

# **PUBLIC DISCLOSURE**

September 26, 2016

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Watertown Savings Bank  
Certificate Number: 23298

60 Main Street  
Watertown, MA 02472

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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

## TABLE OF CONTENTS

Institution Rating .....	3
Scope of Evaluation .....	4
Description of Institution .....	6
Description of Assessment Area.....	8
Conclusions on Performance Criteria .....	11
Discriminatory or Other Illegal Credit Practices Review .....	22
Appendix A – Fair Lending Policies and Procedures.....	23
Glossary .....	25

## INSTITUTION RATING

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

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

### **The Lending Test is rated Outstanding.**

- The average loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of home mortgage and small business loans within the assessment area during the evaluation period.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area, specifically in low- and moderate-income geographies.
- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among the individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints during the evaluation period.

### **The Community Development Test is rated High Satisfactory.**

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

## SCOPE OF EVALUATION

### General Information

This performance evaluation, conducted by the Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated June 4, 2012, to the current evaluation dated September 26, 2016. Examiners used Intermediate Small Bank (ISB) Financial Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluates the bank's performance based on the Loan to Deposit Ratio, Lending Inside and Outside of the Assessment Area, Geographic Distribution, Borrower Characteristics, and Response to CRA Complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services as well as the bank's responsiveness to the community development needs of the assessment area.

### Loan Products Reviewed

The bank's portfolio remains weighted in residential real estate loans, including those secured by 1-4 family and multi-family properties at 86.3 percent. Commercial loans, including commercial real estate, and commercial and industrial loans represent 9.2 percent of the bank's loan portfolio. As a result, home mortgage and small business lending performance was considered as part of this evaluation. Small farm loans, consumer and other loan types were not considered due to the low volume of originations and the overall small percentage of the loan portfolio represented by these loan types.

Examiners evaluated home mortgage and small lending data from January 1, 2014 through December 31, 2015, on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank's 2014 lending performance was compared with aggregate lending data for all HMDA reporting lenders and assessment area demographics. Home mortgage lending in 2015, for which aggregate data is not available, was compared with assessment area demographics. In 2014, the bank originated 161 home mortgage loans totaling \$59.1 million, and originated 211 loans totaling \$82.6 million in 2015.

Examiners considered the number and dollar volume of home mortgage loan originations; however, emphasis is placed on the number of loans as it provides a better overall indicator of the number of individuals served by the institution.

The Community Development Test included an analysis of the bank's qualified community development loans, investments, and services from June 4, 2012 through September 26, 2016. For the purpose of this evaluation, a community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area. A qualified investment is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. A

community development service is a service that has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

## DESCRIPTION OF INSTITUTION

Watertown Savings Bank is a mutual savings bank headquartered in Watertown, Massachusetts. In addition to the main office in Watertown, the bank maintains eight other branches throughout the assessment area. All nine full-service branches are located in the Cambridge-Newton-Framingham MA Metropolitan Division (“MD”); five in Watertown; one in Arlington; one in Waltham; one in Lexington; and one in Belmont. Five offices are located in middle-income census tracts, two are in moderate-income tracts, and two are in upper-income tracts. The bank maintains three remote ATMs; two are located in middle-income census tracts in Waltham, and one is located in an upper-income census tract in Belmont. All but one of the branch locations are open Monday through Friday with extended evening hours on Thursday and Friday, and partial lobby hours on Saturdays. One branch, in a middle-income census tract, only maintains hours from Monday to Friday. No branches have opened or closed since the prior evaluation.

Watertown Savings Bank is a full-service financial institution that offers a wide variety of products and services. The bank offers a variety of residential mortgage loans including fixed, adjustable, home equity lines of credit, and personal loans. The bank also offers commercial real estate loans, business term loans, and business lines of credit.

