

**PUBLIC DISCLOSURE**

**June 23, 2014**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CAMBRIDGE SAVINGS BANK**

**17870**

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**CAMBRIDGE, MA 02138**

**Division of Banks  
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**Federal Deposit Insurance Corporation  
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**NOTE:** This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations 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 Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **CAMBRIDGE SAVINGS BANK (or the “Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **June 23, 2014**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC’s Rules and Regulations.

**INSTITUTION'S CRA RATING: This institution is rated “Outstanding.”**

### LENDING TEST

The institution’s Lending Test performance is rated “High Satisfactory.”

- Overall, the Bank’s home mortgage and small business lending activity reflects good responsiveness to assessment area credit needs considering the size of the institution, loan portfolio composition, and high level of competition within the Bank’s designated assessment area. Within the evaluation period, (full years 2012 and 2013) the Bank originated a total of 1,350 home mortgage loans and 419 small business loans.
- An adequate percentage of home mortgage and small business loans was extended within the assessment area.
- Overall, the geographic distribution of home mortgage and small business loans reflects a good dispersion throughout the assessment area. The geographic distribution of the Bank’s home mortgage loans reflects good dispersion throughout the assessment area when compared to assessment area demographics and aggregate lending performance. The geographic distribution of the Bank’s small business lending reflects good dispersion throughout the Bank’s assessment area.
- Overall, the borrower distribution of home mortgage and small business loans reflects adequate penetration among customers of different income levels and businesses of different sizes. The distribution of the Bank’s home mortgage reflects, given the product lines offered, adequate penetration among customers of different income levels. The distribution of small business loans reflects adequate penetration among businesses of different sizes. The Bank strives to extend credit to borrowers of all income levels, including low- and moderate-income and to small businesses.

- The Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas, low- and moderate-income individuals, and small businesses within its assessment area.
- For the evaluation period, the Bank made a relatively high level of community development loans. During the evaluation period, the Bank originated or renewed 14 qualified community development loans totaling approximately \$35.1 million.
- The Bank uses innovative and flexible credit products. The programs offered by the Bank assisted low- and moderate-income borrowers, with emphasis on those residing within the Bank's assessment area. The Bank also offered programs for small businesses by providing loans guaranteed by the Small Business Administration (SBA).

## **INVESTMENT TEST**

The institution's Investment Test performance is rated "Outstanding."

- The Bank's level of qualified equity investments, at approximately \$ 26.5 million, representing 10.3 percent of the total investment portfolio, is considered excellent. The Bank's current level of qualified equity investments represents a 63.9 percent increase in qualified equity investments since the prior evaluation period
- The Bank made an excellent level of qualified charitable donations to help address a variety of community development needs within the assessment area and other communities, primarily within Massachusetts. The Bank made a portion of its community development donations through the Bank's Charitable Foundation. The Bank's investment efforts revealed excellent responsiveness to community development needs, including affordable housing, which was a specific need highlighted by one of the community contacts.
- The Bank demonstrated an excellent responsiveness to the community development needs of its assessment area through qualified investments, and significantly used innovative or complex initiatives.

## **SERVICE TEST**

The institution's Service Test performance is rated "Outstanding."

- The Bank's delivery systems are readily accessible to essentially all portions of the assessment area. While there are no branches within low- or moderate-income census tracts, there are three branches contiguous to low- and moderate-income census tracts in the cities of Somerville, Cambridge, and Boston. Additionally, the Bank maintains an ATM in a moderate-income census tract in Cambridge. All of the branch locations maintain hours and a level of services that do not vary.

- Two branch locations, one each in Newton and Burlington, and a loan product office in Boston were opened since the previous evaluation. The changes have not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences any portions of the assessment area, particularly low- and moderate-income geographies or individuals.
- The Bank is a leader in providing community development services. The Bank's officers and employees helped address community needs through their involvement in various community organizations, actively assisting these organizations as Board and Committee members. Through the Bank's CSBsmart Program the Bank created a financial education program to serve its community and to respond to the growing need for financial education. In addition to creating this program, Bank employees also developed and participated in numerous educational seminars targeting low- and moderate-income borrowers and first-time homebuyers.

**LENDING, INVESTMENT, AND SERVICE TEST TABLE**

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

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

\*\*Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the "low satisfactory" rating for the lending, investment, and service test ratings

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Cambridge Savings Bank is a mutual savings bank headquartered in Cambridge, Massachusetts. The main office is located at 1374 Massachusetts Avenue in the Harvard Square section of Cambridge. The Bank is a subsidiary of the Cambridge Financial Group, a mutual holding company that was formed in September 1998.

The Bank maintains 17 full-service branch offices located throughout the Boston/Cambridge/Quincy-MA NH Metropolitan Statistical Area (“MSA”), all within Middlesex County. In addition the Bank also maintains a limited-service Loan Production Office (LPO) on Boylston St., Suffolk County, Boston, MA. The full-service branch dispersion is reflected in Table 1.

<b>City</b>	<b>Geographic Income</b>
Cambridge - Massachusetts Ave. (Headquarters)	Middle
Acton – Great Rd.	Upper
Arlington – Massachusetts Ave.	Middle
Arlington – Massachusetts Ave.	Middle
Arlington – Massachusetts Ave.	Middle
Bedford – Great Rd.	Upper
Belmont – Leonard St.	Upper
Burlington – Cambridge St.	Middle
Burlington – Middlesex Turnpike	Middle
Cambridge – Cambridge St.	Middle
Cambridge – White St.	Upper
Cambridge – Massachusetts Ave.	Middle
Concord – Sudbury	Upper
Lexington – Massachusetts Ave.	Upper
Newton – Beacon St.	Upper
Newtonville – Walnut St.	Upper
Watertown – Arsenal St.	Middle

*Source: Bank Records and 2010 U.S. Census*

The Bank offices are considered full-service branches, equipped with automatic teller machines (ATMs) and drive-up facilities. In addition, the Bank maintains five cash dispensing ATMs located at The Charles Hotel, Harvard Square (2), Kendall Square, and Somerville Avenue in Somerville. Cambridge Savings Bank allows surcharge free usage at any of the Bank’s ATMs and for Super Smart, Earn Smart, and Relationship Checking accounts; the Bank will credit back any surcharges by other banks.

Cambridge Savings Bank is a full-service financial institution that offers its retail and commercial customers a wide-variety of financial services. In terms of deposit services, customers have the option of selecting checking, savings, and retirement accounts. Investment services are provided through Cambridge Appleton Trust which is a partnership between Cambridge Savings Bank and Appleton Partners, Inc. Retirement plans, trusts, fiduciary services, endowments, and foundations are available. Additional services include cash management, public finance, and business financing.

Financing for business and commercial customers include, but is not limited to working capital, lines of credit, equipment term loans, investment property loans, and construction loans. The Cash Management program includes, but is not limited to remote deposit capture, lockbox, zero balance accounts, escrow management, wire transfers, and positive pay services.

Cambridge Savings Bank offers a variety of consumer and commercial credit services, including adjustable- and fixed-rate residential mortgage loans, construction loans, home improvement loans, home equity loans, home equity lines of credit, personal secured and unsecured loans, government loans, overdraft protection lines of credit, and other consumer loans such as automobile loans. The Bank offers other personal banking products and services, including bill pay, direct deposit, wire transfers, ATM/debit card, mobile banking, and telephone banking. The Bank has partnered with Life Lock to offer Identity Theft protection and with TurboTax for tax submission services. The preceding list of products is not intended to be all-inclusive.

Cambridge Savings Bank had total assets of \$2.6 billion as of March 31, 2014. Assets increased approximately \$309 million, or 13.3 percent, since December 31, 2011. Asset growth was attributed primarily to an increase in the Bank's loan portfolio, specifically real estate loans. As of December 31, 2011, net loans totaled \$1.5 billion and represented 65.1 percent of total assets. Currently, net loans total approximately \$1.9 billion and represent 70.9 percent of total assets. Net loans have increased \$354 million, or 23.5 percent, since December 31, 2011.

Table 2 illustrates the current distribution of the Bank's loan portfolio.

<b>Table 2 - Loan Distribution as of March 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount (‘000s)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	150,554	7.8
1-4 Family Residential	612,066	32.6
Multi-Family (5 or more) Residential	118,794	6.3
Commercial Real Estate	880,199	47.0
<b>Total Real Estate Loans</b>	<b>1,761,613</b>	<b>93.7</b>
Commercial and Industrial	107,740	5.7
Consumer	1,185	0.1
Other	9,458	0.5
<b>Total Loans</b>	<b>1,879,996</b>	<b>100.0</b>

*Source: Consolidated Report of Condition and Income (Call Report)*

As Table 2 indicates the loan portfolio is primarily concentrated in residential (38.9 percent) and commercial (47.0 percent) real estate. Another 7.8 percent is construction and land development, 5.7 percent is commercial and industrial, 0.1 percent is consumer, and 0.5 percent is other loans.

Cambridge Savings Bank's average net loan-to-deposit (LTD) ratio for the preceding 12 quarters (June 30, 2011 to March 31, 2014) is 82.4 percent. The ratio fluctuated from a low of 76.8 percent on September 30, 2011 to 90.2 percent on December 31, 2013. As of March 31, 2014, the LTD ratio is 89.6 percent.

Cambridge Savings Bank operates in an extremely competitive lending market, considering that its delineated assessment areas include 161 census tracts within Massachusetts. There are at least 449 financial institutions that compete within the Bank's assessment area. Competition includes LPOs, banks, mortgage companies, credit unions, and other entities seeking home mortgage and small business loans in this market. Additionally, larger regional and national banks such as Bank of America, N.A.; Wells Fargo Bank, N.A.; and JP Morgan Chase Bank, N.A., have a presence within the Bank's assessment area and contribute to the high level of competition for banking customers.

The CRA requires the identification of similarly situated financial institutions with which the Bank's lending performance will be compared. As stated above there are several large national banks, but also several smaller banks such as Winchester Savings Bank, Salem Five Cent Savings, and Cambridge Trust Company. For the purposes of this evaluation there are no similarly situated banks for comparison; however, a comparison will be periodically conducted using other FDIC regulated banks in Massachusetts, when appropriate.

To further demonstrate the level of competition, in 2012, 449 lenders reported 56,401 home mortgage loans totaling \$19.8 billion within the Bank's assessment area. Cambridge Savings Bank was ranked 27<sup>th</sup> in mortgage lending with a market share of 0.9 percent. Also, in 2012, 114 lenders reported 48,609 small business loans totaling \$1.6 billion in the assessment area. Additionally, there are numerous financial institutions that are not required to report their lending activity, thus that lending activity is not reflected in the numbers above. It must also be noted that small business activity is presented by county rather than by census tract, like mortgage lending. As noted within *Description of Assessment Area*, CSB's assessment area involves two partial counties. As discussed below under *Description of Assessment Area*, Cambridge Savings Bank's assessment area involves two partial counties.

The Division and the FDIC assigned an overall CRA rating of "Outstanding" at the April 25, 2011 examination. The Bank was evaluated utilizing Large Bank procedures. The Lending Test was rated "High Satisfactory" and the Investment and Services tests were rated "Outstanding."

There are no financial or legal impediments that would limit or impede the Bank from meeting the credit needs of its community or delineated assessment area.

### **Description of the Assessment Area**

The CRA requires financial institutions to define a specific assessment area or areas within which they will concentrate their lending efforts. The Bank's Investments and Service efforts are also evaluated.

