volume since the last exam except for the residential junior lien category. Residential real estate had the greatest increase (214.3 percent) while commercial real estate grew by 110.0 percent. Consumer loans declined by 35.0 percent as the bank exited the indirect automobile business in July 2015. The end of indirect auto loan originations along with enhanced municipal banking represent changes to the bank's business activities since the last evaluation.

As of December 31, 2016, loans secured by residential properties represent approximately 70.8 percent of the portfolio. Loans secured by non-farm, non-residential properties and commercial and industrial loans represent 21.2 percent of the portfolio. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/16</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	74,977	4.0
Secured by Farmland	0	0.0
1-4 Family Residential	1,202,385	64.0
Multi-family (5 or more) Residential	128,045	6.8
Commercial Real Estate	393,685	20.9
<b>Total Real Estate Loans</b>	<b>1,799,092</b>	<b>95.9</b>
Commercial and Industrial	4,907	0.3
Agricultural	0	0.0
Consumer	61,644	3.3
Other	13,976	.7
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>1,876,619</b>	<b>100.0</b>

*Source: Reports of Condition and Income*

There are no significant financial or legal impediments identified that would limit the bank's ability to help meet the AA's credit or community development needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. BSB designated a single AA, which meets the regulation's technical requirements. The bank does not have branches outside of the Boston-Cambridge-Newton, MA-New Hampshire (NH) Metropolitan Statistical Area (MSA) (14460). Therefore, separate AA analyses are not required for this evaluation. Examiners analyzed the bank's performance within the AA.

### Economic and Demographic Data

The AA includes 175 census tracts in Middlesex, Norfolk, and Suffolk Counties. Since the previous evaluation, the bank added Medford, Natick, Somerville, and Winchester to the assessment area in 2015. The following table details the AA by county.

<b>Assessment Area Cities and Towns</b>	
<b>Middlesex County</b>	
Arlington	Newton
Belmont	Somerville
Cambridge	Waltham
Lexington	Watertown
Medford	Weston
Natick	Winchester
<b>Norfolk County</b>	
Brookline	Wellesley
Needham	
<b>Suffolk County</b>	
Allston	Brighton

The cities and towns listed above are located in the Boston, MA Metropolitan Division (MD) (14454) and the Cambridge-Newton- Framingham, MA MD (15764). Both MDs are located in the Boston-Cambridge- Newton, MA-NH MSA.

The 175 census tracts reflect the following income designations according to the 2010 U.S. Census:

- 8 low-income tracts,
- 34 moderate-income tracts,
- 58 middle-income tracts, and
- 75 upper-income tracts.

The following table illustrates select AA demographic characteristics.



<b>Demographic Information of the AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	175	4.6	19.4	33.1	42.9	0.0
Population by Geography	769,987	4.5	17.9	33.2	44.4	0.0
Housing Units by Geography	324,129	4.1	18.7	35.2	42.0	0.0
Owner-Occupied Units by Geography	160,915	1.6	10.3	32.7	55.4	0.0
Businesses by Geography	62,598	4.2	14.0	28.5	53.2	0.0
Household Distribution by Income Level	304,140	24.1	13.6	16.3	46.0	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,800	Median Housing Value			\$539,278
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$98,600	Median Gross Rent			\$1,392
			Families Below Poverty Level			5.4%
<i>Source: 2010 U.S. Census data, 2016 D&amp;B Data, and 2016 FFIEC- Estimated Median Family Income</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>						

Examiners used the 2015 and 2016 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle- and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: FFIEC</i> <i>Due to rounding, totals may not equal 100.0</i>				

There are 324,129 housing units in the AA. Of these, 49.7 percent are owner-occupied, 44.2 percent are occupied rental units, and 6.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

According to 2016 D&B data, there were 62,598 businesses in the AA. Gross annual revenues (GARs) for these businesses are below.

- 84.3 percent have \$1 million or less.
- 7.2 percent have more than \$1 million.
- 8.5 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of business by GAR level. Business demographics indicate the majority of businesses in the AA are small businesses with four or fewer employees. Specifically, 71.9 percent of area businesses have four or fewer employees, and 88.9 percent operate from a single location. Service industries represent the largest portion of businesses at 55.6 percent; followed by retail trade at 11.0 percent; finance, insurance, and real estate at 10.1 percent; and non-classifiable establishments at 7.9 percent.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that as of December 2016, the seasonally adjusted unemployment rate in MA was 2.8 percent. The unemployment rate in MA significantly decreased throughout the evaluation period, from a high of 6.2 percent in December 2013.

