

**PUBLIC DISCLOSURE**

**August 26, 2013**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**METHUEN COOPERATIVE BANK**

**26512**

**243 BROADWAY  
METHUEN, MA 01844**

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1000 Washington Street  
Boston, MA 02118**

**Federal Deposit Insurance Corporation  
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**NOTE:** 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

General Information.....	1
Institution CRA Rating.....	1
Scope of the Examination.....	2
Description of the Institution.....	2
Description of the Assessment Area .....	3
Conclusions With Respect to Performance Tests .....	7

## 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 operations 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 **Methuen Co-operative Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agencies as of **August 26, 2013**. The agencies evaluate performance in the assessment area as it is 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 rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

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

Based on Small Bank CRA evaluation procedures, Methuen Co-operative Bank's overall CRA performance is considered **Satisfactory** based on the following:

- The Bank's average net loan-to-deposit (LTD) ratio is reasonable at 68.9 percent, given the institution's size, financial condition, and assessment area credit needs.
- A majority (55.7 percent) of the Bank's residential loans are inside the Bank's assessment area.
- Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The Bank displayed a positive trend within the area's moderate-income census tracts.
- The distribution of loans to borrowers of different incomes reflects reasonable penetration among individuals of different income levels. The Bank displayed consistent lending levels to low-income borrowers, and improved the number of loans from 2011 to 2012 to moderate-income borrowers.
- Although the Bank maintains procedures, no CRA-related complaints were received since the last CRA evaluation.

## **SCOPE OF THE EXAMINATION**

The evaluation was conducted jointly by the Division and the FDIC. The CRA evaluation considered activity since the Bank's prior FDIC CRA evaluation, dated June 30, 2008. The Division last examined the Bank for CRA on December 28, 2006. Small Bank evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Geographic Distribution of Loans, Borrower Profile, and Response to CRA Complaints.

The Bank's most recent Consolidated Report of Condition and Income (Call Report) as of June 30, 2013, revealed that 96.3 percent of the Bank's loan portfolio consisted of real estate loans, including multi-family and commercial properties. Consumer loans represented approximately 3.0 percent and were not considered in the evaluation. Additionally, commercial real estate loans (8.8 percent) and commercial and industrial loans (0.8 percent) were also not included in the evaluation, as the number of loans originated during the evaluation period were minimal. Residential loans, including multi-family loans, are the Bank's primary lending focus. Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase, home improvement, and refinance loans, of 1-4 family and multi-family properties (five or more units). The evaluation emphasized the Bank's home mortgage lending performance in 2011, as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance was compared with aggregate HMDA data. Aggregate lending data reflects the lending activity of all HMDA reporters that originated at least one home mortgage in the Bank's designated assessment area. The Bank's residential lending performance for 2012 and year-to-date (YTD) 2013 (January 1, 2013 – June 30, 2013) was also evaluated.

The Bank's home mortgage lending performance was also compared with demographic data. Demographic information from the 2000 U.S. Census was evaluated for the 2011 lending data. When evaluating the 2012 and YTD 2013 lending information, the 2010 U.S. Census data was used. Other financial data about the Bank was derived from the June 30, 2013 Call Report.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Methuen Co-operative Bank is a Massachusetts-chartered co-operative bank. The Bank has one office, located in a moderate-income census tract at 243 Broadway, Methuen, Massachusetts. The office is equipped with a 24-hour automated teller machine (ATM) and a drive-up facility. The Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers various residential mortgage loan products, including fixed- and adjustable-rate mortgages to purchase, improve or refinance a home; construction loans; home equity lines of credit; home equity loans; personal loans; recreational vehicle loans; new and used car loans; and passbook secured loans. The Bank offers deposit products and services, including checking accounts, business checking accounts, commercial checking accounts, savings accounts, money market accounts, term deposit accounts, traditional IRAs, Roth IRAs and education accounts. The Bank also offers online banking, mobile banking, telephone banking, direct deposit and wire transfers.

As of June 30, 2013, the Bank had total assets of \$90.2 million and total deposits of \$81.3 million. Total loans were \$54.6 million and represented 60.6 percent of total assets. The Bank's net LTD ratio, as of the same date, was 66.4 percent. Since the last CRA evaluation, the Bank's assets have increased 24.6 percent, deposits have grown 27.3 percent and net loans increased 19.7 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio. As Table 1 shows, Methuen Co-operative Bank is primarily a residential lender, with a majority of the loan portfolio secured by residential properties. Total real estate loans account for 96.3 percent of the total loan portfolio. Approximately 84.5 percent of the loans are secured by residential 1-4 family properties, including multi-family properties.