Cambridge Savings Bank delineated a single contiguous assessment area, based on the 2010 United States (U.S.) Census data, consisting of 161 census tracts within portions of Middlesex (149 of 318) and Norfolk counties (12 of 130). The Middlesex County municipalities are within the Cambridge-Newton-Framingham, MA MD and the Norfolk County municipalities are in the Boston-Quincy, MA MD. The combined county municipalities are all within the Boston-Cambridge-Quincy, MA-New Hampshire MSA/Core Based Statistical Area (CBSA). The municipalities and number of census tracts in each, by county, are reflected below.

**Norfolk County:** Brookline (12) and **Middlesex County:** Acton (5); Arlington (8); Bedford (2); Belmont (8); Burlington (4); Cambridge (32); Concord (3); Lexington (6); Lincoln (2); Medford (12); Newton (18); Somerville (18); Waltham (13); Watertown (6); Winchester (5); and Woburn (7).

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the bank has its main office, branches and deposit taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans ; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

To assess the Bank’s residential mortgage and small business lending performance within this evaluation, consideration is given to certain demographic data about the overall assessment area. Table 3 highlights the relevant demographics.

Table 3 – Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	161	5.0	21.1	35.4	38.5
Population by Geography	715,747	4.1	18.3	38.2	39.4
Owner-Occupied Housing by Geography	158,347	2.0	12.4	39.3	46.3
Businesses by Geography (2012)	82,648	4.0	14.8	37.7	43.5
Businesses by Geography (2013)	76,383	3.9	14.6	37.6	43.9
Family Distribution by Income Level	163,236	20.4	15.4	19.3	44.9
Distribution of Low and Moderate Income Families throughout AA Geographies	58,515	7.9	25.8	40.5	25.8
Cambridge-Newton-Framingham, MA MD MFI (2012) MFI (2013) Boston-Quincy, MA MD MFI (2012) MFI (2013)		\$106,400 \$101,000 \$88,800 \$88,000		Median Housing Value Based on 2013 4th quarter State Unemployment Rate County Unemployment Rate Norfolk Middlesex	\$538,434 6.8% 5.8% 5.4%
Households Below Poverty Level		9.2%			

Source: 2010 U.S. Census Bureau; Bureau of Labor Statistics

### **Geographies**

Of the 161 census tracts 8 are classified as low- (Cambridge 5; Somerville 3; in Middlesex County), 34 are moderate- (Belmont 1, Cambridge 9, Lincoln 1, Medford 6, Newton 1, Somerville 6, Waltham 6, Watertown 2, Woburn 2; in Middlesex County), 57 are middle-, and 62 are upper-income. There are no underserved or distressed census tracts as defined by the Federal Financial Institutions Examination Council (FFIEC).

### ***Median Family Incomes (MFIs)***

The home mortgage lending portion of the Borrower Characteristics section of the Lending Test is focused on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into the same four categories as described below (low-, moderate-, middle-, and upper-income); however, this analysis is based on the annual FFIEC adjusted MFI for each applicable MSA/MD. The MFIs are based on 2010 U.S. Census data and have been annually adjusted for inflation and other economic events. The MFI for the assessment area, as indicated by 2010 U.S. Census data, is \$111,860. Using data collected during the 2010 U.S. Census, the weighted average of the FFIEC updated MFI for the Cambridge-Newton-Framingham, MA MD was \$106,400 in 2012 and \$101,000 in 2013. The updated MFI for Boston-Quincy, MA MD was \$88,800 in 2012 and \$88,000 in 2013.

Consideration is also given to the distribution of families by income level, when compared to the adjusted MFI for the assessment area. For analytical purposes, the designated MFIs provided in Table 3 were utilized in the evaluation.

The calculation of the MFI levels, detailed in Table 4, is determined by utilizing annually adjusted estimates provided by the FFIEC.

<b>Table 4 – MFI Levels</b>	
<b>Income Level</b>	<b>Income Range</b>
Low	Less than 50.0% MFI
Moderate	Equal or greater than 50.0%, but less than 80.0% MFI
Middle	Equal or greater than 80.0%, but less than 120.0% MFI
Upper	Equal to or greater than 120.0% MFI

*Source: FFIEC*

### ***Housing***

Housing units with the assessment area total 302,392, of which 158,347 (52.3 percent) are owner-occupied; 126,027 (41.7 percent) are rental units; and 18,018 (6.0 percent) are vacant. Table 3 shows the breakout of all owner-occupied units. Approximately 218,307 (72.2 percent) are 1-4 family homes and 84,085 (27.8 percent) are multi-family dwellings.

### ***Housing Prices***

According to the 2010 U.S. Census, the median housing value in the overall assessment area was \$538,434. Single family home prices increased steadily since 2011 with a 6.6 percent increase in 2012 and an 11.5 percent increase in 2013. Table 5 reflects the Median Home Sales Price change since the last CRA evaluation.

<b>Table 5 Median Home Sales Prices – Assessment Area Municipalities</b>		
<b>City/Town</b>	<b>2010 (\$)</b>	<b>2013 (\$)</b>
Acton	451,000	472,500
Arlington	469,000	537,000
Bedford	498,501	549,900
Belmont	602,750	765,000
Brookline	863,500	1,253,500
Burlington	565,000	402,500
Cambridge	459,000	854,000
Concord	617,750	843,250
Lexington	667,300	775,000
Lincoln	710,175	982,500
Medford	338,750	385,000
Newton	610,000	855,000
Somerville	390,000	520,500
Waltham	359,000	400,250
Watertown	353,000	450,000
Winchester	650,000	807,500
Woburn	312,000	330,100

Source: Warren Group 2010 and the Boston Globe 9/05/13

The overall economic condition in the Boston region improved since the last evaluation and this trend is leading to more opportunities for low- and moderate-income individuals and families striving to achieve homeownership. However, as indicated in Table 5 the housing prices are on the rise in the assessment area, thus workforce labor must seek housing outside these areas. The *Community Development Test* indicates the Bank is being responsive to loan activity in an effort to support workforce affordable housing by originating loans to affordable housing projects, sometimes just outside the assessment area to support the workforce.

According to Moody’s Analytics, the biggest driver of the Boston-Quincy economy in 2014 will be housing construction. Single-family home prices are still 9.0 percent below the pre-recession peak but could set new highs in 2015. A few multi-family projects broke ground in 2013 and multi-family housing could see new highs in the coming years.

According to data from the Federal Housing Finance Authority, housing prices steadily, but slowly, appreciated since the fourth quarter of 2011. This provided adequate market conditions for sellers and provided a surplus of homes to allow the median sales price (MSP) to rise slowly for buyers. The slow appreciation in the MSP and the improving economy contributed to the increase in home sales in 2013 and 2014. Data from the U.S. Department of Housing and Urban Development (HUD) showed that home sales in Massachusetts increased 4.0 percent to 39,750 in 2013, as compared to the same period a year ago. The overall assessment area has seen an increase in home sales since the last evaluation.

### ***Housing Permits***

According to the Bureau of Census and the National Association of Realtors, home permits increased significantly in 2012 across the U.S. and in Massachusetts. The Boston-Cambridge-

Newton, MA-NH (MSA) saw a significant increase (51.6 percent) in total home permits from 2011 to 2012 and a slight drop in 2013. The trend since 2011 is a consistent increase in the number of housing permits. The level of single family permits was the highest in Middlesex County, which accounted for 34.0 percent of the Boston Metro area according to the U.S. Department of Housing and Urban Development (HUD). Non-farm business payroll jobs increased 6.0 percent since January 2010 which provided favorable conditions for the housing industry.

***Business Data***

According to the 2013 Dun and Bradstreet business geo-demographic data, there were 76,383 non-farm businesses operating within the Bank’s assessment area. This is a decrease from 82,648 businesses operating within the assessment area in 2012. However, this is an overall increase since the prior evaluation, when 71,888 businesses operated within the Bank’s assessment area.

The total number of businesses in the assessment area is 77,269; with 76,383 being non-farm businesses and 886 being farm businesses. The total non-farm businesses with revenues of less than or equal to \$1 million is 54,016, which for the purposes of this analysis are considered small businesses. The 2013 breakdown of total non-farm businesses by number and by census tracts; 2,991 or 3.9 percent are in low-income tracts; 11,166 or 14.6 percent are in moderate-income tracts; 28,745 or 37.6 percent are in middle- income census tracts; and 33,481 or 43.9 percent are in upper-income census tracts.

***Unemployment***

Table 6 outlines the unemployment rate of each county in the assessment area, the State, and the U.S.

<b>Table 6 - Unemployment Rates Assessment Area Counties</b>		
<b>County</b>	<b>2nd Quarter 2011 %</b>	<b>1st Quarter 2014 %</b>
Middlesex	5.9	5.2
Norfolk	6.3	5.6
Massachusetts	7.3	6.8
United States	8.9	6.9

*Source: Bureau of Labor Statistics*

As demonstrated in Table 6, the unemployment rate decreased slightly compared to the prior evaluation substantiating the improving economy. The assessment area’s unemployment remains below both the State and U.S. percentages. However, according to Moody’s Analytics the State’s largest hurdle remains the high cost of doing business, living costs, and low migration. The high cost of doing business could hinder growth in the near term, while the low migration rate will put further strain on the economy as a whole. The largest industries in the assessment area are construction, healthcare, and high tech; which will drive future growth in the area.

## *Community Contact*

As part of the evaluation process, third parties that are active in community affairs are generally contacted to assist in assessing the housing and business need in a bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available. Two community contacts were made during the evaluation.

One non-profit affordable housing organization was contacted, which manages 23 properties consisting of 90 affordable housing units within the Bank's assessment area. The contact stated the present housing concern is for the elderly; families where the head of the household is over 55, who may have lost their job; and young families with children. The contact stated the need for affordable housing is growing daily. The organization is primarily funded through federal and state grants. On a more limited basis the organization provides social services and financial support to assist people from becoming homeless. The contact stated that the local banks are very supportive in donations and in fund raising efforts. The donations are utilized primarily to fund the organization's operating budget. Several supporting financial institutions were mentioned; however, Cambridge Savings Bank was mentioned as the primary supporting institution for this organization, both financially and with hands on support.

A contact was also made to an organization serving small business. This contact serves as a steward and advocate for the local businesses operating in the Harvard Square area, of which 75.0 percent are locally owned. This organization works closely with the City of Cambridge and Harvard University to make life easier for the businesses operating in the area. Some of these tasks include coordinating and initiating efforts to improve vehicle traffic problems, water and sewage issues, and general infrastructure around Harvard Square. Their most prominent role is helping local businesses with marketing and advertising. They also help to market and advertise the Harvard Square area in general. The Harvard Square area is a collection of shops, restaurants, and other various businesses surrounding the Harvard MBTA station and Harvard University in Cambridge, MA. It is a popular destination among tourists and local Boston residents. This popularity, coupled with its proximity to a large university, results in a very busy atmosphere with a great deal of foot traffic. With such a dense collection of businesses, banks are needed in the area in order to extend small business credit. The contact stated that credit is readily available at competitive rates because several community banks in the area compete for the business. The contact also noted that several local banks are active participants in several annual festivals and celebrations around the Harvard Square area. Also, the local financial institutions, particularly Cambridge Savings Bank and Cambridge Trust Company, do an excellent job of giving back to the community and helping the local businesses. The contact did express some dissatisfaction with the larger, national banks that operate branches in Harvard Square, as it was felt they could do more to give back to the community.

