

PUBLIC DISCLOSURE

September 12, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Monson Savings Bank
Certificate Number: 90245

146 Main Street
Monson, MA 01057

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

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following summarizes the bank's performance.

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

SCOPE OF EVALUATION

General Information

This performance evaluation, conducted jointly by Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated June 24, 2013, to the current evaluation dated September 12, 2016. Examiners used Small Bank Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC).

The bank's performance was evaluated according to the following criteria:

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints.

Loan Products Reviewed

This evaluation focused on home mortgage and small business lending activity from January 1, 2014 to June 30, 2016. The bank's most recent Call Report as of June 30, 2016, shows that 59.1 percent of the bank's loan portfolio is residential real estate loans. Commercial loans, consisting of commercial real estate loans and commercial and industrial loans) made up 32.1 percent of the portfolio.

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 and home improvement loans, including refinancing, of 1-4 family and multi-family properties (five or more units). The evaluation emphasized the bank's home mortgage lending performance in 2014, as this is the most recent year for which aggregate lending data is available. Home mortgage lending data for 2015 and the first two quarters (Q1 and Q2) of 2016 is referenced to illustrate trends in the bank's lending data.

The bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. For 2014, the bank reported 281 loans totaling \$39.7 million, and for 2015, the bank reported 395 loans totaling \$70.5 million. Examiners did not identify any trends between 2015 and the first two quarters of 2016 that materially affect conclusions. Therefore, this evaluation presents information for 2014, the most recent year for which aggregate data is available. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the bank's designated assessment area. The bank's home mortgage lending performance was also compared with demographic data.

The bank is not required to report its small business lending. Therefore, the analysis is based on a random statistical sample of small business loans originated in 2015 and Q1 and Q2 of 2016.

Small business loans include loans of original amounts of \$1 million or less listed on the Call Report as nonfarm nonresidential real estate secured loans or commercial and industrial loans.

Bank data indicates the bank made 105 small business loans totaling \$16.4 million in 2015 and 50 small business loans totaling \$10.5 million in Q1 and Q2 of 2016. Examiners analyzed a sample of 36 loans totaling \$4.5 million for 2015 and 24 loans totaling \$4.9 million for 2016. Sample loans inside the assessment area were used to determine the distribution and dispersion of lending under the Geographic Distribution and Borrower Profile criteria. For comparison purposes, examiners compared sample 2015 small business loan data with 2015 D&B demographic data.

Examiners considered both the number and dollar volume of home mortgage and small business loan originations; however, the evaluation emphasized the number of loans to limit the influence by factors including applicant income or housing value. The number of loans better indicates the number of individuals served by the institution.

Lending analysis did not include small farm or consumer loans. The bank makes no agricultural loans and the percentage of consumer loans is minimal.

Financial data was derived from the June 30, 2016 Call Report.

DESCRIPTION OF INSTITUTION

Background

Monson Savings Bank is a State-chartered mutual savings bank headquartered in Monson, Massachusetts. The institution received a “Satisfactory” rating from the DOB during its previous examination dated December 20, 2010 and from the FDIC during its previous CRA Performance Evaluation dated June 24, 2013.

Operations

The bank’s main branch is located at 146 Main Street in Monson, an upper-income census tract. The bank operates three other branches in Massachusetts; one located in an upper-income tract in Hampden, one located in an upper-income tract in Wilbraham, and one located in a middle-income census tract in Ware. The bank also has a Loan Center located at 197 Main Street, Monson, a Commercial Loan Center located at 201 Main Street, Monson, and corporate offices located at 107 Main Street, Monson.

The main office and all full service-branches have an automated teller machine (ATM). Since the last evaluation, the bank closed its two remote ATMs located in the Town of Wilbraham.

The bank offers a variety of deposit and lending products and services. Deposit products include checking, savings, certificates of deposit (CDs), and Individual Retirement Accounts (IRAs). Lending products include home mortgages, Home Equity Lines of Credit (HELOCs), consumer loans, and construction loans. Business loans include commercial mortgages, small business loans, commercial lines of credit, commercial term loans, and commercial letter of credit. Other services include online banking, eStatements, mobile banking and deposits, telephone banking, financial planning, and cash management services.