<b>Table 1 – Loan Portfolio Distribution as of June 30, 2013</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(‘000s)</b>	<b>Percent of Total Loans</b>
Construction, Land Development, and Other Land Loans	1,616	3.0
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties, Extended Under Lines of Credit	735	1.3
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	44,138	80.8
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr. Liens	153	0.3
Secured by Multi-Family (5 or more) Residential Properties	1,120	2.1
<b>Total Residential Real Estate Loans</b>	<b>47,762</b>	<b>87.5</b>
Secured by Farmland (Including Farm Residential and Other Improvements)	0	0.0
Secured by Nonfarm Nonresidential Properties	4,806	8.8
<b>Total Real Estate Loans</b>	<b>52,568</b>	<b>96.3</b>
Loans to Finance Agricultural Production and Other Loans to Farmers	0	0.0
Commercial and Industrial	451	0.8
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	1,603	2.9
<b>Total Loans</b>	<b>54,622</b>	<b>100.0</b>

*Source: June 30, 2013 Call Report*

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. Based upon the Bank's asset size and product offerings, its ability to meet the community's credit needs remains reasonable.

### **Description of Assessment Area**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area, as currently defined, meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the 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 extend substantially beyond state boundaries (unless permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank defined its assessment area to include the City of Methuen and the Town of North Andover. Both are located in the Peabody Massachusetts (MA) Metropolitan Division (MD). The Bank's defined assessment area has not changed since the previous evaluation; however, with 2012 as a transition year for the U.S. Census, the income allocation of the census tracts has changed.

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the Metropolitan Statistical Area (MSA) or MD in which the tract is located. The four income levels are defined as follows:

- Low-income is defined as income below 50 percent of the MFI. For 2011, 2012, and 2013, low-income families earned less than \$43,099, \$43,649, and \$41,749, respectively.
- Moderate-income is defined as income between 50 and 79 percent of the MFI. For 2011, 2012, and 2013, moderate-income families did not earn more than \$68,959, \$69,839, and \$66,799, respectively.
- Middle-income is defined as income between 80 and 119 percent of the MFI. For 2011, 2012, and 2013, middle-income families did not earn more than \$103,439, \$104,759, and \$100,199, respectively.
- Upper-income is defined as income greater than 120 percent of the MFI. In 2011, 2012, and 2013, upper-income families earned at least \$103,440, \$104,760, and \$100,200, respectively.

Table 2 includes the number and percentage of assessment area census tracts at each income level.

<b>Table 2 Distribution of Census Tracts by Income Level</b>				
<b>Census Tracts</b>	<b>2000 U.S. Census Data</b>		<b>2010 U.S. Census Data</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	1	5.9	3	17.6
<b>Middle</b>	12	70.6	8	47.1
<b>Upper</b>	4	23.5	6	35.3
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>

*Source: 2000 and 2010 U.S. Census Data. All census tract changes occurred in Methuen.*

Per the 2000 U.S. Census, the assessment area has a total population of 70,991 residing in 18,635 family households. Of all family households in the area, 17.3 percent are low-income, 16.9 percent are moderate-income, 22.5 percent are middle-income, and 43.3 percent are upper-income. Families below the poverty level represent 4.4 percent of the total family households. There are 26,226 households in the assessment area of which 5,504, or 21.0 percent, are low-income and 3,809, or 14.5 percent, are moderate-income. Also, 1,706, or 6.5 percent, of these households are below the poverty level and 2.3 percent of households receive some form of public assistance. Living below the poverty level typically indicates a reduced ability to qualify for a mortgage loan, thereby reducing a financial institution's ability to originate residential loan products to lower-income individuals.

Per the 2010 U.S. Census, the assessment area population increased to 75,607 residing in 18,617 family households. Of all family households in the area, 16.8 percent are low-income, 19.3 percent are moderate-income, 26.1 percent are middle-income, and 37.8 percent are upper-income. Included in the low-income family households are families that are below the poverty

level and represent 3.8 percent of the total family households. There are 27,334 households in the designated assessment area of which 6,474, or 23.7 percent, are low-income and 4,164, or 15.2 percent, are moderate-income. Also, 1,943, or 7.1 percent, of the households are below the poverty level and 1.8 percent of households receive some form of public assistance.