## SCOPE OF EVALUATION

An on-site evaluation was conducted jointly by the Division and FDIC using Large Bank examination procedures, as established by the FFIEC. These procedures include three performance tests: a Lending, Investment, and Service test. The data and applicable timeframes utilized for the three tests are discussed below. A review of the Division's and FDIC's records, as well as the Bank's Public CRA File did not reveal any complaints relating to the Bank's CRA performance since the prior evaluation. The bank does not originate small farm loans and does not collect any consumer lending data; therefore, these categories are not analyzed in the evaluation.

Home mortgage loans, originated in 2012 and 2013, reported on the Bank's loan application register (LAR) pursuant to the Home Mortgage Disclosure Act (HMDA) were included in the analyses. Home mortgage lending, by product type, did not offer different conclusions; therefore, purchases, refinances, and home improvements are all analyzed together under home mortgages in the Geographic Distribution and Borrower Characteristic discussion. Small business loans, originated in 2012 and 2013, are also included in the analyses. Small business loans, for the purposes of this evaluation, include commercial real estate and commercial and industrial loans with original balances of \$1 million or less. Information concerning small business loans was obtained from the Bank's CRA loan registers (LRs), which are submitted annually to the Federal Reserve Bank. The total universe of home mortgage loans utilized for analysis is 806 for \$348 million in 2012 and 544 for \$235 million in 2013. The total universe of small business loans utilized for analysis in 2012 is 204 loans for approximately \$48.7 million and 215 loans for \$51.3 million in 2013.

Although both the number and dollar volume of the Bank's home mortgage and small business were reviewed, the number of originations is weighed more heavily than the dollar volume. This is because the number of loans is less likely to be influenced by factors such as business size, applicant income level, or varying housing values within its assessment area. If dollar volume was emphasized, higher income borrowers or geographical areas would generally appear to receive a larger percentage of loans simply because each loan is likely to be larger. Analysis of the dollar volume resulted in similar percentages to that of number volume; thus, unless a major dollar change or discrepancy is observed, only the loan number volume will be discussed.

Demographic information was primarily obtained from the 2010 U.S. Census. The 2012 and 2013 lending data is presented in the Assessment Area Concentration, Geographic Distribution, and Borrower Profile tables.

As previously depicted in Table 2, the Bank's loan portfolio, by dollar amount, is primarily made up of commercial loans (52.7 percent); however, both home mortgage and small business products will be weighted equally from a quantitative perspective in arriving at overall conclusions pursuant to the Lending Test criteria. Although commercial loans represent a larger portion of the Bank's loan portfolio, home mortgage lending represents an integral piece of the Bank's lending strategy. Cambridge Savings Bank specializes in real estate lending, both commercial and residential. Furthermore, small business development and affordable housing were both recognized by one of the community contacts as assessment area needs. Moreover, only those loans extended within the institution's designated assessment area were analyzed under the Geographic Distribution and

Borrower Profile criteria. Performance under the Lending Test is weighed more heavily than the Investment and Service tests in arriving at an overall CRA composite rating.

Qualified community development loans, innovative and/or flexible lending practices (product innovation), investments, and community development services were reviewed from April 25, 2011, (date of last evaluation) to the date of this evaluation, June 23, 2014. It should be noted that existing qualified equity investments that remain on the Bank's books also received consideration within the Investment Test.

This CRA evaluation assessed performance based on the Bank's efforts in its entire combined assessment area. The assessment area will be evaluated utilizing full-scope procedures.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, and community development lending. The institution's lending efforts were analyzed through seven performance criteria: Lending Activity; Assessment Area Concentration; Geographic Distribution; Borrower Profile; Community Development Lending Activities; Responsiveness to Credit Needs of Highly Disadvantaged Areas, Individuals, and/or Businesses; and Product Innovation.

The institution's overall Lending Test performance was rated "High Satisfactory." The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance. Please note that, although both the number and dollar volume of the Bank's loans were reviewed, the number of originations was weighed more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served.

#### **I. Lending Activity**

Cambridge Savings Bank's lending activity reflects good responsiveness to the credit needs of the assessment area, considering the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area. This responsiveness was substantiated by the two community contacts. Both specifically recognized Cambridge Savings Bank's efforts to support the respective organizations through home mortgage and small business initiatives.

Examiners reviewed the Bank's loan-to-deposit (LTD) ratio, lending volume, and competition within the assessment area to analyze the Bank's lending activity. Although an analysis of the Bank's LTD ratios is not part of the Lending Test under Large Bank CRA performance criteria, it provides an additional and valuable tool in assessing the Bank's volume and level of lending relative to the credit needs in the assessment area. The Bank's LTD ratio is reasonable, considering the size of the institution, the financial condition of the Bank, and assessment area credit needs. CSB's average net LTD ratio over the 12 quarters since the prior CRA evaluation is 82.4 percent. This is a slight decrease from the average LTD ratio of 85.7 percent calculated at the last evaluation. The Bank's quarterly LTD ratio fluctuated over the period hitting a high of 90.2 percent as of December 31, 2013, and a low of 76.8 percent as of September 30, 2011. According to management, fluctuations in the Bank's LTD ratio during the period can be attributed to the Bank's practice of selling loans on the secondary market. For the evaluation period the Bank sold 1,124 loans totaling approximately \$308 million.

As previously discussed, the Bank's loan portfolio consists primarily of home mortgage loans (38.9 percent) and commercial loans (52.7 percent). For years 2012 and 2013, the Bank originated a total of 881 home mortgage and 285 small business loans within the assessment area. CSB operates in an extremely competitive lending market, as there were 449 financial institutions that originated home mortgage loans and 114 lenders that originated small business loans within the Bank's assessment area. These financial institutions include other local banks, mortgage companies, and credit unions. Additionally, larger regional, national, and credit card banks have a presence within the Bank's assessment area and contribute to the high level of competition. There is further market share analysis throughout this evaluation.

## II. Assessment Area Concentration

This performance criterion measures the percentage of the Bank's lending that benefits assessment area residents and businesses and evaluates the adequacy of such lending. Overall, an adequate percentage of home mortgage and small business loans were made inside the Bank's assessment area. The two product lines are discussed separately.

As illustrated in Table 7, the Bank originated a total of 1,769 home mortgage and small business loans, totaling \$684 million in 2012 and 2013, combined. Of these, 65.9 percent, by number, and 57.7 percent, by dollar volume, were originated within the Bank's delineated assessment area. Home mortgage and small business loans are depicted in Table 7.

Table 7 – Assessment Area Concentration										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$(000)	%	\$(000)	%	
<b>Home Mortgage Loans</b>										
<b>2012</b>										
Home Purchase	94	55.6	75	44.4	169	46,832	59.3	32,095	40.7	78,927
Refinance	381	67.6	183	32.4	564	132,670	57.4	98,646	42.6	231,316
Home Improvement	49	67.1	24	32.9	73	13,845	35.9	24,671	64.1	38,516
<b>Total</b>	<b>524</b>	<b>65.0</b>	<b>282</b>	<b>35.0</b>	<b>806</b>	<b>193,347</b>	<b>55.4</b>	<b>155,412</b>	<b>44.6</b>	<b>348,759</b>
<b>2013</b>										
Home Purchase	97	57.7	71	42.3	168	42,566	53.7	36,751	46.3	79,317
Refinance	217	69.1	97	30.9	314	81,923	60.9	52,651	39.1	134,574
Home Improvement	43	69.4	19	30.6	62	13,955	66.0	7,176	34.0	21,131
<b>Total</b>	<b>357</b>	<b>65.6</b>	<b>187</b>	<b>34.4</b>	<b>544</b>	<b>138,444</b>	<b>58.9</b>	<b>96,578</b>	<b>41.1</b>	<b>235,022</b>
<b>Total Home Mortgage</b>	<b>881</b>	<b>65.3</b>	<b>469</b>	<b>34.7</b>	<b>1,350</b>	<b>331,791</b>	<b>56.8</b>	<b>251,990</b>	<b>43.2</b>	<b>583,781</b>
<b>Small Business Loans</b>										
<b>2012</b>	141	69.1	63	30.9	204	29,370	60.4	19,289	39.6	48,659
<b>2013</b>	144	67.0	71	33.0	215	33,428	65.2	17,877	34.8	51,305
<b>Total Small Business</b>	<b>285</b>	<b>68.0</b>	<b>134</b>	<b>32.0</b>	<b>419</b>	<b>62,798</b>	<b>62.8</b>	<b>37,166</b>	<b>37.2</b>	<b>99,964</b>
<b>Grand Total</b>	<b>1,166</b>	<b>65.9</b>	<b>603</b>	<b>34.1</b>	<b>1,769</b>	<b>394,589</b>	<b>57.7</b>	<b>289,156</b>	<b>42.3</b>	<b>683,745</b>

Source: 2012 and 2013 HMDA-LARs and Small Business Loan Registers

### *Home Mortgage Lending*

As Table 7 shows, the Bank reported 524 home mortgage loans, totaling \$193 million, inside its assessment area in 2012, representing 65.0 percent by number and 55.4 percent by dollar amount. As stated earlier, in 2012, 449 lenders reported 56,401 home mortgage loans totaling \$19.8 billion within the Bank's assessment area. CSB was ranked 27<sup>th</sup> in mortgage lending with a market share of 0.9 percent. The top 25 are very large national and regional banks or mortgage companies such as Wells Fargo Bank, N.A., ranked 1<sup>st</sup> originating 5,131 mortgage loans for a market share of 9.1 percent; JPMorgan Chase Bank N.A., ranked 2<sup>nd</sup> originating 3,904 mortgage loans for a market share of 6.9 percent; and Mortgage Master, Inc., ranked 3<sup>rd</sup> originating 3,179 mortgage loans for a market share of 5.6 percent. The only FDIC regulated institution ranked ahead of Cambridge Savings Bank was the mortgage division of Salem Five Cents Savings Bank, known as Salem Five Mortgage Company, who was ranked 26<sup>th</sup> with 526 loans, only two more than Cambridge Savings Bank.

In 2013 the home mortgage lending declined slightly due to a slowdown in refinance activity, as fixed-rates began to increase slightly; however, the percentages remained consistent (65.6 percent). Overall, Cambridge Savings Bank originated 881 home mortgage loans, totaling almost \$332 million inside its assessment area, representing 65.3 percent by number and 56.8 percent by dollar amount.

### ***Small Business Lending***

As depicted in Table 7, the Bank originated 141 small business loans, totaling \$29.3 million, inside its assessment area in 2012, representing 69.1 percent by number and 60.4 percent by dollar amount. There were 114 lenders reporting 48,609 small business loans totaling \$1.6 billion in the assessment area in 2012. Cambridge Savings Bank ranked 25<sup>th</sup> with a market share of 0.4 percent; however, the majority of the institutions ahead of Cambridge Savings Bank included credit card banks such as American Express, which ranked 1<sup>st</sup> with a market share of 35.2 percent and an average loan amount of \$7,000.

In 2013, the Bank's small business lending originations increased slightly to 144 loans within its assessment area representing 67.0 percent by number and 65.2 percent by dollar volume. Peer market data is not available for comparison.

It should be noted that small business aggregate lending activity is presented by county rather than by census tract; as is done for mortgage lending. Also, the Bank's assessment area involves only portions of Middlesex (149 of 318 census tracts) and Norfolk (12 of 130 census tracts) counties, as discussed under the *Description of Assessment Area* section.

### **III. Geographic Distribution**

The overall geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout its entire assessment area. The primary focus of the analysis was to assess the Bank's loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts. Overall, the geographic distribution of loans reflects a good dispersion throughout the assessment area.