The bank also offers deposit products and services including checking accounts, savings accounts, certificates of deposit, and IRAs. Services for businesses include business checking and savings accounts, business debit cards, and cash management services. Other services include free online banking and bill pay, bank by phone, mobile banking and e-Statements. The bank’s website provides branch and ATM location information and a listing and description of all its loan and deposit services, including rates. Along with other traditional delivery methods, the bank receives initial loan and deposit applications through its website.

### **Ability and Capacity**

As of June 30, 2016, the bank had total assets of \$1.13 billion and total deposits of \$1.0 billion. Loans totaled \$562.9 million and represented 49.7 percent of total assets.

Watertown Savings Bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the table below, approximately 84.7 percent of the loans are secured by one-to-four family residential properties, followed by commercial real estate loans at 8.8 percent.

The following table illustrates the current distribution of the bank's loan portfolio.

<b>Table 1 - Loan Portfolio Distribution as June 30, 2016</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	23,333	4.1
1-4 Family Residential	476,147	84.7
Multi-family (5 or more) Residential	9,133	1.6
Commercial Real Estate	49,224	8.8
<b>Total Real Estate Loans</b>	<b>557,837</b>	<b>99.2</b>
Commercial and Industrial	2,232	0.4
Consumer Loans	2,033	0.4
Other Loans	83	0.0
<b>Total Loans</b>	<b>562,185</b>	<b>100.0</b>
<i>Source: Reports of Income and Condition</i>		

There are no apparent financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area (AA) within which its CRA performance will be evaluated. Watertown Savings Bank has designated a single AA in the Cambridge-Newton-Framingham, MA Metropolitan District (MD) (15764). The bank’s assessment area conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The following sections discuss demographic and economic information for the AA.

### *Economic and Demographic Data*

The assessment area includes 59 census tracts across Middlesex County. These tracts include the following cities and towns; Arlington, Belmont, Lexington, Newton, Watertown, and Waltham. The included tracts reflect the following income designations according to the 2010 U.S. Census:

- 6 moderate-income tracts,
- 24 middle-income tracts, and
- 29 upper-income tracts.

The following table details specifics regarding the assessment area.

<b>Demographic Information for the Assessment Areas</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	59	0.0	10.2	40.7	49.2
Population by Geography	276,660	0.0	9.1	41.0	49.9
Owner-Occupied Units by Geography	65,792	0.0	5.3	38.0	56.6
Businesses by Geography	26,873	0.0	9.0	34.3	56.7
Family Distribution by Income Level	66,155	15.6	13.9	18.6	51.9
<b>Median Family Income (2010 U.S. Census)</b>		\$90,625	<b>Median Housing Value</b>		\$558,925
<b>2015 FFIEC-Estimated Median Family Income</b>		\$101,700	<b>Unemployment Rate</b>		3.2%
<b>Families Below Poverty Level</b>		3.8%			

*Sources: 2010 U.S. Census data, 2015 FFIEC-Estimated Median Family Income, 2015 D&B Data*

The table above shows that the majority of the population and the majority of owner occupied units are located in middle- and upper-income geographies.

According to 2015 D&B data, there were 26,873 businesses. Gross annual revenues (GARs) for these businesses are below.

- 76.1 percent have \$1 million or less.
- 6.9 percent have more than \$1 million.
- 17.0 percent have unknown revenues.



The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 58.6 percent; followed by finance, insurance, and real estate (10.0 percent); and retail trade (9.2 percent). In addition, 68.7 percent of area businesses have four or fewer employees, and 89.6 percent operate from a single location.

FFIEC Estimated Median Family Income data is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The table below presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the FFIEC estimates for 2014 and 2015 median family incomes.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Assessment Area Median Family Income</b>				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040

*Source: 2014 and 2015 FFIEC-Estimated Median Family Income*

There are 92,494 housing units in the assessment area, 54,245 of which are owner occupied, 32,785 are occupied rental units, and 5,464 are vacant. The median housing value of \$571,495 suggests a relatively expensive housing market compared to the state of Massachusetts.