### **Competition**

The AA is highly competitive in the market for financial services. According to 2016 Peer Deposit Data, 39 financial institutions operated 75 full-service branches within the AA. Of those institutions, BSB ranked 8<sup>th</sup> with a 3.7 percent deposit market share.

There is a high competition level for home mortgage loans in the AA. In 2015, the bank ranked 10<sup>th</sup> out of 439 lenders in the AA with a market share of 1.6 percent. The majority of financial institutions that ranked ahead of BSB were large national banks or mortgage companies.

There is also a high competition level for small business loans in the AA. In 2015, the bank ranked 69<sup>th</sup> out of 153 lenders in the AA.

### **Community Contact**

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

Examiners contacted a representative of a community organization in Somerville. The contact's mission is to reduce poverty among local families and individuals while working to counteract societal conditions that cause and perpetuate poverty. The contact identified a significant need for affordable housing in the AA, but noted limited opportunity for affordable housing development. The contact noted a lack of good jobs in the area, and therefore, a need to attract new businesses for job creation. Additionally, the contact stated that low fee checking and

savings accounts would assist low- and moderate-income individuals. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs. The contact also stated that given the affluent nature of the surrounding towns, and the higher needs in Somerville, community development opportunities in Somerville and the surrounding area are highly competitive. Therefore, community development opportunities are limited.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that residential loans, particular residential loans for lower income residents, represent a primary need for the assessment area. Rapidly increasing real estate prices over the past few years have forced many low-income individuals out of their apartments. There is a need for more affordable housing and loans for lower income individuals. The contact noted that in many cases, the individuals who are just above the income that would qualify for affordable housing and products are in many ways worse off. This is because they do not receive additional assistance and are unable to afford many of the homes and rent in the assessment area.

The community contact also stated a need for low fee checking accounts. Given the high fees associated with checking accounts, many assessment area residents are unbanked. Many customers do not consistently maintain the necessary funds to avoid monthly maintenance fees. Free checking accounts would help to increase the percentage of banked people in the lower income areas of the assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's overall Lending Test performance is rated Satisfactory. Geographic Distribution and Borrower Profile performance, specifically within home mortgage lending, primarily support this conclusion. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to AA credit needs. In 2015 and 2016, BSB originated 1,776 home mortgage loans, totaling approximately \$918.6 million, and 25 small business loans totaling approximately \$13.5 million. Of this total, 922 home mortgage loans, totaling approximately \$529.5 million, and 13 small business loans, totaling approximately \$6.2 million, were inside the AA.

In 2015, the bank ranked 10<sup>th</sup> out of 439 lenders that reported originating or purchasing at least one home mortgage loan in the AA. The bank's market share was 1.6 percent by number, and 1.8 percent by dollar volume. In 2015, 37.6 percent of loans on the HMDA LAR the bank originated through correspondent lending relationships, and 29.2 percent of loans the bank purchased. In 2016, 39.9 percent of loans on the HMDA LAR the bank originated through correspondent lending relationships, and an additional 26.0 percent of loans the bank purchased. The higher ranked lenders included larger financial institutions and mortgage companies that operate regionally or nationally, including JPMorgan Chase Bank, NA; Loanpot.com, LLC; and Wells Fargo Bank, NA. The only state-chartered financial institution ranked above BSB was Leader Bank.

In 2015, the bank ranked 69<sup>th</sup> out of 153 lenders that originated or purchased at least one small business loan in the counties in the designated AA. The market share was less than 0.1 percent by number, and 0.3 percent by dollar volume. The highest ranked small business lenders were credit card companies, including American Express, FSB; Bank of America, N.A.; and Capital One Bank (USA), N.A. The bank is primarily a home mortgage lender and offers limited commercial products. Specifically, the bank does not offer any products targeted at small business customers, such as Small Business Association (SBA) loans. This limits the bank's small business lending.

Market rank information for 2016 was not available as of the evaluation date.

#### **Assessment Area Concentration**

The bank made an adequate percentage of home mortgage and small business loans, by number and dollar volume, within its AA.