### ***Home Mortgage Lending***

Overall, the Bank's home mortgage lending reflects good loan dispersion in both 2012 and 2013. The Bank's performance is captured in Table 8 and compared to aggregate data and the percentage of owner-occupied housing units. The percentage of owner-occupied units gives a good indication of the opportunities for mortgage loans that exist within each tract category. Aggregate market data is not available for comparison purposes in 2013; therefore, it is only used as a comparison to 2012 Bank data.

<b>Table 8 - Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>						
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data</b>	<b>2012</b>		<b>2013</b>	
			<b>Bank Lending Data</b>		<b>Bank Lending Data</b>	
		<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>2.0</b>	<b>1.9</b>	<b>20</b>	<b>3.8</b>	<b>15</b>	<b>4.2</b>
<b>Moderate</b>	<b>12.4</b>	<b>11.6</b>	<b>50</b>	<b>9.6</b>	<b>49</b>	<b>13.7</b>
<b>Middle</b>	39.3	37.0	174	33.2	133	37.3
<b>Upper</b>	46.3	49.5	280	53.4	160	44.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>524</b>	<b>100.0</b>	<b>357</b>	<b>100.0</b>

Source: U.S. Census (2010), HMDA LAR 2012 and 2013; Aggregate Data (2012).

In 2012, Cambridge Savings Bank originated 20 home mortgage loans its 8 low-income census tracts. This lending performance, by percentage, exceeds the aggregate lending volume and the percentage owner-occupied housing units in those census tracts. It is apparent that the level of opportunity for home mortgage loans in the low-income census tracts is minimal with only 2.0 percent of the housing being owner-occupied.

Additionally, a total of 1,054 home loans were originated in the 8 low-income census tracts in 2012, by 132 reporting lenders. Cambridge Savings Bank was the highest rated local lender and ranked 15<sup>th</sup>, by number, and a market share of 1.9 percent. The market share leaders in the low-income census tracts were large national or regional banks and mortgage companies, such as Wells Fargo Bank, N.A., which ranked 1<sup>st</sup> with 100 originations and a market share of 9.5 percent and Mortgage Master, Inc., which ranked 2<sup>nd</sup> with 66 originations and a market share of 6.3 percent.

In 2012, the Bank originated 50 home mortgage loans in the 34 moderate-income census tracts within its delineated assessment area. A total of 9.6 percent of the Bank's home mortgage loans were secured by properties located in moderate-income census tracts. Cambridge Savings Bank's performance relative to home mortgage lending in these geographies was slightly below the aggregate market (11.6 percent), and was also below the percentage of owner-occupied housing units (12.4 percent).

Cambridge Savings Bank achieved a market share ranking of 34<sup>th</sup> in 2012, out of 263 lenders, within the 34 moderate-income census tracts in the assessment area, with a market share of 0.8 percent. The 33 financial institutions with a higher market share were primarily very large institutions. Wells Fargo Bank, N.A. ranked 1<sup>st</sup> with 652 originations and a 10.0 market share and JPMorgan Chase Bank ranked 2<sup>nd</sup> with 466 originations and a market share of 7.1 percent. The only FDIC regulated institution that ranked higher than Cambridge Savings Bank is Century Bank & Trust, headquartered in Somerville, MA, which reported 54 originations.

Cambridge Savings Bank's percentage in the low-income census tracts improved in 2013, although there were fewer originations. The decline in number is primarily due to the slowdown in refinance activity due to rising interest rates. The Bank originated 15 home mortgage loans

(4.2 percent) in its low-income census tracts, which is double the percentage of owner-occupied housing units located in those census tracts.

In 2013, the Bank originated 49 home mortgage loans in the moderate-income census tracts, representing 13.7 percent of the home mortgage portfolio. This was in-line with 2012 results by number, and reflects a positive trend by percentage. Additionally, the percentage is slightly higher than the percentage of owner-occupied housing units in those census tracts (12.4 percent).

### ***Small Business Lending***

Overall, the Bank’s small business loan distribution reflects a good dispersion throughout the assessment area. This rating is substantiated by analysis of the aggregate lending comparison, market share ranking, and lending programs offered to small businesses throughout the assessment area. For comparison purposes, the Bank’s performance is compared to business demographic data and aggregate lending data within the assessment area. Only the Bank’s 2012 performance can be compared to aggregate lending data, as 2013 aggregate data is not available. Table 9 displays the distribution of small business loans by income category of the census tract.

<b>Table 9 – Distribution of Small Business Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>Commercial Businesses (2012)</b>		<b>Commercial Businesses (2013)</b>		<b>2012 Aggregate Lending Data</b>	<b>2012 Bank Lending Data</b>		<b>2013 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	<b>3,271</b>	<b>4.0</b>	<b>2,991</b>	<b>3.9</b>	<b>4.3</b>	<b>4</b>	<b>2.9</b>	<b>11</b>	<b>7.6</b>
<b>Moderate</b>	<b>12,204</b>	<b>14.8</b>	<b>11,166</b>	<b>14.6</b>	<b>15.6</b>	<b>26</b>	<b>18.4</b>	<b>20</b>	<b>13.9</b>
<b>Middle</b>	31,191	37.7	28,745	37.7	37.9	65	46.1	69	47.9
<b>Upper</b>	35,982	43.5	33,481	43.8	42.2	46	32.6	44	30.6
<b>Total</b>	<b>82,648</b>	<b>100.0</b>	<b>76,383</b>	<b>100.0</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>144</b>	<b>100.0</b>

*Source: Based on 2012 and 2013 Dun & Bradstreet; 2012 Peer Small Business Data; 2012 and 2013 CRA LR Data.*

As depicted in Table 9, the Bank originated 4 small business loans, or 2.9 percent of all small business loans, in the low-income census tracts in 2012. This performance is slightly below the percentage of commercial businesses located in the low-income census tracts (4.0 percent), as well as the aggregate market performance (4.3 percent). In 2012 Cambridge Savings Bank ranked 13th out of the approximately 30 lenders originating 519 small business loans within the low-income census tracts in the assessment area, with a market share of 0.4 percent. Although most financial institutions with a higher market shares are very large national institutions, Enterprise Bank and Trust and Lowell Five Cents Savings Bank had higher rankings within these 8 low-income census tracts. However, it is noted that these loan volume rankings are representative of performance of all low-income census tracts within Middlesex County and the aggregate lending volume includes national commercial credit card lenders. Both of these factors skew the actual comparative aggregate and market share analysis.

2013 reflects a positive lending trend, as Cambridge Savings Bank originating 11 (7.6 percent) small business loans in the low-income census tracts. There is no aggregate data for comparison; however, the lending activity significantly outperformed the percentage of businesses in those census tracts (3.9 percent).

In 2012, CSB's lending performance in the moderate-income census tracts exceeded both the aggregate performance and the percentage of businesses in those census tracts. The number of loans decreased slightly in 2013 and was comparable to the percentage of commercial businesses in the moderate-income tracts.

#### IV. Borrower Characteristics

The distribution of loans based on borrower income and business revenue was reviewed to determine the extent to which the Bank addressed the credit needs of its assessment area residents and small business customers in 2012 and 2013. Cambridge Savings Bank's performance, relative to the distribution of borrowers and considering the product lines of the institution, reflected an adequate penetration among retail customers of different income levels and business customers of different revenue sizes. For comparison purposes, Cambridge Savings Bank is compared to aggregate lending data reported by other lenders reporting loan data within the same assessment area. Aggregate data can only be used as a comparison for 2012 lending performance, as 2013 aggregate data is not available. Home mortgage loans are also compared to the percentages of families within each income category. Small business loans are also compared to D&B data, or business demographics.

##### *Home Mortgage Lending*

Home mortgage data was reviewed to assess how well the Bank met the housing credit needs of its assessment area residents. Special weight or consideration was placed on the Bank's record of lending to low- and moderate-income borrowers. As depicted in Table 10, Cambridge Savings Bank's performance, relative to the distribution of borrowers, and considering the product lines offered, reflects adequate penetration among home mortgage loan customers of different incomes.

Table 10 - Distribution of Home Mortgage Loans by Borrower Income						
Borrower Income Level	Family Distribution by Income Level	2012 Aggregate Lending Data	2012 Bank Lending Data		2013 Bank Lending Data	
		%	#	%	#	%
Low	20.4	3.6	26	5.0	12	3.4
Moderate	15.4	13.3	62	11.8	40	11.2
Middle	19.3	24.0	111	21.2	97	27.2
Upper	44.9	47.1	311	59.3	202	56.6
N/A	0.0	12.0	14	2.7	6	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>524</b>	<b>100.0</b>	<b>357</b>	<b>100.0</b>

Source: 2010 U.S. Census Data; 2012 and 2013 HMDA LAR; Aggregate Lending Data (2012).

In 2012, the Bank's performance in lending to low-income borrowers exceeded the aggregate market, but was significantly below the percentage of low-income families. This disparity is explained, in part, by the high percentage of low-income family households living below the poverty level (9.2 percent). Hence, it would be especially difficult for this segment of low-income borrowers to qualify for a conventional mortgage, even under flexible underwriting guidelines.

In 2012, the Bank's market share ranking for home mortgage loans to low-income borrowers was 21<sup>st</sup> out of 167 reporting lenders, with a market share of 1.3 percent. The Bank's performance was primarily exceeded by very large national or regional institutions, and mortgage companies; such as JPMorgan Chase Bank, N.A., ranked 1<sup>st</sup> with 173 loans and a market share of 8.5 percent; and Wells Fargo Bank, N.A., ranked 2<sup>nd</sup> with 167 loans and a market share of 8.2 percent. However, three other smaller local lenders also ranked higher, including Winchester Cooperative Bank, East Cambridge Savings Bank, and Watertown Savings Bank, with respective rankings of 12<sup>th</sup>, 15<sup>th</sup>, and 16<sup>th</sup>. Winchester Cooperative Bank's assets as of June 30, 2014 were \$567 million and, by number, originated 36 loans to low-income borrowers and had a market share of 1.8 percent.

The Bank's lending to moderate-income borrowers was slightly below both aggregate and the percentage of families located in these tracts. Cambridge Savings Bank achieved a market share ranking of 29<sup>th</sup> relative to home mortgage lending to moderate-income borrowers in its assessment area, with a market share of 0.8 percent. The Bank's performance was mostly exceeded by large financial institutions and mortgage companies such as Wells Fargo Bank, N.A., ranked 1<sup>st</sup> and JPMorgan Chase Bank, ranked 2<sup>nd</sup>. Overall, 196 reporting lenders originated 6,402 home mortgage loans to moderate-income residents.

The 2013 residential lending activity reflects a decrease in originations, primarily due to a slowdown in the refinance activity caused by increasing interest rates. The percentage of loans to low- and moderate-income borrowers also declined from 2012 percentages. The slight decrease, by percentage, to low-income borrowers can be explained by rising home prices and rising interest rates.

### ***Small Business Lending***

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among businesses of different sizes. Emphasis is placed on loans to small businesses, or those with GAR of \$1 million or less. Table 11 depicts the Bank's small business lending performance by size of the business for 2012 and 2013. The table also includes the aggregate lending activity to businesses in the assessment area in 2012.

<b>Table 11 – Distribution of Small Business Loans by Gross Annual Revenue Category (GAR)</b>						
<b>Gross Annual Revenues ('000s)</b>	<b>2012 Aggregate Data</b>		<b>2012 Bank Lending Data</b>		<b>2013 Bank Lending Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>≤ \$1,000</b>	<b>7,513</b>	<b>42.7</b>	<b>83</b>	<b>58.9</b>	<b>74</b>	<b>51.4</b>
<b>&gt; \$1,000</b>	10,062	57.3	55	39.0	70	48.6
<b>Revenues N/A</b>	0	0.0	3	2.1	0	0.0
<b>Total</b>	<b>17,575</b>	<b>100.0</b>	<b>141</b>	<b>100.0</b>	<b>144</b>	<b>100.0</b>

Source: 2012 and 2013 CRA LRs and 2012 Peer Small Business Data.