The differences between low- and moderate-income families in the 2000 and 2010 Census reveal that the distribution of low-income families and families below the poverty level slightly decreased, while the number and percentage of moderate-income families increased.

### Housing Characteristics

According to the 2000 U.S. Census, the assessment area contains 26,828 housing units, of which 70.7 percent are owner-occupied and 27.2 percent are occupied rental units. According to the 2010 U.S. Census, the number of housing units slightly increased to 28,856. Although the number of owner-occupied units increased (20,369), the percentage was consistent, at 70.6 percent. The vacancy rate throughout the assessment area increased from 2.1 percent to 5.3 percent. Tables 3 and 4 illustrate select housing characteristics within the Bank's designated assessment area based on both the 2000 and 2010 U.S. Census.

<b>Table 3</b>								
<b>Select Housing Characteristics by Income Category of Census Tract</b>								
<b>Census Tract Income Level</b>	<b>Percentage</b>					<b>Median</b>		
	<b>House- holds</b>	<b>Housing Units</b>	<b>Owner- Occupied</b>	<b>Occupied Rental Units</b>	<b>Vacant Units</b>	<b>Age</b>	<b>Home Value</b>	<b>Gross Rent</b>
<b>Moderate</b>	5.1	5.3	2.6	11.4	14.0	56	129,500	682
<b>Middle</b>	75.8	75.7	72.4	84.6	71.7	38	167,789	751
<b>Upper</b>	19.1	19.0	25.0	4.0	14.3	23	335,924	1,408
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>34</b>	<b>214,174</b>	<b>770</b>

*Source: 2000 U.S. Census Data*

<b>Table 4</b>								
<b>Select Housing Characteristics by Income Category of Census Tract</b>								
<b>Census Tract Income Level</b>	<b>Percentage</b>					<b>Median</b>		
	<b>House- holds</b>	<b>Housing Units</b>	<b>Owner- Occupied</b>	<b>Occupied Rental Units</b>	<b>Vacant Units</b>	<b>Age</b>	<b>Home Value</b>	<b>Gross Rent</b>
<b>Moderate</b>	19.6	20.5	13.6	37.4	36.1	36	272,367	930
<b>Middle</b>	51.3	51.1	52.0	49.1	47.9	41	312,631	1,021
<b>Upper</b>	29.1	28.4	34.4	13.5	16.0	41	491,165	1,348
<b>Total or Median</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>40</b>	<b>377,267</b>	<b>1,032</b>

*Source: 2010 U.S. Census Data*

The median housing value increased significantly from the 2000 to 2010 Census. The average median sales price for housing increased significantly over the past few years and is considered high and largely out-of-reach for many low- and moderate-income borrowers. Recent figures from the Banker and Tradesman show the area's median home price in 2012 for Methuen was \$226,000 and \$425,750 in North Andover.

### Unemployment

The 2012 unemployment rate for Massachusetts was 6.7 percent according to statistics gathered from the Bureau of Labor Statistics. This represents a decrease from 2011, when the unemployment rate in Massachusetts was 7.3 percent. As of December 2012, the unemployment rate for Essex County was 7.1 percent, the City of Methuen was 8.5 percent, and North Andover was 5.7 percent.

### Competition

The Bank faces strong competition from other financial institutions that originate loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations, to large regional and national banks. According to Bank management, their biggest competitors are not other financial institutions, but rather online applications and outside originators. The Bank does not offer online products or utilize outside originators.

Market share data for 2011 provides additional insight into the Bank's volume of home mortgage lending. The 2011 lending data shows that 224 lenders originated 3,846 residential mortgage loans in the Bank's assessment area. Methuen Co-operative Bank ranked 35<sup>th</sup> originating 27 loans with a 0.7 percent market share. The three lenders with the highest market share consisted of Bank of America, N.A., with 9.3 percent; Wells Fargo Bank, N.A., with 8.7 percent; and JP Morgan Chase, with 6.3 percent.