Lending Inside and Outside of the AA										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	410	48.3	439	51.7	849	224,884	55.1	182,903	44.9	407,787
2016	512	55.2	415	44.8	927	304,662	59.6	206,150	40.4	510,812
<b>Subtotal</b>	<b>922</b>	<b>51.9</b>	<b>854</b>	<b>48.1</b>	<b>1,776</b>	<b>529,546</b>	<b>57.6</b>	<b>389,053</b>	<b>42.4</b>	<b>918,599</b>
Small Business										
2015	7	46.7	8	53.3	15	3,035	39.8	4,595	60.2	7,630
2016	6	60.0	4	40.0	10	3,203	54.6	2,662	45.4	5,865
<b>Subtotal</b>	<b>13</b>	<b>52.0</b>	<b>12</b>	<b>48.0</b>	<b>25</b>	<b>6,238</b>	<b>46.2</b>	<b>7,257</b>	<b>53.8</b>	<b>13,495</b>
<b>Total</b>	<b>935</b>	<b>51.9</b>	<b>866</b>	<b>48.1</b>	<b>1,801</b>	<b>535,784</b>	<b>57.5</b>	<b>396,310</b>	<b>42.5</b>	<b>932,094</b>
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016</i>										

### **Geographic Distribution**

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

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the AA. Examiners focused on the comparison to 2015 aggregate data and considered trends based on 2016 data and comparisons to demographic data. The following table shows that the bank's lending in low-income tracts is the similar to aggregate performance in 2015. The bank originated 9 loans, or 2.2 percent of home mortgage loans in the low-income geographies within the AA. The bank slightly exceeded the percentage of owner-occupied housing units in low-income census tracts in the AA. Lending in low-income census tracts slightly decreased in 2016, and fell slightly below the percentage of owner-occupied housing in the low-income census tracts. In moderate-income census tracts, the bank's lending was slightly lower than aggregate performance in 2015. Lending in moderate-income census tracts was similar to the percent of owner-occupied housing in these census tracts. The bank decreased its lending in moderate-income census tracts in 2016 and again was less than demographics.

Market share data further supports the bank's adequate performance. In 2015, the bank ranked 19<sup>th</sup> out of 164 lenders in originating loans to low-income census tracts with a 1.2 percent market share. The bank ranked 19<sup>th</sup> out of 294 lenders with a 1.3 percent market share, in lending to moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	1.6	2.2	9	2.2	5,886	2.6
2016	1.6	--	6	1.2	2,928	1.0
Moderate						
2015	10.3	11.3	41	10.0	21,973	9.8
2016	10.3	--	39	7.6	20,077	6.6
Middle						
2015	32.7	34.5	133	32.4	60,503	26.9
2016	32.7	--	150	29.3	73,221	24.0
Upper						
2015	55.4	52.0	227	55.4	136,522	60.7
2016	55.4	--	317	61.9	208,436	68.4
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>410</b>	<b>100.0</b>	<b>224,884</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>512</b>	<b>100.0</b>	<b>304,662</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0</i>						

**Small Business Loans**

The geographic distribution of small business loans reflects adequate dispersion throughout the AA. As noted earlier, the bank originated a limited number of small business loans in 2015 and 2016. The bank’s primary lending focus is residential lending and offers limited business lending products. The bank’s largest area of commercial lending is commercial real estate. Given the area and real estate prices, the majority of commercial properties would be over \$1 million. Based on the bank’s lending focus and product offerings, the bank’s small business lending is limited. Given the limited number of small business loans, one loan could disproportionately skew the analysis.

In 2015, the bank did not originate small business loans within the low-income census tracts. In 2016, the bank originated one small business loan in a low-income census tract. In 2015, the bank made two small business loans in moderate-income census tracts. Lending in moderate-income census tracts in 2015 exceeded aggregate by 13.5 percent. The bank did not make any small business loans in moderate-income census tracts in 2016.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	4.3	4.3	0	0.0	0	0.0
2016	4.2	--	1	16.7	3	0.1
Moderate						
2015	13.7	15.1	2	28.6	525	17.3
2016	14.0	--	0	0.0	0	0.0
Middle						
2015	28.5	30.0	2	28.6	1,210	39.9
2016	28.5	--	3	50.0	1,700	53.1
Upper						
2015	53.4	50.5	3	42.9	1,300	42.8
2016	53.2	--	2	33.3	1,500	46.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>3,035</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>6</b>	<b>100.0</b>	<b>3,203</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0</i>						

**Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among individuals of different income levels and businesses of different sizes. The bank’s adequate performance of home mortgage lending primarily supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers, and on the percentage of small business loans to businesses with GARs of \$1 million or less.

***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. Examiners focused on the comparison to aggregate data, but considered trends based on 2016 data and comparisons to demographic data

In 2015, the bank’s lending to low-income borrowers, at 0.2 percent, was below aggregate data of 1.8 percent. It is important to note, a low-income family in the AA, with an average income

of less than \$50,850 would not likely qualify for a mortgage under the conventional underwriting standards, especially considering the median housing value of \$539,278. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the difference between bank performance to low-income families and the 19.4 percent of families of this income level. The bank's lending was also less than the aggregate. Lending to low-income borrowers increased slightly in 2016, but remained less than demographics.