In 2012, Cambridge Savings Bank made 58.9 percent of small business loans by number to businesses with GAR of \$1 million or less. This figure significantly exceeds the aggregate market performance of 42.7 percent. Despite a slight decrease in 2013 to 51.4 percent, the Bank's performance remains good and reflects the Bank's willingness to meet the credit needs of small businesses within its assessment area.

**V. Responsiveness to Credit Needs of Highly Disadvantaged Areas, Individuals, and/or Businesses.**

The Bank exhibited a good record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and very small businesses, consistent with safe and sound business practices. This is substantiated by the lending activity to low- and moderate-income geographies and residents, small businesses, and the community development loan activity, discussed below.

**VI. Community Development Lending**

Community development lending, by definition, includes loans that have a primary purpose of community development (including affordable housing; services to low- and moderate-income individuals; activities that promote economic development; activities that support HUD's neighborhood stabilization program (NSP); or activities that revitalize or stabilize low- or moderate-income geographies, distressed/underserved non-metropolitan middle-income geographies, and designated disaster areas), and have not been reported or collected by the Bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a loan for a multi-family dwelling.

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution demonstrated in community development lending.

Cambridge Savings Bank made a relatively high level of community development loans. During the evaluation period, the Bank made or renewed 14 community development loans totaling

approximately \$35.2 million to various organizations throughout the assessment area to help support affordable housing and community service initiatives. This activity, by number, was basically the same as the prior evaluation where Cambridge Savings Bank originated 15 community development loans; however, the dollar amount substantially increased from the \$17.4 million at the prior evaluation. Table 12 illustrates the Bank's qualified community development loans targeted to low- and moderate-income individuals or areas by year, amount, and purpose. Year to date (YTD) 2014 is through June 23, 2014.

<b>Table 12 - Qualified Community Development Loans \$(‘000s)</b>										
<b>Community Development Category</b>	<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>YTD 2014</b>		<b>Total</b>	
	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>	<b>#</b>	<b>\$000</b>
Affordable Housing	3	14,770	2	495	3	3,709	0	0	8	18,974
Community Services	3	9,300	1	2,446	1	450	0	0	5	12,196
Promoting Economic Development	0	0	0	0	1	4,000	0	0	1	4,000
Revitalization or Stabilization	0	0	0	0	0	0	0	0	0	0
Neighborhood Stabilization Program	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>6</b>	<b>24,070</b>	<b>3</b>	<b>2,941</b>	<b>5</b>	<b>8,159</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>35,170</b>

*Source: Bank Records*

The following is a sample of the community development loans originated during the evaluation period.

2011:

- Cambridge Savings Bank renewed a \$750,000 line of credit to a non-profit company headquartered in Cambridge that creates affordable and transitional housing. It also provides counseling and support to homeless families. The line of credit is used to purchase properties and rehabilitate them. Presently the company operates and maintains 99 units. The housing units primarily benefit low- and moderate-income individuals.
- The Bank originated a construction loan for approximately \$1 million to fund a portion of the costs of an affordable housing residential condominium complex in Cambridge, Massachusetts. Two existing buildings will be rehabilitated to create 14 affordable housing condominium units. The project is intended to provide six two-bedroom and six three-bedroom units in one building, while providing one one-bedroom and one four-bedroom units in the adjacent building. The property has 14 available parking spaces, as well as convenient access to public transportation. The project will benefit low- and moderate-income individuals.
- Cambridge Savings Bank originated a \$7.4 million loan to construct a new building addition for a health center. The building addition is a comprehensive care facility and will cater to approximately 20,000 low- and moderate-income patients annually. The institution also offers internship opportunities to local college students, providing young academics with experience to assist in future employment. Although just outside the

assessment area, the services provided benefit the low- and moderate-income assessment residents in the assessment area.

2012:

- The Bank originated a \$475,000 term mortgage loan for the refinancing of an affordable housing apartment complex in Somerville, Massachusetts. The property is a 5,052 square foot, three story building, which holds three street level retail units and eight single room occupancy units on the second and third floors. The Bank also extended a \$20,000 line of credit to the same borrower in order to facilitate their regular business operations. The affordable housing units and services provided by this property will benefit the low- and moderate-income individuals and families in the Bank's assessment area.

2013:

- Cambridge Savings Bank extended a \$7 million construction loan as part of a 50 percent participation in the construction of a condominium complex in Boston, Massachusetts. The complex consists of 55 units, 18 of which are allotted to affordable housing. Pro-rating the appropriate loan amount to account for both the number of affordable units and the 50 percent participation, the Bank's loan amount for community development purposes amounts to approximately \$2.3 million. Although just outside the assessment area the affordable units will provide housing to low- and moderate-income workforce individuals and families that work in the assessment area.
- The Bank originated a seven-year term loan of \$1 million to both refinance and provided additional funding for multiple properties in Massachusetts including the assessment area. The properties provide low-income elder care services, senior meal centers, housing for the mentally ill, job coaching, and academic training.
- Cambridge Savings Bank provided a \$4 million mortgage loan to refinance a 32,286 square foot, three-story commercial and retail building in Boston, Massachusetts. Dudley Square, where the property is located, is the central terminal of the MBTA's Silver Line, and is recognized as an underserved area and designated as an Empowerment Zone by the U.S. Department of Housing and Urban Development (HUD), which ensures responsible development and sustained community revitalization in areas that have experienced years of chronic divestment. Due to the easily accessible public transportation, the property provides job opportunities to locals of both Boston and the Bank's assessment area, which will benefit and stabilize the assessment area's communities and low- and moderate-income residents.

## **VII Innovative or Flexible Lending Practices**

Cambridge Savings Bank makes use of innovative and/or flexible lending practices to serve assessment area credit needs. The Bank's primary innovative and flexible lending programs are geared to residential home loans to assist first-time homebuyers and low- and moderate-income residents utilizing Bank and State programs. The Bank also exhibited a commitment to meet the credit needs of small businesses by providing loans guaranteed by the SBA.

The Bank originated 299 loans totaling approximately \$76.1 million that utilize innovative and/or flexible lending programs, which is an increase from the 99 loans totaling \$21.3 million originated at the prior evaluation. The innovative and flexible programs are summarized in Table 13.

Table 13- Innovative or Flexible Lending Practices								
Program	Number of Loans				Dollar Volume of Loans \$(*000s)			
	2011	2012	2013	2014*	2011	2012	2013	2014*
MA State Housing (First Time Homebuyers)	2	2	0	0	594	439	-	-
Conventional (First Time Homebuyers)	12	27	30	32	3,681	10,147	9,558	10,410
Mass Housing Partnership (MHP One)	0	0	0	4	-	-	-	719
Mass Housing Partnership (Soft Second)	2	2	0	0	100	72	-	-
RAM Loan (H.O.M.E.)	0	1	0	0	-	449	-	-
Other MA State Housing Authority	5	8	2	0	1,726	2,197	518	-
PMI low down payment	11	19	15	4	3,083	6,703	5,263	957
<b>Total Residential Loans</b>	<b>32</b>	<b>59</b>	<b>47</b>	<b>40</b>	<b>9,184</b>	<b>20,007</b>	<b>15,339</b>	<b>12,086</b>
SBA Loans Guaranteed	2	47	51	21	200	8,449	9,620	1,241
<b>Total Non-Residential Loans</b>	<b>2</b>	<b>47</b>	<b>51</b>	<b>21</b>	<b>200</b>	<b>8,449</b>	<b>9,620</b>	<b>1,241</b>
<b>Grand Total</b>	<b>34</b>	<b>106</b>	<b>98</b>	<b>61</b>	<b>9,384</b>	<b>28,456</b>	<b>24,959</b>	<b>13,327</b>

Source: Internal Bank Records; \* partial year (January 1 to June 23, 2014)

Below is a sample of the innovative or flexible products offered by Cambridge Savings Bank during the evaluation period; the Bank continues to use a majority of the innovative and flexible lending practices that were noted in the previous evaluation.

### ***Residential Lending Programs***

The current residential innovative and flexible lending activity was higher, by number, compared to the prior evaluation of 99 loans. Additionally, the dollar amount increased substantially from \$20.2 million at the prior evaluation to \$56.6 million during the current evaluation.

#### ***Conventional First Time Homebuyer Program (FTHB)***

The Bank continues to offer a program for first-time homebuyers who may not otherwise be eligible for traditional home purchase loan products. The program allows flexible down payments and income qualifying ratios, in addition to reduced closing costs.

#### ***Mass Housing Partnership (Soft Second) Loan Program***

The Bank continues to participate in a “soft second” loan program in conjunction with the Massachusetts Housing Partnership (MHP). The program is designed to increase affordable housing opportunities for low- and moderate-income first-time homebuyers. The program combines a conventional first mortgage with a subsidized second mortgage.

#### ***Reverse Annuity Mortgage Program (RAM) H.O.M.E.***

The Bank continues to participate in the H.O.M.E. Reverse Annuity Mortgage Program which offers counseling on housing issues to low- and moderate-income elderly homeowners. As part of this program, the Bank offers a reverse mortgage product – a home-secured loan in which the borrower receives payments from the lender, but does not become obligated to repay those

amounts (other than in the case of default) until the borrower dies, moves permanently from the home, transfers title to the home, or upon a specified maturity date.

### ***Commercial Lending Programs***

Cambridge Savings Bank continues to be a participating SBA lender and offers the 7(a), LowDoc, and 504 programs. Within the evaluation period, the Bank originated 121 SBA loans for \$19.5 million, which is a substantial increase compared to the prior evaluation's activity of 5 SBA loans totaling \$1.1 million. The SBA programs offered are detailed as follows:

- The 7(a) program serves as the SBA's primary business loan program to help qualified small businesses obtain financing when they might not be eligible for business loans through normal lending channels. The funds provide start-up costs to small businesses. A bank funds the entire loan, with the SBA guaranteeing between 75.0 percent and 90.0 percent, depending on the use of the loan proceeds. Loan proceeds can be used for most sound business purposes including working capital, machinery and equipment, furniture and fixtures, land and building (including purchase, renovation, and new construction), leasehold improvements, and debt refinancing (under special conditions). Loan maturity is up to 10 years for working capital and generally up to 25 years for fixed assets.
- The LowDoc program follows the same basic guidelines as the 7(a), but further streamlines the process and calls for a response from the SBA within 36 hours of receiving a completed application. The loans are 90.0 percent guaranteed by the SBA, which focuses on the character, credit, and business experience of the applicant, rather than availability of collateral.
- The 504 Program is predominantly used for the establishment of new businesses. Under this program, a bank provides 50.0 percent of the funding, while the SBA provides 40.0 percent. The borrower is required to contribute 10.0 percent in the initial construction phase.

Overall, the innovative and flexible loan programs offered by the Bank demonstrate a commitment to helping provide sustainable homeownership options to low- and moderate-income borrowers, with emphasis on those residing within the assessment area. Cambridge Savings Bank also exhibited a commitment to meeting the credit needs of small businesses by providing SBA loans.

### **INVESTMENT TEST**

Cambridge Savings Bank's Investment Test performance is rated "Outstanding." The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the Investment Test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the

responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank made an excellent level of qualified investments and donations that were responsive to community development needs especially when compared to the prior evaluation period. During the evaluation period, the Bank's qualified investments and donations totaled \$53.1 million

Qualified bonds and equity investments totaled almost \$51.4 million which represents 10.3 percent of the Banks' investments as of June 30, 2014.