The bank participates in the MassSave HEAT loan program. Qualified applicants can apply for a zero percent loan to assist with installing energy-efficient improvements in homes or rental properties.

Ability and Capacity

As of June 30, 2016, the bank had total assets of \$325.9 million and total deposits of \$279.6 million. Total loans were \$250.9 million and represented 77.0 percent of total assets. The bank’s net LTD ratio, as of the same date, was 88.6 percent. Since the last CRA evaluation, the bank’s assets increased 25.6 percent, total loans increased 35.8 percent, and deposits increased 26.4 percent.

The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. Approximately 45.9 percent of the loans are secured by residential 1-4 family properties, followed by commercial real estate loans at 23.4 percent and commercial and industrial loans at 8.7 percent. Multi-family loans represent approximately 13.2 percent of total loans. The following table illustrates the current distribution of the bank’s loan portfolio.

Loan Portfolio Distribution as of 06/30/2016		
Loan Category	\$(000s)	%
Construction and Land Development	19,946	7.9
Secured by Farmland	0	0.0
1-4 Family Residential	115,075	45.9
Multi-family (5 or more) Residential	33,077	13.2
Commercial Real Estate	58,768	23.4
Total Real Estate Loans	226,866	90.4
Commercial and Industrial	21,732	8.7
Consumer	2,258	0.9
Other	0	0.0
Total Loans	250,856	100.0
<i>Source: Report of Income and Condition</i>		

There are no significant 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 areas within which its CRA performance will be evaluated. Monson Savings Bank designated a single assessment area in the Springfield, MA Metropolitan Statistical Area (MSA). The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes the following 11 cities and towns located in the Springfield, MA MSA: Belchertown, Brimfield, East Longmeadow, Hampden, Holland, Ludlow, Monson, Palmer, Wales, Ware, and Wilbraham.

The bank's assessment area consists of 21 tracts that reflect the following income designations, according to the 2010 U.S. Census:

- 0 low-income tracts
- 1 moderate-income tract
- 7 middle-income tracts
- 13 upper-income tracts

The assessment area has changed since the last exam. The bank expanded its assessment area in 2014 to include East Longmeadow and Ludlow. The one moderate-income census tract is located in the Town of Ware. The following table provides additional demographic and economic information pertaining to the bank's assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	4.8	33.3	61.9	0.0
Population by Geography	109,330	0.0	3.4	29.2	67.4	0.0
Housing Units by Geography	44,348	0.0	4.3	32.4	63.3	0.0
Owner-Occupied Units by Geography	33,809	0.0	2.1	30.0	67.9	0.0
Occupied Rental Units by Geography	7,911	0.0	10.6	44.0	45.4	0.0
Vacant Units by Geography	2,628	0.0	14.0	28.4	57.6	0.0
Businesses by Geography	7,206	0.0	2.5	25.5	72.0	0.0
Family Distribution by Income Level	29,546	13.2	14.2	18.8	53.8	0.0
Median Family Income (2010 Census):		\$84,435				
FFIEC Estimated MFI:			Median Housing Value			\$255,823
Springfield MSA MFI for 2014		\$66,000	Median Gross Rent			\$722
Springfield MSA MFI for 2015		\$67,300	Families Below Poverty Level			4.3%
Springfield MSA MFI for 2016		\$68,000				

Source: 2010 U.S. Census, 2014 and 2015 D&B Data, and FFIEC Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

According to 2015 D&B data, there are 7,206 businesses within the assessment area. Gross annual revenues (GARs) for these businesses are below:

- 81.6 percent have \$1 million or less
- 4.4 percent have more than \$1 million
- 14.0 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 48.3 percent; followed by retail trade at 12.2 percent; construction at 11.9 percent; and finance, insurance, and real estate at 7.5 percent. In addition, 75.0 percent of area businesses have four or fewer employees, and 91.4 percent operate from a single location.