### **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 area. 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.

A community contact was conducted with an economic and community development organization whose mission is to promote economic development, foster and monitor neighborhood development, and improve the overall quality of life for Methuen residents. The organization works closely with volunteer boards, community groups, and State and Federal agencies and focuses attention on issues regarding housing and neighborhoods, historic preservation, downtown revitalization, open space, the environment and local infrastructure. The contact stated they would like to see an investment in local businesses so the City of Methuen does not become stagnant. The contact also mentioned they would like to see low interest loans for small businesses, financial counseling in neighborhoods, and matching grant programs.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LOAN TO DEPOSIT RATIO

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The Bank's net LTD ratio is reasonable given the institution's size, financial condition and the assessment area's credit needs.

The Bank's net LTD ratio is 66.4 percent as of June 30, 2013. A review of the Bank's quarterly net LTD ratios since the prior CRA evaluation, June 30, 2008 through June 30, 2013, revealed a ratio of 68.9 percent. The net LTD ratio fluctuated over the last 21 quarters, from a low of 65.8 percent (as of March 31, 2013) to a high of 74.8 percent (as of December 31, 2008). During this timeframe, net loans increased 19.7 percent and deposits grew 27.3 percent. Bank management stated that the increase in deposits was due to customers shifting their savings from larger institutions to smaller stable institutions such as Methuen Co-operative Bank.

For comparison purposes, the Bank's average net LTD ratio was compared against the average net LTD ratios of two similarly situated institutions for the same time period. These two institutions are similar in terms of asset size and loan portfolio composition.

<b>Bank Name</b>	<b>Total Assets (000) as of 6/30/13</b>	<b>Average Net LTD Ratio 6/30/08 through 6/30/13</b>
Merrimac Savings Bank	70,911	74.8
<b>Methuen Co-operative Bank</b>	90,183	68.9
Equitable Cooperative Bank	99,736	80.8

*Source: FFIEC Report of Condition and Income (Call Reports), June 30, 2013*

As shown in Table 5, the Bank's average net LTD is lower than both institutions; however, is in line with the Bank's lending strategy. Additionally, it should also be acknowledged that the Bank sells loans to the secondary market. During the evaluation period the Bank sold seven loans totaling approximately \$1.3 million during the evaluation period.

Based on the Bank's capacity to lend, comparison to similarly-situated banks, and lending opportunities in the assessment area, the Bank's LTD ratio is reasonable.

### ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes residential loans.

Based on a review of home mortgage loans, a majority (55.7 percent) of the Bank's lending activity occurred within the institution's assessment area. Table 6 illustrates the Bank's record of extending residential loans inside and outside the assessment area by number and dollar amount over the period reviewed.

<b>Table 6 Distribution of Loans Inside and Outside of the Assessment Area</b>										
<b>Loan Category or Type</b>	<b>Number of Loans</b>					<b>Dollar Volume (\$'000s)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>2011</b>										
Home Purchase	9	45.0	11	55.0	20	1,902	44.3	2,393	55.7	4,295
Refinance	15	68.2	7	31.8	22	3,110	64.4	1,718	35.6	4,828
Home Improvement	3	50.0	3	50.0	6	418	44.8	515	55.2	933
<b>Total</b>	<b>27</b>	<b>56.2</b>	<b>21</b>	<b>43.8</b>	<b>48</b>	<b>5,430</b>	<b>54.0</b>	<b>4,626</b>	<b>46.0</b>	<b>10,056</b>
<b>2012</b>										
Home Purchase	10	40.0	15	60.0	25	2,461	60.0	1,643	40.0	4,104
Refinance	14	63.6	8	36.4	22	2,149	54.3	1,811	45.7	3,960
Home Improvement	7	87.5	1	12.5	8	795	98.2	15	1.8	810
<b>Total</b>	<b>31</b>	<b>56.4</b>	<b>24</b>	<b>43.6</b>	<b>55</b>	<b>5,405</b>	<b>60.9</b>	<b>3,469</b>	<b>39.1</b>	<b>8,874</b>
<b>YTD 2013</b>										
Home Purchase	4	40.0	6	60.0	10	835	32.6	1,727	67.4	2,562
Refinance	5	71.4	2	28.6	7	1,735	80.2	427	19.8	2,162
Home Improvement	1	50.0	1	50.0	2	8	7.4	100	92.6	108
<b>Total</b>	<b>10</b>	<b>52.6</b>	<b>9</b>	<b>47.4</b>	<b>19</b>	<b>2,578</b>	<b>53.4</b>	<b>2,254</b>	<b>46.6</b>	<b>4,832</b>
<b>Grand Total</b>	<b>68</b>	<b>55.7</b>	<b>54</b>	<b>44.3</b>	<b>122</b>	<b>13,413</b>	<b>56.4</b>	<b>10,349</b>	<b>43.6</b>	<b>23,762</b>

Source: 2011, 2012 and YTD 2013 HMDA LARs

As shown in Table 6, the Bank originated 68 home loans totaling approximately \$13.4 million in the assessment area during the evaluation period. This represents 55.7 percent of the total number of residential loans originated by the Bank and 56.4 percent by dollar amount. More weight is assigned to the number of loans, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans, and is not skewed by large dollar amounts inside or outside the assessment area.