Lending to moderate-income borrowers in 2015, at 5.9 percent, is also below aggregate at 8.2 percent. Moderate-income lending was 7.8 percentage points below demographic information. As a moderate-income borrower in the assessment area earns an annual income of \$81,360 or less, they would not qualify for a loan for the median housing value in the assessment area. Lending to moderate-income individuals decreased in 2016.

Market share data further supports the bank's adequate performance. In 2015, the bank ranked 61<sup>st</sup> out of 179 lenders in lending to low-income borrowers with a 0.3 percent market share. The bank ranked 26<sup>th</sup> out of 254 lenders in lending to moderate-income borrowers with a 1.0 percent market share.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	19.4	1.8	1	0.2	380	0.2
2016	19.4	--	2	0.4	385	0.1
<b>Moderate</b>						
2015	13.7	8.2	24	5.9	6,469	2.9
2016	13.7	--	17	3.3	5,524	1.8
<b>Middle</b>						
2015	17.3	17.1	68	16.6	24,393	10.8
2016	17.3	--	59	11.5	24,629	8.1
<b>Upper</b>						
2015	49.6	55.0	310	75.6	186,130	82.8
2016	49.6	--	426	83.2	259,286	85.1
<b>Not Available</b>						
2015	0.0	17.9	7	1.7	7,512	3.3
2016	0.0	--	8	1.6	14,838	4.9
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>410</b>	<b>100.0</b>	<b>224,884</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>512</b>	<b>100.0</b>	<b>304,662</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						



### ***Small Business Loans***

The distribution of small business loans reflects poor penetration of loans to small businesses. In 2015, the bank made 28.6 percent of its loans to businesses with GARs of \$1 million or less, which was well below aggregate by 21.5 percent. The percentage of lending in 2016 increased to 50.0 percent.

Market share data further supports the bank’s poor performance under this criterion. In 2015, the bank ranked 52<sup>nd</sup> out of 153 lenders that originated loans to businesses with GARs of \$1 million or less, with a market share less than 0.1 percent.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	76.2	50.1	2	28.6	760	25.0
2016	84.4	--	3	50.0	1,503	46.9
<b>&gt;\$1,000,000</b>						
2015	6.0	--	5	71.4	2,275	75.0
2016	7.1	--	3	50.0	1,700	53.1
<b>Revenue Not Available</b>						
2015	17.9	--	0	0.0	0	0.0
2016	8.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>3,035</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>6</b>	<b>100.0</b>	<b>3,203</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Innovative and Flexible Lending**

This criterion includes all innovative and flexible lending activities since the prior evaluation, covering the period from January 27, 2014 through April 3, 2017.

The bank makes little use of innovative and/or flexible lending programs in order to serve the AA credit needs. The bank participates in the Massachusetts First Time Home Buyer Program. However, despite receiving applications, no applicants qualified for the program. The state median income is much lower than the AA median income. Many low- and moderate-income individuals in the AA may not meet the income restrictions for the Massachusetts First Time Home Buyer Program.

Given the lack of qualified applicants, the bank created and introduced a First Time Home Buyer program in December 2016. The program offers down payments as low as five percent and rate locks up to 100 days. Under the program, customers may borrow up to \$600,000 for a single family or condominium, and \$543,000 for a two-family home. The product does not have income restrictions. One loan made under this program was to a low-income borrower in the AA. The community contact noted lower income individuals struggle to qualify for affordable housing or other additional state and federal services in the area. Many of these individuals end up moving. This bank's first time homebuyer program helps these individuals, since it does not have income restrictions.

### **Community Development Lending**

BSB has a relatively high level of community development loans. The bank originated 13 community development loans totaling approximately \$40.3 million during the evaluation period. The number is slightly higher when compared to the prior evaluation when the bank originated 11 community development loans. Since the prior evaluation, the dollar amount of community development loans significantly increased by \$29 million. The current level of activity represents 2.2 percent of average total assets and 2.6 percent of average total loans since the prior CRA evaluation.

The community contact stated the AA's greatest need is affordable housing. The bank made five loans that would create affordable housing in the AA. The following table details the bank's community development loans by purpose and year.