The 2014, 2015, and 2016 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield MSA Median Family Income				
2014 \$66,000	<\$33,000	\$33,000 to <\$52,800	\$52,800 to <\$79,200	≥\$79,200
2015 \$67,300	<\$33,650	\$33,650 to <\$53,840	\$53,840 to <\$80,760	≥\$80,760
2016 \$68,000	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
<i>Source: FFIEC Median Family Incomes</i>				

The assessment area consists of 44,348 total housing units, of which 33,809 or 76.2 percent are owner-occupied, 7,911 or 17.8 percent are rental units, and 2,628 or 5.9 percent are vacant units. Of the 33,809 owner-occupied housing units, 713 or 2.1 percent are in moderate-income census tracts. The distribution of owner-occupied housing units is used as a comparison against the distribution of home mortgage loans by geography for the Geographic Distribution analysis. The low percentage of owner-occupied units in the moderate-income tract indicates limited opportunities to make home loans in this tract. The median housing value in 2010 for the assessment area was \$255,823, and the median age of the housing stock was 51 years.

According to the 2010 U.S. Census Data, the unemployment rate for the assessment area was 7.0 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of June 2016 indicates that the unemployment rate was 4.3 percent for Massachusetts and 5.4 percent for the Springfield, MA MSA.

Competition

The bank faces strong competition from other financial institutions that originate loans within the assessment area. The institutions range in size from small credit unions and mortgage companies to the largest banks in New England. Among the more prominent lenders competing with

Monson Savings Bank are Country Bank for Savings, Quicken Loans, Hampden Bank, Wells Fargo Bank, Bank of America, JPMorgan Chase Bank, and United Bank. Monson Savings Bank ranked 3rd in lending activity inside the assessment area with a 6.3 percent market share. The top lender in the assessment area was Wells Fargo Bank with a 7.4 percent market share, followed by Country Bank for Savings with a 6.8 percent market share.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. The information gathered during the community contact interview allows examiners to determine whether local financial institutions are responsive to identified needs and opportunities. The contact may also help identify what credit and community development opportunities are available.

Examiners contacted a community development corporation (CDC) that promotes economic development and assists small businesses. The contact mentioned that there was a need to renovate and repair deteriorating housing stock in the area, and that many rental units remain vacant due to their condition. The community contact mentioned that the cost to renovate is often higher than the return on investment on these properties, and as a result, much of the housing stock continues to deteriorate. Community development needs also include financial education for low- and moderate-income individuals, and more businesses and employment opportunities for local residents. The latter is a growing concern with certain large employers closing or relocating out of the area. The contact stated that local financial institutions have been responsive to the needs of the community.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Monson Savings Bank exhibited Satisfactory performance within its assessment area. The performance was influenced by home mortgage lending activity. The following summarizes the bank's performance within each of the Lending Test criterion.

Loan-to-Deposit Ratio

The bank's net LTD ratio, calculated from Call Report data, averaged 84.1 percent over the past 13 quarters from June 30, 2013, to June 30, 2016. Over this period, the ratio increased slightly from 82.3 percent as of June 30, 2013, to its current rate of 88.6 percent as of June 30, 2016.

Examiners selected comparable institutions based on asset size, geographic location, and portfolio composition. Monson Savings Bank's average net LTD ratio is within the range of comparable institutions, and is reasonable given the institution's size, financial condition, and assessment area credit needs.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/16 \$(000s)	Average Net LTD Ratio (%)
North Brookfield Savings	278,789	72.6
Millbury Savings Bank	221,813	80.9
Monson Savings Bank	325,859	84.1
The Pittsfield Co-op	287,588	99.3
Spencer Savings Bank	559,454	101.3
Bay State Savings Bank	376,762	103.2
<i>Source: Reports of Income and Condition 06/30/2013 through 06/30/2016</i>		

Assessment Area Concentration

The bank made a majority of its loans within the assessment area. The bank's MassHousing HEAT loan program was a factor in the concentration of home mortgage loans outside the assessment area. Due to the limited number of institutions that offer the product in the surrounding area, the bank receives an influx of HEAT loan referrals from outside the assessment area. Since the last examination, the bank originated 292 HEAT loans totaling \$2.4 million.