Further analysis used Warren Group housing sales data. During the evaluation period the median home sales averaged \$679,967 throughout the six municipalities that formed the assessment area. Median sales prices ranged from \$898,167 in Lexington to \$451,667 in Waltham. This further suggests a housing environment that provides significant challenges to low- and moderate-income families. Waltham and Watertown are less expensive areas and house families at lower income levels. Conversely, Belmont, Lexington, and Newton have housing markets that reflect affluent areas.

### ***Competition***

Watertown Savings Bank operates in a very competitive lending environment. The bank faces competition from large national and regional institutions, including mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2014 revealed that 329 lenders reported 7,821 originations and purchases totaling approximately \$3.6 billion in the assessment area. The top three financial institutions were JP Morgan Chase Bank NA, Leader Bank, and Guaranteed Rate Inc, with a combined 17.9 percent market share of originations. The Savings Bank ranked 19<sup>th</sup> out of this group of lenders, with a market share of 1.4 percent.

The bank has elected to collect and report its small business data. Market share data for small business loans includes information at the full county level and as such does not represent the competition specifically within the boundaries of the assessment area. The information provided does reflect a moderate level of competition for small business loans; 117 lenders (including credit card companies, local banks, and large national institutions) originated 32,437 loans in the area for \$1.2 billion.

### ***Community Contact***

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

Two community contacts were conducted in conjunction with this evaluation. The first organization, endeavors to develop the local community through advocacy and empowerment of the low- and moderate-income residents. The organization promotes affordable housing, adult education and aspects of financial literacy into its curriculum. The contact stated that affordable housing is the primary need in the area, along with limited access to conventional credit due to troubled credit history. The contact stated local financial institutions could do more by providing more affordable housing support. While many institutions focus on homeownership programs, the contact suggested that rental assistance would also be beneficial to the community and could stabilize residents while creating prospective banking relationships. The contact was particularly pleased with the support from Watertown Savings Bank, East Cambridge Savings Bank, and Needham Bank, as well as several other local institutions. In terms of services, the contact organization mentioned that they would like to see banks offer more credit counseling services, and search out and advocate for new and innovative local investment opportunities (i.e. the Community Investment Tax Credit program). Finally the contact made mention of difficulty in contacting certain institutions for CRA – related issues.

The second contact is a community development organization that provides services throughout the entire Metrowest region. The mission of the organization is to improve the quality of life within the area neighborhoods through affordable housing local economic development, and cultivating community alliances and leadership to increase awareness. The organization also mentioned affordable housing as their primary concern, as there is a lack of public support for developing units for this segment of the population. The contact stated that Watertown Savings Bank and Rockland Trust were two institutions in particular that have displayed a willingness to support their mission. The contact also stated that a “suite” of financial product geared toward lower-income people (e.g. a secured credit card product) would be beneficial for the community as a whole in encouraging self-sufficiency for the most vulnerable residents. Similarly to the contact above, the organization expressed surprise that there was not more involvement in the Community Investment Tax Credit program.

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

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the assessment area. The bank and the community contact indicated generally strong or improving economic conditions within parts of the assessment area; however, a need for affordable housing and financial literacy support were identified. Economic data for the assessment area supports this assessment of credit and community development needs in the assessment area. High median housing values within the assessment area of more than make homeownership difficult for low-and moderate-income borrowers.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Watertown Savings Bank demonstrated outstanding performance under the Lending Test. The bank's geographic distribution and borrower profile performance provide primary support for this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. As mentioned in the performance context, the bank is ranked within the top 20 institutions originating loans in the assessment area. This performance reflects the bank's adequate record of extending credit in accord with its business strategy. The bank's LTD ratio, calculated from Call Report data, averaged 54.5 percent over the past 17 calendar quarters from June 30, 2012, to June 30, 2016. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The ratio remained steady over all quarters, never exceeding 56.7 percent and never falling below 52.9 percent. During this time period, net loans have increased 6.9 percent and deposits have increased 3.4 percent. The bank's strategy is to concentrate its efforts on 10-15 year and adjustable rate mortgages as opposed to 30 year fixed-rate mortgages. This method, motivated by capital and interest-rate risk strategies, contributes to the relatively low LTD ratio.