<b>Community Development Lending</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2014	0	0	3	9,350	0	0	0	0	0	0	3	9,350
2015	1	2,219	4	22,700	0	0	0	0	0	0	5	24,919
2016	3	3,309	0	0	0	0	0	0	0	0	3	3,309
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>5,528</b>	<b>7</b>	<b>32,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>37,578</b>

*Source: Bank Records*

In addition to the loans represented in the above table, the bank invested in a Community Development Financial Institution (CDFI) Loan Fund. Each year, the Loan Fund extends loans and flexible credit to low-income community projects and facilities that enhance and stabilize fragile communities. The Loan Fund provides loans to non-profit organizations, community development corporations, and local developers that build affordable housing and provide social and community services for underserved communities throughout Massachusetts and other eastern states. The contributed funds account for approximately \$2.7 million during the evaluation period through the CDFI. During 2014, the bank receives pro-rata share of 24 loans totaling \$816,291, 19 loans totaling \$1,144,172 during 2015, and 26 loans totaling \$728,383 during 2016.

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

- During the evaluation period, the bank made multiple loans to a Waltham organization working with children and adults with developmental disabilities. The organization provides both academic training for students as well as social and functional life skills, including workforce development. The majority of the individuals served are low- or moderate-income. In 2014, the bank increased a line of credit to this organization from \$3,000,000 to \$4,000,000. The bank also provided permanent financing for four group homes and a cash-out refinance for an additional group home in 2014. In 2015, the bank provided the school a cash out refinance for four additional group homes and a short-term line of credit to fund the purchase for a new commercial property to move their headquarters. Later in 2015, the bank provided the organization a commercial mortgage to pay-off the short-term line of credit for the purchase of the commercial property. The mortgage also included a refinance of the bank's two existing mortgages for the group homes combining the two loans. During the review period, the bank made 5 loans to this organization, totaling approximately \$25.8 million.
- In 2015, the bank provided construction funding to convert an existing 6-story office building into an 80-unit residential apartment building that includes 10 designated affordable units for low-income individuals. The bank received credit for the pro-rated share of the affordable units. The total loan was for \$17.8 million, the bank received credit for \$2.2 million. The building is located in Brighton, MA. In 2016, the bank increased the loan amount from \$17.8 million to \$25.0 million. The bank received the prorated share of the \$7.2 million increase, for a total of \$905,534 in community development credit.
- In 2016, the bank provided construction financing to build 60 residential condominium units. Of the 60 units, 8 are affordable and available for low-income individuals. The bank received credit for the pro-rated share of the affordable units. The loan was for \$15.8 million. The bank received credit for \$2.1 million.

The following represent community development loans made to organizations and corporations that benefit towns outside the AA:

- The bank made one loan to the largest provider of special education programs for children with emotional, behavioral and development disabilities on the North Shore. Children in the AA are eligible to attend the school. Massachusetts Development Finance Agency provides the funding for this organization. The bank provides acquisition and renovation financing for an office building in Beverly, Massachusetts.
- The bank provided a borrower with funds to acquire and renovate a 12-unit apartment building in Dorchester, MA. One unit is affordable for a low-income individual. The bank received credit for the pro-rated share of the loan. The total loan was for \$3,525,000 million and the bank received credit for \$293,750.

## INVESTMENT TEST

The bank’s overall Investment Test performance is “Satisfactory”. The following sections discuss the bank’s performance under each criterion.

The bank has an adequate level of qualified investments. Given the limited opportunities for qualified investments in an affluent AA, the bank focused their efforts on providing funds into the community by means of grants. These investments directly served the low- and moderate- income portions of the population. In addition, the bank increased equity investments from the previous examination and actively pursued funds with traits applicable to CRA.

### Investment Activity

The bank made an adequate level of qualified investments at \$793,166. This total includes qualified equity investments of \$500,456 and donations of \$292,710. The institution and its charitable foundation provided the donations. This dollar amount of equity investments equates to 0.1 percent of average total assets and 0.4 percent of average investments since the last evaluation. Qualified investments represent an increase of approximately 370.0 percent since the last evaluation period. During the last evaluation, the bank had 1 equity investment totaling \$119,321 and 31 grants totaling \$94,150.

Of the total dollar amount, the bank provided 97.7 percent of its qualified investments to organizations providing services to low- and moderate-income individuals within the AA. The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0	0	0
2014	0	0	1	131,226	0	0	0	0	0	0	1	131,226
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	2	234,013	0	0	0	0	0	0	2	234,013
YTD 2017	0	0	1	135,216	0	0	0	0	0	0	1	135,216
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>500,456</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>500,456</b>
Qualified Grants & Donations	10	18,012	80	274,698	0	0	0	0	0	0	90	292,710
<b>Total</b>	<b>10</b>	<b>18,012</b>	<b>84</b>	<b>775,154</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>94</b>	<b>793,166</b>

Source: Bank Records

The following are notable examples of the bank’s qualified investments:

Equity Investments - BSB invested in a third party by purchasing a series of certificate of deposits in a minority-owned financial institution. The institution is a certified community

development financial institution (CDFI) serving low- and moderate-income communities with offices in Boston, Los Angeles, and Miami. The bank made three investments during the evaluation period for a total of \$400,456.