The concentration of small business loans in year-to-date 2016 reflects a declining trend in the assessment area. This is likely attributed to competition. Although the bank made a majority of small business loans by dollar amount outside the assessment area, a majority of the loans, by number, were in the assessment area for the period reviewed.

Considering the competition, lending performance and credit needs of the community, Monson Savings Bank adequately concentrated lending within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	163	58.0	118	42.0	281	23,495	59.1	16,234	40.9	39,729
2015	211	53.4	184	46.6	395	33,389	47.3	37,146	52.7	70,535
2016	93	52.2	85	47.8	178	17,131	50.5	16,816	49.5	33,947
Subtotal	467	54.7	387	45.3	854	74,015	51.3	70,196	48.7	144,211
Small Business										
2015	21	58.3	15	41.7	36	1,921	42.9	2,560	57.1	4,481
2016	11	45.8	13	54.2	24	1,983	40.6	2,896	59.4	4,879
Subtotal	32	53.3	28	46.7	60	3,904	41.7	5,456	58.3	9,360
Total	499	54.6	415	45.4	914	77,919	50.7	75,652	49.3	153,571

Source: 2014, 2015, Q1 and Q2 2016 HMDA data and Bank internal records

Geographic Distribution

As noted previously, the bank expanded its assessment area from 10 census tracts to 21 census tracts since the last evaluation. The assessment area now includes one moderate-income tract, located in the Town of Ware. Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area

Home Mortgage Loans

Examiners focused on the comparison to aggregate data. In 2014, the bank's performance in the moderate-income census tract was below the aggregate by 0.6 percentage points. However, Monson Savings Bank ranked 4th in market share in the moderate-income tract behind Wells Fargo, Country Bank for Savings, and JP Morgan Chase Bank. In total, 33 lenders made just 63 home mortgage loans in this tract, indicating significant competition for a small number of loans.

The percentage of loans in the moderate-income tract increased in 2015 to 3.8 percent. The bank more than doubled the number of loans in this tract in 2015 compared to 2014. The bank has not originated or purchased any loans in the moderate-income tract in Q1 and Q2 2016. Bank management attributed this to limited lending opportunities in this tract.

Overall, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area based upon the competition and market share.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Monson Defined AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2014	2.1	2.4	3	1.8	187	0.8
2015	2.1	--	8	3.8	1,409	4.2
2016	2.1	--	0	0.0	0	0.0
Middle						
2014	30.0	25.2	29	17.8	4,046	17.2
2015	30.0	--	39	18.5	6,385	19.1
2016	30.0	--	19	20.4	2,680	15.6
Upper						
2014	67.9	72.4	131	80.4	19,262	82.0
2015	67.9	--	164	77.7	25,595	76.7
2016	67.9	--	74	79.6	14,451	84.4
Totals						
2014	100.0	100.0	163	100.0	23,495	100.0
2015	100.0	--	211	100.0	33,389	100.0
2016	100.0	--	93	100.0	17,131	100.0
<i>Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 HMDA Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						

Small Business Loans

As indicated in the table below, the geographic distribution of small business loans is reasonable. Although the bank originated no loans in the moderate-income tract based on the 2015 sample, just one loan would reflect a higher percentage of loans than the percentage of businesses. Furthermore, the 2016 sample had two loans in the moderate-income tract, reflecting a significantly higher percentage of loans compared to the percentage of businesses in this tract.