In 2011, the Bank originated 27 loans, or 56.2 percent, inside the assessment area. In 2012, the Bank increased the number of loans and the percentage of loans inside the assessment area. The Bank's lending performance for YTD 2013 is consistent with 2011 and 2012, as 52.6 percent of the Bank's loans were originated inside the assessment area.

Based on the Bank's percentages in the assessment area and 2011 market rank (35<sup>th</sup> of 224), Methuen's responsiveness to credit needs of the assessment area is considered to meet the standards for satisfactory performance.

## **GEOGRAPHIC DISTRIBUTION**

This criterion evaluates the distribution of the Bank's loans within the assessment area by census tract income level. Emphasis is placed on lending in low- and moderate-income census tracts; however, as mentioned in the "Description of the Assessment Area," the Bank does not have any low-income census tracts, only one moderate-income census tract based on the 2000 Census, and three moderate-income tracts based on the 2010 Census.

Table 7 illustrates the geographic distribution of the Bank’s 2011, 2012, and YTD 2013 residential mortgage lending within the assessment area by number. For comparison purposes, Table 7 includes the percentage of owner-occupied housing units within each income category as well as the aggregate market lending data for 2011.

<b>Table 7 Distribution of HMDA Loans by Census Tract Income Level</b>									
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units (2000 Census)</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2011</b>		<b>% of Total Owner-Occupied Housing Units (2010 Census)</b>	<b>2012</b>		<b>YTD 2013</b>	
			<b>2011</b>	<b>#</b>		<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
<b>Moderate</b>	2.6	2.2	0	0.0	13.6	1	3.2	2	20.0
<b>Middle</b>	72.4	60.9	19	70.4	52.0	22	71.0	4	40.0
<b>Upper</b>	25.0	36.9	8	29.6	34.4	8	25.8	4	40.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

*Source: 2011, 2012, and YTD 2013 HMDA LARs, 2011 Aggregate Data, and 2000 and 2010 U.S. Census Data*

The Bank did not originate any residential loans in moderate-income census tracts for 2011. Mitigating the Bank’s performance is the low percentage of owner-occupied housing units, at only 2.6 percent, and the low aggregate percentage.

In 2012, the Bank originated one loan, or 3.2 percent, of its home mortgage loans in moderate-income census tracts, which is lower than the percentage of owner-occupied housing units (13.6 percent) in moderate-income census tracts. The lending in 2013 increased, as the Bank originated two loans, or 20 percent, of its home mortgage loans in the moderate-income census tracts. Given the level of competition in the area, the trend from 2011 to 2013 is positive.

The majority of the Bank’s lending was in the middle- and upper-income census tracts. This performance was expected considering the percentage of owner-occupied housing units in these tract categories.

Overall, given the positive trend from 2011 to 2013 in moderate-income tracts, level of competition in the assessment area, and the performance within middle- and upper-income tracts, the Bank displayed reasonable dispersion among the various census tract geographies.

## **BORROWER PROFILE**

This performance criterion evaluates the distribution of the Bank’s residential loans based on borrower characteristics. Residential lending data was reviewed to assess how well the Bank is addressing the housing credit needs of the area’s low-, moderate-, middle-, and upper-income residents. Emphasis is placed on loans to low- and moderate-income borrowers residing in the assessment area. The distribution of loans to borrowers of different income levels reflects, given

the demographics of the assessment area, a reasonable penetration among individuals of different income levels.

Table 8 illustrates the loans originated and categorized by the applicants' reported income in relation to the MFI for the MD in which the property is located. Table 8 also presents the Bank's HMDA reportable lending performance, 2011 aggregate data, and the percentage of family households in each of the income categories.