In 2016, the bank made a qualifying investment of \$100,000 in the form of a 1-year certificate of deposit in a Massachusetts credit union holding the low-income designation. Investing in these credit unions helps combat challenges that low- and moderate-income populations have with accessing mainstream financial products and services.

### Donations

The following are notable organizations that received qualified donations through bank and the bank's charitable foundation.

- The bank provided multiple donations to Women of Means, now known as Health Care Without Walls. The organization provides health care, education, and counseling to homeless women and families. Clients range in age from infants to women in their nineties. Examples of their outreach include operating medical teams at two Boston area women's shelters where guests receive immediate and free walk-in medical care. Over 1,800 women received care in 2015.
- The bank donated to Metro West Collaborative Development. This group tries to improve the quality of life for residents of Metro West neighborhoods. The organization strives to increase affordable housing, support economic development in local neighborhoods and towns, and increase awareness and support for community development. This organization's donations benefits portions of the AA.
- The bank donated to Springwell for a Money Management Program. This organization is a private, non-profit organization that manages diverse services to meet the needs of seniors, people with disabilities, and caregivers in the Metro West area. These donations benefit portions of the AA. The Money Management Program assists individuals who have difficulty managing personal finances with two levels of support: 1) Bill Payer Service, and 2) Representative Payee Service. The program is only available to elders that fall within low-income guidelines.
- The bank provided donations to The Second Step (TSS) whose mission is to aid survivors of domestic violence to recover and build brighter futures for themselves and their children, and to address root causes in an attempt to end domestic violence. TSS provides diverse support services, counseling, and housing to hundreds of adults and children annually to assist clients in moving away from crisis to achieve safety and well-being.
- The bank donated in a tax credit-eligible community development entity under the Massachusetts Community Investment Tax Credit Program (CITC). The CITC offers individuals, corporations and non-profit institutions the opportunity to obtain a 50 percent refundable Massachusetts state tax credit and up to a 35 percent standard federal tax

deduction when investing in the economic development of low- and moderate-income geographies and individuals. The organization supports Community Development Corporations in creating affordable housing units, preventing foreclosures, and providing financial literacy counseling and education. The bank earmarked its \$10,000 donation to aid programs in Waltham.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community development needs. As noted previously, affordable housing is the primary need for low- and moderate-income individuals in the AA. The bank focused on this need and provided grants such as the CITC grant. The majority of the bank's focus was on providing grants and donations to organizations that provide social services to low- and moderate-income individuals in the AA.

### **Community Development Initiatives**

The bank occasionally uses innovative or complex investments to support community development initiatives. Although the bank's investments were not complex, the bank's method of investing in local minority and low-income financial institutions showed a degree of innovativeness. The bank also established systems to distribute more innovative and complex donations. One example is the Education Rewards Checking Accounts, in which the bank donates money to local education foundations every time a customer opens a specific type of checking account. One foundation, the Newton Schools Foundation, uses funds received to increase enrollment in the Calculus Project. This program is designed to address the achievement gap found for students from low-income families.

## **SERVICE TEST**

The bank's Service Test performance is rated "Satisfactory." The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institution's AA. The bank distributed locations in such a way that no portion of the AA is inconvenienced. Alternative delivery systems are available to supplement the bank branches.

#### *Distribution of Branches*

In addition to its main office located in Belmont, BSB operates five full-service branches located in Belmont, Cambridge, Newton, Waltham, and Watertown. The branches in Cambridge, Newton, and Waltham are located inside Star Market grocery stores. There are two offices located in upper-income geographies, and four in middle-income geographies. The supermarket branches in Belmont, Cambridge, and Watertown are located next to low- and moderate-income census tracts. Branches are open from Monday to Saturday, although hours vary by location. All branches offer the bank's complete line of products and both Belmont branches offer drive-up services. Although no branches are located in low- or moderate-income census tracts, the grocery store locations increase the branches accessibility. These are large grocery stores, used by an economically diverse group of individuals, including low- and moderate- income individuals in neighboring towns and census tracts. Therefore, these branches are more convenient for many low- and moderate-income borrowers, than standalone branches located in a similar area.

#### *Automated Teller Machines (ATMs)*

All branches offer the bank's complete line of products and both Belmont branches offer drive-up services. Additionally, bank ATMs are located at each branch, and the Cambridge and Waltham branches have two ATMs. The bank does not have any stand-alone ATMs. No ATMs are located in low- and moderate-income census tracts.