## **Equity Investments**

### **Current period Investments**

The Bank purchased a \$2.5 million tax-exempt bond issued by Massachusetts Development in March 2013. The proceeds of the bond were used to refinance two mortgages: the non-profit's headquarters in Cambridge and a group home in Malden. This non-profit is one of the oldest charities in the Commonwealth, which began as an orphanage for local children. Today, this social service agency provides services for families and children who are in the care of the Department of Child and Family Services and the Department of Developmental Services and who are primarily low- and moderate-income.

In May 2013, the Bank purchased a \$3.7 million tax-exempt bond to refinance debt currently held with another financial institution. This health and human service agency located in Dedham, has been servicing Middlesex, Norfolk, and Suffolk counties since 1981. The agency provides emergency and permanent housing for homeless adults and children with developmental disabilities who are primarily low- and moderate-income.

The Bank provided a \$19 million tax-exempt private placement bond for the construction and permanent financing of a skilled nursing facility in Quincy in August 2012. The new facility is located close to Boston and Cambridge and is readily accessible via major highways and public transportation. Most residents come from Suffolk, Norfolk, and Middlesex counties; however, residents have come from all over the State and portions of New England, and occasionally from other parts of the United States. The facility will have 141 beds through three nursing units and will replace their facility in South Boston. Most residents are low- or moderate-income, and close to 95.0 percent rely on public sources, such as Medicare or Medicaid, to fund their stays. This project is being undertaken through the U.S. Treasury Department's Community Development Financial Institution's Fund using New Markets Tax Credits. The Massachusetts Housing Investment Corporation (MHIC) is the community development entity (CDE) that is supporting this investment in Quincy, a federally designated highly distressed geographical area. Another financial institution will be providing the equity through the New Markets Tax Credit Program (NMTC). The Bank's bond will provide a \$13.9 million leverage loan to support the NMTC structure and a \$5.1 million direct loan to the organization. The bond proceeds are split to maximize the tax credit usage under the NMTC program.

In August 2013, the Bank through Massachusetts Development participated with another financial institution in the purchase of a \$5.5 million tax-exempt bond. The Bank's participation amounts to 50.0 percent or \$2.7 million. The Bond will support the refinance of debt on eight

properties managed by a human service agency located in Woburn that provides permanent housing, day habilitation services, family support, and employment for adults with disabilities. Approximately 85.0 percent of the clients receive Medicaid and are low- and moderate-income.

In March 2012, in conjunction with the MHIC, the Bank made a commitment towards a direct investment of \$1.1 million in Low Income Housing Tax Credits (LIHTC) and a direct investment of \$404,919 in Historic Tax credits to a non-profit organization that provides affordable housing programs to low- and moderate-income families and individuals in Arlington. Proceeds from the investment will be used to renovate three buildings in Arlington which will substantially rehabilitate 32 units of affordable rental housing. The Bank advanced \$1.3 million during this examination.

In March 2012, the Bank made a commitment towards a direct investment of \$3.5 million in LIHTC. The funds from the investment will be used to rehabilitate 193 units of affordable housing in the South End of Boston specifically targeted to low- and moderate-income individuals in Boston and the surrounding communities which benefits eligible residents of the Bank's assessment area. As of this examination, the Bank advanced nearly \$2.5 million. The MHIC, another financial institution and the Preservation of Affordable and Housing Inc. (POAH) are also investors in this \$18 million project.

In June 2013, the Bank through the MHIC and Homeowner's Rehab Inc. (HRI) provided \$2.4 million direct investment in LIHTC for the moderate renovation and preservation of affordable housing in Cambridge. The 50-unit property is a mix of affordable and market rate apartments. Half the units are set as affordable and are specifically targeted to low- and moderate-income individuals and families.

In May 2013, the Bank through the MHIC and the Metro West Collaborative Development committed \$1.8 million in LIHTC for the moderate renovation and preservation of affordable senior housing in Watertown. The 25-unit complex contains 20 units covered by Section 8 housing. The Section 8 program allows private landlords to rent apartments and homes at fair market rates to qualified low-income tenants, with a rental subsidy. The Bank has advanced \$1.4 million as of the examination date.

In July 2013, the Bank made a commitment of \$1.4 million dollars towards the purchase of LIHTC for the preservation of affordable housing. In conjunction with the MHIC, the Allston Brighton Community Development Corporation (ABCDC), and Urban Edge, this \$10.6 million dollar project involves the preservation and moderate rehabilitation of 60 units of affordable housing specifically targeted to low- and moderate-income individuals and families on two properties located in Allston and Brighton.

### **Prior Period Investments**

The following is a sample of some of the investments that the Bank continues to maintain on its books.

Cambridge Savings Bank holds two bonds issued through Massachusetts Development to a health and human service agency that provides housing to adults with developmental disabilities.

The majority of the clients served are low- or moderate-income. The book value on those bonds is \$5.5 million.

The Bank continues to hold an investment in a capital fund whose mission is to provide growth capital to small businesses, stimulate economic growth, and promote job creation throughout New England. The book value on this investment is \$623,091.

Cambridge Savings Bank maintains a private placement bond with a local community health center. The center provides primary care and chronic disease management to low- and moderate-income individuals. The book value on this investment is \$6.2 million.

The Bank maintains an investment that provided 19 units of affordable housing in Cambridge, specifically targeted to low- and moderate-income individuals and families. The book value on this investment is \$772,579.

Cambridge Savings Bank maintains an investment that was used to renovate a former school in the Bank's assessment area into 15 units of affordable housing, specifically targeted to low- and moderate-income individuals and families. The book value on this investment is \$866,816.

The Bank continues to maintain two Fannie Mae investments with a book value of \$418,140. These investments are securitized by loans that benefited low- and moderate-income borrowers within the Bank's assessment area.

### Charitable Contributions

The Bank also provided assistance to the assessment area through direct grants and charitable contributions to organizations that provide education, youth programs, affordable housing, health and human services, and economic development. Cambridge Savings Bank provided an excellent number of grants and donations. The majority of the Bank's donations (dollar amount) were made through the Bank's Foundation. The Foundation was established in 2003 with a focus on improving social, educational, and economic conditions in the communities in the Bank's assessment area. The Foundation is focused on its giving and generally does not make donations of less than \$2,500. The Foundation is funded solely by the Bank. During the evaluation period, the Foundation provided 146 qualified grants totaling just over \$1 million. An additional 314 qualified contributions totaling \$783,753 were made directly by the Bank. Refer to Table 14 for further information regarding the qualified contributions.

Table 14 - Donation Distribution										
Category	2011		2012		2013		1/1/2014-3/31/2014		TOTAL	
	#	\$	#	\$	#	\$	#	\$	#	\$
Cambridge Savings Bank	49	156,940	97	168,068	106	250,493	62	208,252	314	783,753
Cambridge Savings Bank Charitable Foundation	26	119,785	50	339,584	45	406,415	25	148,087	146	1,013,871
<b>Total Donations</b>	<b>75</b>	<b>276,725</b>	<b>147</b>	<b>507,652</b>	<b>151</b>	<b>656,908</b>	<b>87</b>	<b>356,339</b>	<b>460</b>	<b>1,797,624</b>
Pre-tax Net Operating Income	\$22,362,000		\$21,663,000		\$17,517,000					
Donations*/Pre-tax NOI	0.7%		0.8%		1.4%					

Source: Internal Bank Records

\* Includes only donations made by the Bank, does not include those made by the Foundation

The excellent level of contributions has been responsive to the needs of organizations that provide services for low- and moderate-income individuals, promote affordable homeownership, support small business or economic development, and revitalize low- and moderate-income areas.

Table 15 illustrates a breakdown by year and community development purpose.

<b>Table 15-Community Development Grants and Donations by Category</b>										
<b>Category</b>	<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>1/1/2014-6/19/2014</b>		<b>TOTAL</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing	11	48,790	25	137,442	21	78,480	21	92,548	<b>78</b>	<b>357,260</b>
Community Services	56	192,535	108	321,059	116	533,878	63	260,041	<b>343</b>	<b>1,307,513</b>
Revitalization/ Stabilization	7	25,400	13	44,151	14	44,550	3	3,750	<b>37</b>	<b>117,851</b>
Economic Development	1	10,000	1	5,000	0	0	0	0	<b>2</b>	<b>15,000</b>
<b>Total</b>	<b>75</b>	<b>276,725</b>	<b>147</b>	<b>507,652</b>	<b>151</b>	<b>656,908</b>	<b>87</b>	<b>356,339</b>	<b>460</b>	<b>1,797,624</b>

Source: Internal Bank Records

The following is a sample of organizations that received donations from the Bank.

Cambridge Housing Assistance Fund (CHAF): CHAF is committed to breaking the cycle of homelessness by raising funds to assist the homeless and near homeless with the start-up costs of living. CHAF assisted in over 1,700 transitions from life in a shelter or on the street to a permanent home. Cambridge Savings Bank has been recognized as the lead sponsor for 2014.

Cambridge Family and Children Services (CFCS): CFCS is an advocate for children, youth and families, and works to assure that each individual has access to the resources and services they need to become independent and productive members of the community. Many of CFCS' specialized services are provided in partnership with the Massachusetts Department of Children and Families (DCF) and the Massachusetts Department of Developmental Services (DDS) and many recipients are low- and moderate-income.

Caritas Communities, Inc.: Caritas Communities serves the housing needs of low-income individuals through the development and long-term management of affordable housing. Caritas residents are typically employed in service-related jobs, earning at or near minimum wage and cannot afford the current Boston area housing market. By rehabilitating property in addition to building on vacant land, Caritas is committed to improving and revitalizing neighborhoods while providing much needed housing for those in the lowest income brackets.

East End House, Inc.: The East End House is one of Greater Boston's oldest social service centers that uses a holistic approach to promote well-being, academic excellence, and successful transition to adulthood of children and youth from low-income, under-resourced communities in Cambridge and its surrounding areas. Providing a wide variety of services including affordable child care, tax preparation workshops, computer courses, and their Emergency Food Program through their food pantry, the East End House is committed to helping the underserved people of all ages and backgrounds of the Cambridge community. The East End House has been able to

create opportunities for those who have been traditionally denied access due to social and economic barriers while also strengthening the community by providing volunteer opportunities.

Harvard Square Homeless Shelter: The Harvard Square Homeless Shelter is a student-run homeless shelter currently operating out of the University Lutheran Church in Harvard Square that serves 24 men and women every night for the five coldest months of winter. They strive to provide their guests with resources and services that will help them successfully transition into housing. In the meantime, they hope to ensure a sense of dignity that is often absent when people have been maltreated or stigmatized because they are homeless.

Food for Free Committee, Inc.: By rescuing fresh food that may otherwise go to waste, the Food for Free Committee has been able to serve over 25,000 people in need of emergency food services at more than 80 food distribution centers in the Boston, Cambridge, and Somerville and the surrounding areas. The programs at the Committee not only address the hunger needs in the area but also the dietary, nutritional and obesity needs as well. Bringing fresh, nutritious foods to existing food programs and to people who cannot access traditional food is the heart of the Committee's work. Additionally, through their Transportation Partnership, Food for Free will deliver over 1 million pounds of fresh food to local pantries over the next year. CSB has financially partnered with the efforts of the Committee.