<b>Table 8 Distribution of HMDA Loans by Borrower Income Level</b>									
<b>Borrower Income Level</b>	<b>% of Total Families (2000 Census)</b>	<b>Aggregate Lending Data (% of #)</b>	<b>2011</b>		<b>% of Total Families (2010 Census)</b>	<b>2012</b>		<b>YTD 2013</b>	
			<b>2011</b>	<b>#</b>		<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
<b>Low</b>	17.3	7.6	2	7.4	16.8	2	6.5	2	20.0
<b>Moderate</b>	16.9	17.9	3	11.1	19.3	5	16.1	0	0.0
<b>Middle</b>	22.5	24.6	6	22.2	26.1	12	38.7	3	30.0
<b>Upper</b>	43.3	49.9	16	59.3	37.8	12	38.7	5	50.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

Sources: 2011, 2012, YTD 2013 HMDA LAR, 2011 Aggregate Data, and 2000 and 2010 U.S. Census Data

In 2011, the Bank's distribution of loans to low-income borrowers, at 7.4 percent, is slightly lower than the aggregate (7.6 percent). It is noted that lending to low-income borrowers was significantly lower than the percentage of low-income families (17.3 percent) in the area. However, for a significant portion of these low-income families qualifying for home mortgage loans is difficult, given the current economic environment. According to the 2000 U.S. Census, 4.4 percent of all families and 6.5 percent of all households in the assessment area are below the poverty level and would; therefore, have difficulty qualifying for home financing. In addition, home purchase prices in the area undoubtedly present an obstacle to homeownership for many low-income families. In 2011, the Bank ranked 35<sup>th</sup> among the 70 HMDA reporting lenders that originated home loans to low-income borrowers in the assessment area.

In 2011, the Bank originated 11.1 percent of total loans to moderate-income borrowers, which was lower than the aggregate (17.9 percent) and also below the percentage of moderate-income families at 16.9 percent. The 2011 market share report pertaining to loans made to moderate-income borrowers in the assessment area showed the Bank ranked 48<sup>th</sup> out of 107 HMDA reporting lenders.

In 2012, the Bank's overall performance decreased for low-income borrowers by percentage (6.5 percent); however, the number of loans originated remained the same. The percentage and number of loans increased for moderate-income borrowers.

The Bank's percentage increased to 20 percent to low-income borrowers for YTD 2013. While no loans were made to moderate-income borrowers, lending remains consistent to middle- and upper-income borrowers.

Overall, the Bank displayed a willingness to lend to all applicants, including low- and moderate-income. The Bank's performance is considered reasonable.

## **REVIEW OF COMPLAINTS**

Methuen Co-operative Bank has not received any CRA-related complaints since the last evaluation; however, the Bank maintains procedures in the event a complaint is received.

## **FAIR LENDING POLICIES AND PRACTICES**

The Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. A review of the Bank's residential loan application files was conducted to check for fair lending issues. There was no disparate treatment evident in the file review.

Employees with lending tasks are provided with training appropriate to their job description and responsibilities in fair lending issues. The Bank does not have a written fair lending policy. All denied loans have a second review. The Bank has three employees who are bilingual to help non-English speaking customers of the Bank. Second languages include Spanish, Gujarati and Romanian.

## **MINORITY APPLICATION FLOW**

According to the 2000 U.S. Census Data, the Bank's assessment area contained a total population of 70,991 individuals, of which 11.6 percent are minorities. The assessment area's minority and ethnic population consists of 0.8 percent Black/African American, 3.0 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 6.7 percent Hispanic or Latino and 1.0 percent other.

For 2011 and 2012, the Bank received 62 HMDA reportable loan applications from within its assessment area. Of these applications, 2 or 3.2 percent were received from minority applicants, of both resulted in originations. For 2011, the aggregate received 6.3 percent of applications from minority applicants. For the 2011, the Bank received 1 application or 3.2 percent from ethnic groups of Hispanic origin within its assessment area which resulted in an origination. The aggregate stood at 6.2 percent.

The Bank's performance was lower than the 2011 aggregate's performance level for minority applicants. The Bank's minority application flow is somewhat mitigated by the relatively low level of total applications where a small number of applications would result in a significant shift in the percentage. Also, for 2011 and 2012 combined, in approximately 26 percent of the applications the race of the applicant was unknown and in approximately 32 percent of the applications the ethnicity was unknown.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 243 Broadway, Methuen, MA 01844."

- 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.