In addition to the branch network and ATMs, the institution offers multiple deposit accounts, a few of which are affordable due to the low-minimum balance requirements and low fee structures. The bank meets the guidelines for the Massachusetts Community & Banking Council Basic Banking for Massachusetts. This program identifies the bank as responsive to an identified need for low-cost bank products and services. Types of affordable deposit accounts include:

- SkyBlue Savings- a low minimum balance savings account that requires \$100 to open, has no monthly fee, does not require checking, free bill pay and mobile banking deposit, and pays 0.5 percent annual percentage yield.
- SkyBlue Checking- a no minimum balance checking account that requires \$10 to open, has no monthly fee, and free mobile banking/deposit and free bill pay.

The community contact stated that the low- and moderate-income individuals in AA need no fee checking accounts. The Sky Blue accounts with no monthly maintenance fee meets this need.

### Changes in Branch Locations

The bank did not open or close any branches since the prior evaluation.

### Reasonableness of Business Hours and Services

Business hours do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. Although branch hours vary from location to location, no hours vary so much as to inconvenience a specific geography. The Belmont headquarters are open from 9:00am to 4:30pm on Monday through Thursday, 9:00am to 5:00pm on Friday, and 9:00am to 1:00pm on Saturdays. The Belmont branch is open from 9:00am to 4:30pm on Monday through Friday, and 9:00am to 1:00pm on Saturday. The Watertown branch is open from 9:00am to 4:00pm Monday through Thursday, 9:00am to 5:00pm on Friday, and 9:00am to 12:00pm on Saturday. The Cambridge and Waltham branches are open from 10:00am to 6:00pm Monday through Friday and 9:00am to 3:00pm on Saturday. The Newton branch is open from 10:00am to 5:00pm Monday through Friday, and 10:00am to 3:00pm on Saturdays. ATMs and mobile and online banking are available 24 hours a day, 7 days a week.

### Community Development Services

The bank provided an adequate level of community development services in the AA during the evaluation period. The bank provided 80 instances of community development services to several organizations, often on an ongoing basis. The following table summarizes the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014	2	18	0	0	0	20
2015	2	18	0	0	0	20
2016	2	24	0	0	0	26
YTD 2017	2	12	0	0	0	14
<b>Total</b>	<b>8</b>	<b>72</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>80</b>

*Source: Bank Records*

### Employee Involvement

The bank devotes time and resources to assisting with community development initiatives within its AA by having representatives serve in leadership roles in community-based organizations. The following are examples of the organizations in which bank officers are involved.

- Massachusetts Housing Investment Corporation (MHIC) – This private nonprofit organization uses investor funds to make targeted community development investments and participates in government programs such as the New Markets Tax Credit. MHIC



has undertaken hundreds of projects across New England, including several in the bank's AA. A bank employee serves on the organization's Credit Review Committee.

- Springwell – Springwell is a nonprofit organization that provides a myriad of services targeted towards the elderly, disabled, and their caretakers. The organization provided housing, meals, and grants to other community groups and designed a program dedicated to protecting low- and moderate-income seniors from financial exploitation. A bank employee serves as a Financial Abuse Specialist Team Committee member.
- Waltham Boys & Girls Club – The Boys & Girls Club provides after school services to area children, with a focus on those from low- and moderate-income families. Two bank employees assist the organization as Treasurer and Board President, respectively.
- Waltham YMCA – The Waltham YMCA is a community organization with programs tailored to low- and moderate-income populations. Programs include childcare, supplemental food assistance, and employment and vocational training services. Numerous bank employees assist the organization. Three serve as Advisory Board members, one as Vice Chair, and one as Board of Development Chair.

### **Technical Educational and Support**

Employees conduct and participate in numerous seminars designed to educate consumers about banking and the products available to meet their specific needs. The following are notable examples of financial education.

- In 2014, the bank conducted a home buying seminar at the Waltham Alliance To Create Housing Community Development Corporation (WARHCDC). The WARHCDC is a nonprofit organization with a specific focus on helping low- and moderate-income renters and immigrant populations.
- In November 2015, bank employees presented weekly at financial literacy classes hosted by the Waltham Boys & Girls Club. The classes included the FDIC Money Smart curriculum, a program tailored towards low- and moderate-income learners to help build financial skills and introduce them to banking.
- In 2017, the bank continued to hold Money Smart seminars. To date, bank employees presented on 10 occasions to members of both the Waltham and Newton Boys & Girls Clubs. The majority of members at these organizations are low- and moderate- income individuals.