Homeowners Rehab, Inc. (HRI): HRI is an organization dedicated to improving the housing situations for low- to moderate-income families in the Cambridge area. HRI is committed to developing innovative forms of affordable housing in order to provide the greatest range of housing options for low- and moderate-income families in Cambridge and elsewhere. Programs such as their Home Improvement Program, their Resident Service Program, the Individual Development Account Program, their College Scholarship Program, and their Foreclosure Prevention Program are all examples of their commitment to stabilizing homeownership for existing owners and creating new homeownership opportunities for first-time homebuyers. Established in 1972 to create and preserve affordable housing for low- and moderate-income households in Cambridge, HRI developed over 1,400 units and controls approximately 825 units of housing.

Just A Start Corp (JAS): JAS is a community development corporation dedicated to creating opportunity, strengthening community, and improving lives focusing on affordable housing, workforce development, and educational programming to increase one's skill set. JAS provides emergency housing and transitional housing while also providing assistance in managing home improvement projects. Additionally JAS serves at-risk teen mothers and their children by providing services such as educational, vocational, and money management training. JAS further benefits underserved and underemployed Cambridge adults and youth with job readiness training to help secure jobs in settings where these individuals typically do not have access. The Bank's donation will benefit the development of many of these programs which primarily serve low- to moderate-income individuals.

Lynn Community Health Center: Lynn Community Health Center is a non-profit, multicultural, community health center that cares for people from all walks of life. However, the target populations are those who experience the greatest barriers to care: children and their families, the poor, minorities, non-English speaking, teens, and the frail elderly. Over 90.0 percent of the Health Center's patients are low- and moderate-income.

Medford Community Housing: Medford Community Housing, Inc. was founded and operates for the purpose of making housing affordable, safe, and inclusive for all people who live and work in the City of Medford. To this end, they are charged with promoting the development, rehabilitation, and maintenance of affordable housing in Medford, with a special focus on housing for low- and moderate-income people.

Somerville Homeless Coalition (SHC): SHC is committed to providing homeless and near homeless individuals and families with individualized support services and housing solutions. SHC helps people not only gain access to permanent housing but also prioritizes maintaining it. With a variety of services such as prevention services, housing services, case management, emergency shelters, and food assistance programs, SHC suits the needs of a wide and diverse population. The Bank's annual sponsorship and donation has proven helpful for SHC to meet their goals.

On the Rise, Inc. (Cambridge): A day program for homeless women, On the Rise creates a community where women have the relationships and resources they need to move out of homelessness. In a typical year, On the Rise serves more than 400 women who have experienced trauma (caused by domestic violence, sexual assault, and abuse), mental and/or physical health issues, or substance abuse. With residency, advocacy, and food assistance services, On the Rise, with the help of the Bank, is able to help hundreds of low-income women every year in a variety of different ways.

## **SERVICE TEST**

The Bank's Service Test performance is rated "Outstanding." The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Cambridge Savings Bank has an effective system for delivering retail banking and community development services to its assessment area. The Bank's branches, all with 24-hour ATMs, are located throughout the assessment area and are readily accessible and convenient to low- and moderate-income residents and the area's low- and moderate-income census tracts. Generally, the services and products offered are comparable (or better) to local or similarly sized competitors.

In meeting community development service needs, the Bank was a leader in its efforts and in offering its financial expertise to community development groups in the assessment area. Bank officers have taken leadership roles within community organizations whose missions and programs provide significant support to the neediest areas of the assessment area. In many instances, the Bank was the only financial institution involved in providing expertise and program support to local community development organizations, including free financial education to the one low-income geography and to low- and moderate-income individuals.

The Bank's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the

record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that serve low- and moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs in those geographies.

### Distribution of Branches

In addition to its main office, Cambridge Savings Bank operates 16 full-service branches located in the following communities: Acton; Arlington (3); Bedford; Belmont; Burlington (2); Cambridge (3); Concord; Lexington; Newton; Newtonville; and Watertown. Table 16 illustrates the distribution of these branches in relation to the population.

<b>Table 16</b>					
<b>Distribution of Branches</b>					
<b>Census Income</b>	<b>Tract</b>	<b>Percent of Tracts</b>	<b>Percent of Population</b>	<b>Branches</b>	
				<b>#</b>	<b>%</b>
Low		5.0	4.1	0	0.0
Moderate		21.1	18.3	0	0.0
Middle		35.4	38.2	8	47.1
Upper		38.5	39.4	9	52.9
<b>TOTAL</b>		<b>100.0</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>

*Source: Bank Records*

During the previous evaluation the Bank did have a branch in a moderate-income census tract, but that tract designation changed with the 2010 U.S. census. As a result of the change, the Bank no longer has a branch in a moderate-income census tract. However, only 4.1 percent of the population resides in low-income census tracts and three of the bank's branches are contiguous to four low- and moderate-income census tracts within the cities of Cambridge, Somerville, and Boston. Also, the Bank maintains an ATM within a moderate-income census tract in Cambridge

### Record of Opening and Closing Branches

Since the previous examination, the Bank opened two new branches within its assessment area and did not close any locations.

During the previous evaluation, dated April 25, 2011, the Bank operated 15 branches. The Bank currently operates 17 branches, with new locations in Newton and Burlington. The Bank also opened a commercial loan office in downtown Boston since the previous examination. To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. The opening of the commercial loan office in Boston has aided small businesses and potential small businesses with access to credit and credit information.

## **Retail Banking Services**

Banking services, including business hours, do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies or to low- and moderate-income individuals.

The Bank's retail services are readily accessible to all customers including low- and moderate-income individuals and residents of the low- and moderate-income geographies of the assessment area. Bank services include traditional deposit products which are available online, as well as residential and commercial loan products.

In November 2011, the Bank launched Community Partner Solutions which included the addition of business centers at four of the Bank's branches. These additional branch features for the benefit of small businesses and non-profits include: adjacent parking, internet access, key code access, designated meeting spaces, presentation equipment, and printing and faxing capabilities.

The Bank's hours of operation are convenient and comparable to other local area institutions. All of the Bank's locations, excluding the Acton branch, are opened from 9am to 4pm on Monday and Tuesday, 9am to 6pm Wednesday and Thursday, 9am to 5pm on Fridays, and 9am to 1pm on Saturday. The Acton branch hours are 10am to 5pm Monday and Friday, 10am to 6pm Tuesday through Thursday, and 9am to 1pm on Saturday. The Bank's branches, most with 24-hour ATMs, are located throughout the assessment area and are accessible and convenient by public transportation to low- and moderate-income residents and low- and moderate-income census tracts.

## **Alternative of Delivery Systems**

The Bank's delivery systems are readily accessible to essentially all portions of the assessment area. Bank locations are distributed in such a way that no portion of the assessment area is inconvenienced. Alternative delivery systems include multiple online channels give customers 24/7 access to their accounts.

- Automated Teller Machines: The Bank maintains 5 additional freestanding ATMs in addition to at least one in each aforementioned branch location. One ATM is located in a moderate-income census tract in the City of Cambridge. The ATMs located at most branches also offer 24-hour service.
- Online Banking: The Bank offers customers the opportunity to open accounts online, in addition to the option of opening accounts in person. Although this service does not specifically target low- and moderate- income individuals, the service does allow the Bank to reach customers that reside outside of the Bank's ATM network.
- Mobile Banking: In addition to online banking features, Cambridge Savings Bank also allows customers to access their accounts through their internet-enabled mobile phones, enabling them to view balances, deposit checks, and pay bills. The application is available for iPhone and Android users.

- Free Checking and Savings Accounts- The Bank offers No-fee Checking Accounts which require a \$10.00 deposit and does not accrue interest. The Bank also offers a Basic Savings Account which accrues interest and requires only \$1.00 to open.
- Second Language Capabilities- The Bank employs staff that speak over 20 different languages including, but not limited to, Armenian, French, Greek, Mandarin, Portuguese, Russian, and Spanish.

## **Community Development Services**

The Bank continues to be a leader in its community by providing services targeted towards low- and moderate-income individuals throughout its assessment area. Employees and senior management of Cambridge Savings Bank are committed to supporting organizations related to affordable housing solutions, homelessness prevention, elderly housing, and financial education. Senior management and staff are extremely involved in the community and serve in leadership positions at local CRA-qualified organizations that make use of their technical expertise in banking, finance, and management. The Bank is also a clear leader in providing valuable financial education courses throughout the assessment area, particularly targeting low- and moderate-income public school students. During the evaluation period the Bank was directly involved with the following number of qualified organizations, by year: 54 organizations in 2011, 47 in 2012, 48 in 2013 and, as of the date of this evaluation, 44 in 2014. In many instances, the Bank was the only financial institution involved in providing expertise and program support to local community development organizations. Many of these organizations met the pressing needs of financial education and affordable housing. For example, in 2013 and in 2014, there were 14 instances in which a Bank employee or member of senior management was on the Board and/or a committee of a qualified organization and Cambridge Savings Bank was the only financial institution serving in this capacity.

The following section includes some highlights of the Bank's efforts to engage and educate their community, while providing it convenient access to key banking products and services.

**Newton Community Service Center (NCSC)** - NCSC is a multi-service agency that supports Newton, Waltham, and surrounding communities. The Center offers four main Child & Family programs: Early Education & Care, Early Literacy Services, Parents Program, and Child Assault Prevention. The Early Education & Care program provides childcare to low-income families and is contracted through the Massachusetts Department of Early Education. The Early Literacy Services program also targets primarily low-income and low-literacy families. A Bank Vice President serves as Director. There are no other financial institutions providing leadership or financial expertise to this organization.

**Housing Corporation of Arlington** - The Housing Corporation of Arlington provides and advocates for affordable housing solutions for low- and moderate-income families and individuals in Arlington while promoting social and economic diversity. A Bank Vice President serves as Vice President of the Board and also serves on the Finance and Membership committees. There are no other financial institutions providing leadership or financial expertise to this organization.

**Cambridge Neighborhood Apartment Housing Services** - The mission of this organization is to expand and preserve the supply and quality of affordable housing to low- and moderate-income residents with a primary focus on families. An Executive Vice President serves on the Board of Directors of this organization.

**Cambridge Housing Assistance Fund** - The Cambridge Housing Assistance Fund seeks to end homelessness by supplementing rental costs; therefore, enabling low- and moderate-income residents to transition to owning an apartment. The Fund supplements costs associated with rental housing, including the first and last month's rent, security deposit, and rental fees. In 2011 and 2014 the Bank's President and Chief Executive Officer (CEO) served as the Fundraising and Event Benefit Chair. A Bank Senior Vice President also serves on the Planning Board.

**East End House** - The East End house serves the Cambridge community through numerous avenues and programs: Childcare, Community, Emergency Food, Family Support, Middle School, and School Age. The organization serves low-income families. A Senior Vice President serves as Chairman of the Board. Cambridge Savings Bank was the only financial institution providing leadership or financial expertise to this organization in 2011, 2012, and 2013.

**Somerville Homeless Coalition** - The mission of the Somerville Homeless Coalition is to provide homeless and near homeless individuals and families with housing solutions. The organization provides shelters, housing, case management, and food services. A Senior Vice President serves as an advisor to the Board and as an Executive Director. Cambridge Savings Bank was the only financial institution providing leadership or financial expertise to this organization.

**Lexington Housing Partnership and Foundation** - The Lexington Housing Partnership works to develop and expand affordable housing solutions in Lexington by working with government agencies and private developers. An Assistant Vice President serves on the Board of the organization, and also serves as the Director and Treasurer of the organization's Foundation. Cambridge Savings Bank was the only financial institution providing leadership or financial expertise to this organization.