For evaluation purposes, the bank's LTD ratio was compared to three similarly situated institutions by asset size and location.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of June 30, 2016 \$ (000s)</b>	<b>Average Net LTD Ratio (%)</b>
Belmont Savings Bank	1,979,127	111.7
East Cambridge Savings Bank	996,291	76.9
<i>Watertown Savings Bank</i>	1,130,762	54.5
Wellesley Bank	644,879	105.3
<i>Source: Reports of Income and Condition June 30, 2012 – June 30, 2016</i>		

As illustrated above, the bank has a lower LTD ratio compared to similarly situated institutions. In spite of the low ratio, the bank maintains a reasonable lending volume in the area. Based on the above information and the bank's capacity to lend, the capacity of other similarly situated banks, the types of loans offered by the bank, and the lending opportunities available, the bank's LTD ratio is reasonable.

## Assessment Area Concentration

As indicated in the table below, the bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	106	65.8	55	34.2	161	35,813	60.6	23,300	39.4	59,113
2015	135	64.0	76	36.0	211	57,055	69.1	25,517	30.9	82,572
<b>Subtotal</b>	<b>241</b>	<b>64.8</b>	<b>131</b>	<b>35.2</b>	<b>372</b>	<b>92,868</b>	<b>65.5</b>	<b>48,817</b>	<b>34.5</b>	<b>141,685</b>
Small Business										
2014	30	68.2	14	31.8	44	9,289	75.4	3,034	24.6	12,323
2015	30	73.2	11	26.8	41	8,109	74.5	2,778	25.5	10,887
<b>Subtotal</b>	<b>60</b>	<b>70.6</b>	<b>25</b>	<b>29.4</b>	<b>85</b>	<b>17,398</b>	<b>75.0</b>	<b>5,812</b>	<b>25.0</b>	<b>23,210</b>
<b>Total</b>	<b>301</b>	<b>65.9</b>	<b>156</b>	<b>34.1</b>	<b>457</b>	<b>110,266</b>	<b>66.9</b>	<b>54,629</b>	<b>33.1</b>	<b>164,895</b>
<i>Source: 1/1/2014 - 12/31/2015 Bank Data</i>										

## Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in moderate-income census tracts. There are no low-income census tracts in the assessment area.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's 2014 performance in moderate-income census tracts is above aggregate data and demographics of the assessment area. The bank's performance improves in moderate-income census tracts, however it remains below aggregate data. Likewise, the bank performed below the demographic data of moderate-income census tracts.

In 2015, the bank's performance was comparable. The bank's originations in moderate-income census tracts almost doubled the percentage of owner occupied housing in the same areas.

The bank's 2014 market share rank in moderate-income census tracts further exemplifies its excellent performance. The bank ranked 7<sup>th</sup> in moderate income originations out of all lenders in the area, with a market share of 2.8 percent. The bank was the 2<sup>nd</sup> highest ranked state-chartered bank in the assessment area.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2014	5.3	7.4	16	15.1	5,350	14.9
2015	5.3	--	16	11.9	5,651	9.9
Middle						
2014	38.0	43.5	63	59.4	17,376	48.5
2015	38.0	--	85	63.0	29,913	52.4
Upper						
2014	56.6	49.2	27	25.5	13,087	36.5
2015	56.6	--	34	25.2	21,491	37.7
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>35,813</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>135</b>	<b>100.0</b>	<b>57,055</b>	<b>100.0</b>

*Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.*

### *Small Business Loans*

The geographic distribution of small business loans reflects good dispersion. In 2014, the bank's originations in moderate-income census tracts is far above demographics and area lending trends. The 2015 performance is below 2014, but still above the demographic of businesses in moderate-income areas. While the bank's relatively low volume of originations mitigates the performance, the record of small business lending exhibits a focus on providing credit in all areas.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2014	8.9	10.7	9	30.0	3,514	38.0
2015	9.0	--	6	20.0	1,970	24.0
Middle						
2014	34.5	35.7	16	53.3	4,665	50.0
2015	34.3	--	19	63.3	5,029	62.0
Upper						
2014	56.6	53.6	5	16.7	1,110	12.0
2015	56.7	--	5	16.7	1,110	14.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>9,289</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>30</b>	<b>100.0</b>	<b>8,109</b>	<b>100.0</b>

*Source: 2014 & 2015 D&B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data, "--" data not available.*

## **Borrower Profile**

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's performance of home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage low- and moderate-income borrowers. They also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Examiners focused on the comparison to aggregate data.

The bank's 2014 home mortgage lending to low-income borrowers, at 14.6 percent is far above the aggregate performance for families of comparable incomes. The bank is similarly above aggregate lender performance for moderate-income originations. In the case of low-income and moderate-income families, the bank performed in line with the demographics. The fact that the bank originated loans to low- and moderate-income families in such an affluent housing market exhibits its commitment to extending credit to all individuals. For 2015, bank originations to low- and moderate-income families increased while its total percentage of loans to the same borrowers decreased slightly.

Market share data further supported the bank's excellent performance under this criterion. Out of 63 lenders who made loans to low-income applicants, the bank ranked 1<sup>st</sup> in originations with a market share of 11.1 percent. The bank ranked 7<sup>th</sup> out of 125 lenders to moderate-income applicants, with a market share of 3.2 percent.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2014	15.8	1.9	15	14.2	3,743	10.7
2015	15.8	--	13	9.8	2,567	4.6
<b>Moderate</b>						
2014	13.9	7.5	17	16.0	4,146	11.6
2015	13.9	--	21	15.8	5,092	8.9
<b>Middle</b>						
2014	18.6	16.2	34	32.1	12,156	33.9
2015	18.6	--	21	15.8	7,340	12.9
<b>Upper</b>						
2014	51.9	--	40	37.7	15,768	44.0
2015	51.9	--	60	45.1	24,401	42.8
<b>Not Available</b>						
2014	0.0	16.9	0	0.0	0	0.0
2015	0.0	--	18	13.5	17,530	30.7
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>	<b>35,813</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>133</b>	<b>100.0</b>	<b>57,055</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						



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

The distribution of the small business loans reflects reasonable penetration of businesses of different sizes. The following table shows that in 2014 44.8 percent of small business loans were extended to businesses with GARs of \$1 million or less. While this level of lending is below the area demographic of businesses in this revenue category, the bank compares reasonably to aggregate lending trends. In 2015, the bank's percentage of loans in this revenue category improved to a majority of the originations.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2014	70.6	46.1	14	46.7	3,219	34.7
2015	77.1	--	11	36.7	2,582	31.8
<b>&gt;1,000,000</b>						
2014	6.4	--	16	53.3	6,070	65.3
2015	6.5	--	19	63.3	5,527	68.2
<b>Revenue Not Available</b>						
2014	23.0	--	0	0.0	0	0.0
2015	16.5	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>9,289</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>30</b>	<b>100.0</b>	<b>8,109</b>	<b>100.0</b>
<i>Source: 2014 &amp; 2015 D&amp;B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data; "--" data not available.</i>						

### **Response to Complaints**

The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

The Community Development Test evaluates the bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. The bank's community development performance demonstrates a good responsiveness to the community development needs of its assessment area.

### **Community Development Loans**

During the evaluation period the bank originated five community development loans totaling \$332,327. During the previous evaluation the bank originated three community development loans totaling \$1.6 million. Listed below are the qualified community development loans made during the evaluation period.