### ***Ongoing Services***

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council (MCBC). This statewide program offers low-cost checking and savings accounts to low- and moderate-income individuals.
- The bank participates in the Interest on Lawyers' Trust Accounts (IOLTA) program. Interest earned on these accounts is utilized to help fund improvements in the

administration of justice and delivery of legal services to low-income clients. There were 94 customers involved in the IOLTA program. Total interest earned by these accounts amounted to \$109,038 during the evaluation period.

## **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

### SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	January 27, 2014-April 3, 2017
<b>FINANCIAL INSTITUTION</b>	<b>Belmont Savings Bank</b>
<b>PRODUCTS REVIEWED:</b>	
<ul style="list-style-type: none"> <li>• Home mortgage loans originated in 2015 and 2016 reported on the bank's HMDA LAR.</li> <li>• Small business loans originated in 2015, and 2016 and reported on the bank's CRA LR.</li> </ul>	

List of AAs and Type of Evaluation			
Rated Area/ AA	Type of Evaluation	Branches Visited	Other Information
AA	Full-scope	Newton Office	175 Census Tracts

Rated Areas' Ratings	
Rated Area's Name	Overall Rated Area's Rating
AA	Satisfactory

## 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.

The bank maintains a written fair lending policy. The bank proactively and affirmatively supports the fair lending process through consistent underwriting procedures, regular monitoring (such as secondary review procedures), and appropriate internal and external audits.

## MINORITY APPLICATION FLOW

Examiners reviewed the bank's HMDA LARs for 2015 and 2016 to determine if the application flow from the different racial groups within the bank's AA reflected the AA's demographics.

According to the 2010 U.S. Census Data, the bank's AA contained a total population of 769,987 individuals of which 25.7 percent are minorities. The AA's minority and ethnic population is 4.8 percent Black/African American, 11.3 percent Asian/Pacific Islander, 0.1 percent American Indian, 6.3 percent Hispanic or Latino and 3.2 percent other.

The bank's level of lending was compared with that of the aggregate's lending performance level for 2015, the most recent year that data was available. This comparison assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the following table for information on the bank's minority application flow as well as the aggregate lenders in the bank's AA.

Minority Application Flow					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.2
Asian	63	13.5	11.3	90	15.7
Black/ African American	6	1.3	1.2	1	0.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	2	0.4
Joint Race (White/Minority)	13	2.8	2.6	14	2.4
<b>Total Minority</b>	<b>82</b>	<b>17.6</b>	<b>15.4</b>	<b>108</b>	<b>18.9</b>
White	319	68.3	58.7	400	69.9
Race Not Available	66	14.1	25.9	64	11.2
<b>Total</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>	<b>572</b>	<b>100.0</b>
ETHNICITY					
Hispanic or Latino	3	0.6	1.8	8	1.4
Not Hispanic or Latino	392	83.9	71.4	492	86.0
Joint (Hisp/Lat /Not Hisp/Lat)	5	1.1	1.1	6	1.1
Ethnicity Not Available	67	14.4	25.7	66	11.5
<b>Total</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>	<b>572</b>	<b>100.0</b>

Source: US Census 2010, HMDA LAR Data 2015 and 2016, HMDA Aggregate Data 2015

In 2015, the bank received 467 HMDA reportable loan applications from within its AA. Of these applications, the bank received 82 or 17.6 percent from racial minority applicants, of which 72 or 87.8 percent resulted in originations. The aggregate had a racial minority application flow of 15.4 percent and an origination rate of minority applications of 74.0 percent. In 2016, the bank's racial minority application rate increased to 108 applications at 19.0 percent, and the origination rate of minority applications increased slightly to 88.8 percent.

In 2015, the bank received 8 ethnic minority applications, comprising 1.7 percent of all applications, compared to an aggregate ethnic minority application rate of 2.9 percent. All ethnic minority applications received by the institution were originated, compared to an aggregate ethnic minority origination rate of 68.1 percent. In 2016, the bank's ethnic minority application rate increased to 2.5 percent with 14 applications. The rate of approval remained consistently high at 92.7 percent.

The bank's racial minority application flow was higher than the aggregate trend, specifically in the percentage of Asian applicants. The bank has recognized opportunities to expand its minority application flow during the evaluation period and has made concerted efforts to do so through focused lending strategies and programs. Due to the bank's efforts to ensure fair lending practices, 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/AA.

**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.

**AA:** 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 AA 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 AA(s) or a broader statewide or regional area including the bank's AA(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 AA. 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 AA. 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/AA.

**Median Income:** The median income divides the income distribution into two equal parts, one has 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 AA;
- 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 2 Leonard Street Belmont, Massachusetts 02478."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 2 Leonard Street Belmont, Massachusetts 02478."

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

- 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.