**Food for Free Inc.** - Food for Free rescues fresh food from the Greater Boston area, including Somerville and Cambridge, and distributes it to local food programs. Part of the program focuses on home delivery, where beneficiaries who are low-income and disabled have food delivered directly to their homes. Beneficiaries of this program must qualify as low-income under FFIEC guidelines. A Senior Vice President serves on the Board and as Chair of the Finance Committee and as a member of the Strategic Planning Group. Cambridge Savings Bank was the only financial institution providing leadership or financial expertise to this organization.

**Just-a-Start** - Through their Housing Services Department, Just-a-Start creates affordable housing solutions by developing and owning rental and for-sale residential units throughout Cambridge. The organization helps residents find affordable units, and also assists those buying their first home. The organization is located in a low-income census tract in Cambridge. An Assistant Vice President serves as Director and Treasurer. Cambridge Savings Bank is the only financial institution providing leadership or financial expertise to this organization.

**Council of Elders Housing Corporation** - This community based organization affiliated with Forward, Inc. owns Council Tower in Roxbury. Council Tower gives low-income residents the opportunity to live in safe and decent housing in the Roxbury neighborhood of Boston. The neighborhood of Roxbury is not included in the Bank's assessment area; however, this low-income area is only a few miles outside of the Bank's assessment area and is in close proximity to both Brookline and Cambridge. The organization is affiliated with Rogerson Communities, itself an organization serving exclusively low-income elderly men and women. An Assistant Vice President serves on the Board.

**Boston Alliance for Economic Inclusion** - The Alliance for Economic Inclusion (AEI) is the FDIC's national initiative to establish broad-based coalitions of federally insured financial institutions, community-based organizations and other partners in several territories across the nation to bring unbanked and under-banked individuals and families into the financial mainstream. A 2012 FDIC report entitled "National Survey of Unbanked and Under-banked Households" found that only 47.6 percent of low-income households were fully banked, and concluded that low- and moderate-income families are more likely to be unbanked and under-banked. A Vice President participates in this FDIC initiative in the Greater Boston area.

**Salvation Army of Cambridge and Somerville** - The Salvation Army serves a variety of purposes which are targeted towards low- and moderate-income individuals. The mission statement of the organization is to fight hunger and poverty through numerous avenues. Their wide range of services include hunger relief, housing, and homelessness services. A Senior Vice President is a member of the organization's Capital Campaign in the Cambridge and Somerville area.

**Cambridge Camping** - Cambridge Camping provides children who are predominantly low-income with the opportunity to attend summer camp. In 2012, 79 percent of campers were eligible for free or reduced lunch programs. A Senior Vice President of the Bank serves on the Board. Cambridge Savings Bank was the only bank on the Board in 2012, 2013, and 2014.

**Concord Carlisle Community Chest** - This organization provides financial assistance for local non-profit organizations including organizations that work to support low- and moderate-income families through the following means: scholarships, food, mental and physical health care. The Bank's President and CEO serves on the Board and Building Committee. Cambridge Savings Bank was the only bank on the Board in 2011, 2012, and 2013

### **Educational Services and Seminars**

The Bank continues to be a leader in providing financial education throughout its assessment area. The Bank is actively involved in providing valuable financial education for its assessment area through the Bank's CSBsmart Program. The Bank created this financial education program to serve its community and respond to the growing need for financial education for people of all ages. This financial education initiative brings a distinct set of courses tailored by CSB for the following age groups:

- Young Children with a focus on the American Banker Association's "Teach Children to Save" initiative that targets kindergarten students.

- Older Children with modules focusing on the basics of what money is, as well as money math, and saving and budgeting.
- Teens and Adults with modules focusing on budgeting and saving, credit smarts, and managing checking accounts, and fraud smarts.
- Adults with modules focusing on predatory lending and building credit.
- Seniors with modules focusing on fraud and basic banking for under-banked seniors.

The Bank served numerous schools with low- and moderate-income students throughout its assessment area with financial education courses. The following is a sample of the schools that benefited from the Bank's activities.

**East Boston High School** - This school is located in a low-income census tract in East Boston and almost 50.0 percent of the school's students are eligible for free or reduced lunch. The Bank provided 16 financial education seminars, reaching 46 students. East Boston is located in close proximity to the Bank's assessment area.

**Malcolm White School** - This school is located in a moderate-income census tract in Woburn and over 30.0 percent of the school's students are eligible for free lunch. The Bank provided seven financial education seminars serving 224 students.

**Roberts Elementary School** - This school is located in a moderate-income census tract in Medford. The Bank provided eight financial education seminars to 400 students.

**Somerville High School** - Over 70.0 percent of the students at this high school are eligible for free or reduced lunch. The Bank provided 20 financial education seminars to 211 students.

**Albert F. Argenziano School** - A majority of the students (almost 74.0 percent) at this school are eligible for free or reduced lunch. The Bank provided eight financial education seminars to 180 participants.

In addition to providing financial education at local schools, the Bank also partnered with the following CRA-eligible organizations to further target low- and moderate-income individuals by conducting 77 seminars, and reaching over 1,000 participants. Below is a sample of the organizations the Bank partnered with to provide financial education services during the evaluation period:

**Allston Brighton Community Development Corporation (CDC)** - A CDC in Allston/Brighton that focuses on affordable housing solutions. Since 1980, the CDC developed over 500 homes for low- and moderate-income renters and first-time homebuyers.

**Waltham Alliance to Create Housing** - A community development corporation in Waltham that focuses on increasing affordable housing development to benefit low- and moderate-income individuals.

**Community Learning Center** - The Bank provided seminars at this adult education center that is located in a low-income census tract in Cambridge.

### **First-Time Home-Buyer Programs**

The Bank conducted 31 presentations at Citizen's Housing and Planning Association (CHAPA) - Certified First Time Homebuyer Seminars. The mission statement of CHAPA is to encourage the production and preservation of housing that is affordable to low- and moderate- income families and individuals and to foster diverse and sustainable communities through planning and community development.

### **Other Community Development Services**

**Meeting Space-** The Bank continues to allow various community groups to utilize Bank conference rooms and other spaces for meetings and functions. Several groups that used the Bank's conference room for meetings and events qualify as community development organizations, including the Arlington Housing Corporation and the Cambridge Housing Assistance Fund. Approximately six meeting spaces are available throughout the Bank's assessment area, including two in Arlington and one each in Burlington, Cambridge, Lexington, and Newton.

**Community Partner Solutions -** The Bank targeted financial solutions for non-profit organizations which provide benefits not available to other business customers. The Bank offers checking, savings, and money market accounts with higher interest rates, lower monthly fees and lower balance requirements. The Bank also offers services in finance, deposits, and endowment management tailored towards nonprofits and their unique business needs.

**Basic Banking-** The Bank is a member of the Massachusetts Community & Banking Council's Basic Banking Program. This State-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

**Interest on Lawyers Trust Accounts (IOLTA) -** The Bank is a member of Interest on Lawyers Trust Accounts (IOLTA), an organization that provides legal services to families living in poverty by allowing lawyers to donate money into IOLTA accounts and pooling the interest from those accounts to the Massachusetts Bar Association. The money is used to help families that cannot afford legal services.

**Individual Development Accounts (IDA) –** The Bank offers matched savings accounts that help people with modest means to save towards the purchase of a lifelong asset, such as a home. These accounts have proven to expand economic opportunity by creating assets for in low-income households. Cambridge Savings Bank opened approximately 54 of these accounts during the evaluation period.

**APPENDIX A**  
**DIVISION OF BANKS**  
**Fair Lending Policies and Procedures**

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

A review of the Bank’s public file indicated that the Bank received no complaints pertaining to the institution’s CRA performance since the previous examination.

The Bank’s written Loan Policy contains a statement of policy against discrimination. All mortgage loans are written to secondary market guidelines. The Bank conducts a second review for all denied home mortgage loans. The Bank provides annual fair lending training to all staff, including the Board of Directors.

Based upon the review of the Bank’s public comment file and its performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

**MINORITY APPLICATION FLOW**

The Bank’s residential lending was compared with the 2012 aggregate’s lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Table 17 contains information on the Bank’s minority application flow as well as a comparison of the aggregate lenders throughout the Bank’s assessment area.

<i>Table 17 - Minority Application Flow</i>							
	<i>Bank (2012)</i>		<i>Aggregate Data (2012)</i>	<i>Bank (2013)</i>		<i>Bank YTD (3/31/14)</i>	
<i>RACE</i>	<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
American Indian/Alaska Native	2	0.3	0.1	0	0.0	0	0.0
Asian	33	5.1	10.4	35	7.8	4	8.9
Black/ African American	8	1.2	0.9	6	1.3	1	2.2
Hawaiian/Pac Isl.	1	0.2	0.1	1	0.2	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0	0	0.0
Joint Race (White/Minority)	24	3.7	2.0	17	3.8	1	2.2
<b>Total Minority</b>	<b>68</b>	<b>10.5</b>	<b>13.5</b>	<b>59</b>	<b>13.1</b>	<b>6</b>	<b>13.3</b>
White	415	63.8	61.0	316	70.1	29	64.5
Race Not Available	167	25.7	25.5	76	16.8	10	22.2
<b>Total</b>	<b>650</b>	<b>100</b>	<b>100.0</b>	<b>451</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>
<b>ETHNICITY</b>							
Hispanic or Latino	6	0.9	1.2	3	0.7	2	4.4
Not Hispanic or Latino	463	71.2	72.5	361	80.0	33	73.4
Joint (Hispanic/Latino/Not Hispanic/Latino)	9	1.4	0.8	10	2.2	1	2.2
Ethnicity Not Available	172	26.5	25.5	77	17.1	9	20.0
<b>Total</b>	<b>650</b>	<b>100.0</b>	<b>100.0</b>	<b>451</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>

As shown in Table 17 the Bank's minority application flow was below the aggregate for 2012. The Bank received 10.5 percent of its applications from racial minorities compared to the aggregate which received 13.5 percent of its applications from racial minorities. The Bank's application flow to ethnic minorities was slightly higher than the aggregate in 2012. The Bank received 2.3 percent of its applications from ethnic minorities while the aggregate only receive 2.0 percent. Looking at the trend for 2013, the Bank's percentage to racial minorities increased; however, the overall number of applications decreased to minorities as well as to all applicants.

## APPENDIX B

### GENERAL DEFINITIONS

#### GEOGRAPHY TERMS

**Block:** Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

**Block Group:** Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

**Block Numbering Areas (BNAs):** Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**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) but excluding 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.

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

### **HOUSING TERMS**

**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 which 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).

**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.

**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.

**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.

### **INCOME TERMS**

**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.

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

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

**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 consist of only one person, median household income is usually less than median family income.

**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.

**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.

**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.

**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.

**HUD Adjusted Income Data:** The US Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent US Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

### **OTHER TERMS**

**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.

**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.

## **INVESTMENT DEFINITIONS**

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. 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. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. 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. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: 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; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Low Income Housing Tax Credits:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the US Department of the Treasury and the Internal Revenue Service. The US Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. 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 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 in place throughout the compliance period, usually 30 years.

**Qualified Investments:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

## APPENDIX D

### Standard PE Language

#### **LENDING TEST**

##### **Scope of Test**

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

##### **Community Development Lending:**

###### **Performance Criteria**

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

##### **Innovative and Flexible Lending Practices:**

###### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

## **INVESTMENT TEST**

### **Scope of Test**

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

## **SERVICE TEST**

### **Scope of Test**

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

## 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 and the Federal Deposit Insurance Corporation, at 1374 Massachusetts Ave. Cambridge, MA 02138."

[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 agency, 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.