- On March 16, 2015, the bank originated three loans, for a total of \$27,327, to buy out the auto leases on three vehicles to an organization whose funding is primarily from the U.S. Department of Housing and Urban Development and the Department of Developmental Services. This organization provides the high-quality services and opportunities to people with disabilities to assist them in leading active lives. Services provided include employment assistance, supported living arrangements, life skills development, and transportation to and from their facilities.
- During the evaluation period, the bank originated two community development loans for a total of \$305,000 to a non-profit organization focused on youth enrichment, particularly individuals who present the most need. The bank refinanced a loan in the amount of \$185,000 for property improvements, including a new HVAC system, improvements to the pool and other capital renovations. The bank also originated a line of credit for \$120,000 for working capital.

### **Qualified Investments**

The bank's total investments and donations during the evaluation period was approximately \$4 million which represents 0.4 percent of total assets as of June 30, 2016. This figure includes two new investments, as well as charitable donations made to qualified organizations during the evaluation period. This represents an increase from the level of qualified equity investments of \$464,214 from the prior review period.

### **Equity Investments**

On August 29, 2013, the Bank invested \$3.2 million in the Massachusetts Housing Finance Agency's Construction Loan Notes, St. Joseph Hall Issue, 2013 Series A and 2013 Series B, a construction bond for the rehab of multi-family affordable housing in Watertown.

In 2014 and 2015, the bank invested \$271,102 in business loan securities within the region of the assessment area. These securities are backed by Small Business Administration (SBA) guaranteed loan pools. This program helps facilitate the recovery of the secondary market for

small business loans by purchasing securities comprised of the guaranteed portion of the SBA loans. The loans finance a wide range of small business needs, including working capital, machinery, equipment, furniture and fixtures.

### Qualified Donations

During the examination period the bank donated \$1.6 million to charitable organizations of which \$505,848 or 31.9 percent were qualified CRA contributions. During the last examination, the bank made 179 qualifying contributions totaling \$464,214. These funds primarily support organizations that provide community services to low- and moderate-income individuals and families.

The table below details all qualified donations made by the bank by year and community development category.

Qualified Grants and Donations Activity By Year												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
<b>*2012</b>	9	11,250	44	70,579	0	0	0	0	0	0	53	81,829
<b>2013</b>	8	10,500	49	93,146	0	0	0	0	0	0	57	103,646
<b>2014</b>	13	22,700	44	92,777	0	0	0	0	0	0	57	115,477
<b>2015</b>	10	16,350	59	84,308	1	750	0	0	0	0	70	101,408
<b>**2016</b>	8	12,700	47	90,838	0	0	0	0	0	0	55	103,538
<b>Total</b>	<b>48</b>	<b>73,500</b>	<b>243</b>	<b>417,598</b>	<b>1</b>	<b>750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>292</b>	<b>505,898</b>

*Source: Bank Records - \*From June 4, 2012 through December 31, 2012. \*\*From January 1, 2016 through September 26, 2016.*

Samples of the organizations receiving donations are listed below:

- **The Miller/Tracy Children's Foundation, Inc.** – The foundation financially assists families in meeting the needs of their children. The foundation provides educational and recreational scholarships; holiday meals and gifts; medical support and much more to children in need.
- **Dream Big** - Founded in 2010, Dream Big's mission is to help girls from low-income situations achieve their dreams by providing them with the basic items and fees necessary to enable them to participate in sports and physical activities that contribute to their health, education and overall well-being.
- **The Elizabeth Stone House** – This organization serves homeless and at-risk families and individuals in a goal-oriented, outcome-driven service environment by resolving the issues that made them homeless – domestic violence, substance abuse, and mental illness – so that they can attain and maintain permanent housing, personal safety, and economic stability.

- **Food Link** – Food Link is an Arlington-based food rescue non profit that uses the power of volunteers to collect fresh food from food retailers and distribute it to local agencies serving residents in need. This organization partners with 12 local grocery and prepared food stores to bring high-quality fresh fruit, vegetables, meat, dairy, bread and prepared foods to 30 social service agencies including afterschool programs, programs for at-risk youth, low-income housing facilities, homeless shelters, food pantries, and senior centers.
- **Midas Collaborative** - Midas advances the financial security of low and moderate income residents in collaboration with its member organizations and other partners. Midas programs offer opportunities in the form of savings, homeownership, post-secondary education, appropriate financial products, and small business investments as well as key financial skills that make a critical difference to low- and moderate-income workers, savers and investors.
- **Food Pantries:** Watertown Saving Bank has annually donated to food pantries throughout the assessment area. These include Arlington Eats, Newton Food Pantry, Sacred Heart Food Pantry, St. Patrick’s Food Pantry, and Watertown Food Pantry.
- **St. Vincent de Paul Society** – The mission of this organization is to offer hope and services to the poor and suffering on a direct person-to-person basis, working to break the cycles of homelessness, substance abuse and violence.

### **Community Development Services**

During the evaluation period, 19 bank employees provided 53 instances of financial expertise or technical assistance to 13 community development organizations within the assessment area for the purpose of community development.

The following provides notable examples of the bank’s community development services:

**Boston Court Appointed Special Advocates (CASA)** – Boston CASA, Inc., is a non-profit organization whose mission is to promote and advocate for the best interests of children involved in abuse and neglect cases. CASA fulfills their mission by recruiting, training and supervising community volunteers to serve as CASAs who work to ensure that these children have safe and permanent homes. The Vice President of Loan Servicing is a Guardian Ad Liem. The basic goal of the CASA Guardian Ad Liem (GAL) volunteer is to ensure that child victims of abuse and neglect are not overlooked in an overcrowded court system. CASA volunteers are appointed by a Judge as Guardian ad Litem for "Best Interest". These GAL's conduct thorough on-going investigations and present relevant facts at court hearings and provide advocacy, to ensure that services are being provided to the children.

**The Marshall Home Fund** – This fund is committed to assisting those in need to receive the health, housing, and other essential services that they require to maintain their safety and comfort. This organization works cooperatively with other social service agencies, local and state government officials, and the community at large to support the elderly to the best of its ability. The Vice President of Marketing served as Vice President and is now Co-President.

**Waltham Alliance to Create Housing (WATCH)** - The mission of this non-profit community development corporation in Waltham is to build, preserve and promote affordable housing and to enhance economic opportunities, civic participation and leadership of low and moderate-income families. The Treasurer of the bank is an Advisory Board Member.

**Springwell, Inc.** – The Money Management Program assists seniors and individuals with disabilities who are having difficulty managing personal household budgets, paying bills, keeping track of banking records, intervening with creditors and handling other issues related to personal finances. An Assistant Vice President/Branch Manager acts as a Board Member of the Money Management Program.

**Watertown Housing Partnership (WHP)** – WHP is a policy body, whose volunteer members are appointed by the Town Manager to oversee the development and preservation of affordable housing in Watertown. The Senior Vice President of Lending is a member.

### **Educational Seminars**

In addition to employee involvement, the bank also provides educational seminars and workshops. Listed below are examples of bank's educational initiatives.

- In 2013, in conjunction with Waltham Alliance to Create Housing, the bank presented a first time homebuyer seminar. Topics focused on how to obtain a mortgage.
- In 2016, in conjunction with the Wayside Youth and Family Support Network, the bank presented two financial seminars to provide guidance and resources to senior citizens living within a fixed income. Topics included how to recognize scams, how to protect yourself from identity theft, how to choose a financial caregiver, and how to be a financial caregiver.

### **Other Services**

On July 16, 2013, the bank signed an affordable housing program (AHP) agreement for a rental project in Watertown with the Federal Home Loan Bank (FHLB), the MetroWest Collaborative Development, Inc. and St. Joseph Hall (LLC) for a \$400,000 grant. The grant will assist in the building of 25 units of elderly affordable housing: 15 units will be reserved for individuals earning below 50 percent of the median income and 10 units will be for individuals earning below 60 percent of the median income.

In October 2015, the bank sponsored a recycle/shred day in the town of Belmont. In conjunction with the shred day, the bank raised funds on behalf of the Belmont Food Pantry by asking residents to provide a donation in lieu of paying for the services rendered.

The bank participates in the Interest on Lawyers' Trust Accounts (IOLTA). Lawyers place large client deposits, such as escrow accounts, in interest bearing accounts, with the interest to be paid to the client. Deposits that would individually be too small or too short-term to generate interest are pooled into IOLTA accounts. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. Total remittance earned on these accounts amounted to over \$15,000 during the examination period.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

**APPENDIX A**  
*Fair Lending Policies and Procedures*

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

The bank has a written fair lending policy within its loan policy. The bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies.

**MINORITY APPLICATION FLOW**

The bank's HMDA LARs for 2014 and 2015 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 276,660 individuals of which 22.4 percent are minorities. The assessment areas minority and ethnic population is 3.0 percent Black/African American, 11.0 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 5.9 percent Hispanic or Latino and 2.5 percent other.

The bank's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2014. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders (excluding the bank) in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2014</b>		<b>2014 Aggregate Data</b>	<b>Bank 2015</b>	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	5	4.1	12.2	8	5.5
Black/ African American	2	1.6	0.9	2	1.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	2	1.6	2.2	3	2.0
<b>Total Minority</b>	<b>9</b>	<b>7.3</b>	<b>15.5</b>	<b>13</b>	<b>8.4</b>
White	97	79.5	59.4	105	71.9
Race Not Available	16	13.2	25.2	28	19.2
<b>Total</b>	<b>122</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>0</b>	<b>0.0</b>	<b>1.6</b>	<b>4</b>	<b>2.7</b>
Not Hispanic or Latino	105	86.1	72.5	115	78.8
Joint (Hisp/Lat /Not Hisp/Lat)	<b>0</b>	<b>0.0</b>	<b>1.0</b>	<b>1</b>	<b>0.7</b>
Ethnicity Not Available	17	13.9	24.9	17	11.6
<b>Total</b>	<b>122</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>

*Source: US Census 2010, HMDA LAR Data 2014 and three quarters 2015, HMDA Aggregate Data 2014*

In 2014, the bank received 122 HMDA reportable loan applications from within its assessment area. Of these applications, 9 or 7.3 percent were received from minority applicants, of which 7 or 77.8 percent resulted in originations. The aggregate had a racial minority application flow of 15.5 percent and an origination rate of minority applications of 74.6 percent. In 2015, the the bank's racial minority application rate increased to 8.4 percent, and the origination rate of minority applications increased to 92.7 percent.

In 2014, the bank received no ethnic minority applications, compared to an aggregate ethnic minority application rate of 2.6 percent. In 2015, the bank's ethnic minority application rate increased to 3.4 percent. The all ethnic minority applications received in 2015 were originated.

The bank's racial minority application flow was lower than the aggregate trend, specifically in asian applicants. Prior to the start of the examination, the bank noted the difference in its applicant makeup in comparison to area demographics, and has made efforts to ensure that individuals of all backgrounds feel welcome to apply for credit. The improvement from 2014 to 2015 in both racial and ethnic minority applications exhibits the banks willingness to reach out to all segments of its assessment area. Due to the bank's past efforts to ensure fair lending as well as its commitment to monitor lending trends going forward, the bank's minority application flow is adequate.



## GLOSSARY

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

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

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

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

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

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

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

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

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to

individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include

non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

**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 urban and rural territory within metropolitan and non-metropolitan areas.

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

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

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

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

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

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

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

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

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

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

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 60 Main Street, Watertown, MA 02472.

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

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

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