Geographic Distribution of Small Business Loans						
Assessment Area: Monson Defined AA						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Moderate						
2015	2.5	0	0	0	0.0	
2016	2.5	2	18.2	510	25.7	
Middle						
2015	25.5	5	23.8	766	39.9	
2016	25.5	1	9.1	102	5.1	
Upper						
2015	72.0	16	76.2	1,155	60.1	
2016	72.0	8	72.7	1,371	69.2	
Totals						
2015	100.0	21	100.0	1,921	100.0	
2016	100.0	11	100.0	1,983	100.0	

Source: 2015 D&B Data; 1/1/2015 - 12/31/2015 Bank Data

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

Examiners focused on the comparison to the aggregate data to evaluate Monson Savings Bank's lending performance across income levels. In 2014, the bank originated two loans, or 1.2 percent, to low-income borrowers. Although the lending to low-income borrowers is slightly lower than the aggregate, the bank shows a reasonable effort to lend to low-income borrowers in the face of competitive pressures. Out of 43 lenders competing for 92 loans to low-income borrowers within the assessment area, the bank tied for 8th. The bank continued similar lending to low-income borrowers in 2015 and 2016; however, the bank increased the dollar amount over the same period.

The bank's lending performance to moderate-income borrowers, at 19.0 percent, is higher than the aggregate performance by 2.7 percent. In 2014, the bank ranked 3rd in lending to moderate-income borrowers with a 7.4 percent market share, behind Wells Fargo Bank and Country Bank for Savings. The percentage of loans made to moderate-income borrowers remained stable in 2015 and decreased in 2016. Despite the 2016 decrease, bank performance was consistent with the percentage of moderate-income families. Bank management did not attribute the decline to any specific factor. Based upon market share and lending activity, the bank has reasonable performance under this criterion.

Overall, Monson Savings Bank showed reasonable penetration to low- and moderate-income borrowers within the assessment area. The following table details the borrower distribution of home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	13.2	3.6	2	1.2	27	0.1
2015	13.2	--	3	1.4	338	1.0
2016	13.2	--	2	2.2	340	2.0
Moderate						
2014	14.2	16.3	31	19.0	2,818	12.0
2015	14.2	--	40	19.0	4,552	13.6
2016	14.2	--	13	14.0	1,539	9.0
Middle						
2014	18.8	24.5	32	19.6	3,588	15.3
2015	18.8	--	47	22.3	5,479	16.4
2016	18.8	--	24	25.8	3,910	22.8
Upper						
2014	53.8	43.3	87	53.4	14,071	59.9
2015	53.8	--	107	50.7	18,785	56.3
2016	53.8	--	50	53.8	10,391	60.7
Income Not Available						
2014	0.0	12.3	11	6.8	2,991	12.7
2015	0.0	--	14	6.6	4,235	12.7
2016	0.0	--	4	4.2	951	5.5
Total						
2014	100.0	100.0	163	100.0	23,495	100.0
2015	100.0	--	211	100.0	33,389	100.0
2016	100.0	--	93	100.0	17,131	100.0
<i>Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 HMDA Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						

Small Business Loans

In 2015, the bank made 71.4 percent of business loans to those with GARs of \$1 million or less, which is slightly lower than the percentage of businesses. Despite trailing demographics, 2015 performance is reasonable considering the bank made more than two thirds of its small business loans to businesses with GARs of \$1 million or less. In 2016, the bank's percentage of loans to businesses with GARs of \$1 million or less increased notably to 90.9 percent. The increase highlights the bank's responsiveness to credit needs among small businesses. The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2015	81.6	15	71.4	926	48.2
2016	--	10	90.9	1,723	86.9
> \$1,000,000					
2015	4.4	6	28.6	995	51.8
2016	--	1	9.1	260	13.1
Revenue Not Available					
2015	14.0	0	0.0	0	0.0
2016	--	0	0.0	0	0.0
Total					
2015	100.0	21	100.0	1,921	100.0
2016	--	11	100.0	1,983	100.0

Source: 2015 D&B Data, Bank Records, "--" data not available.

Response to Complaints

The bank did not receive any CRA-related complaints during the evaluation period. Therefore, this performance factor did not influence the bank's overall CRA rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A
Fair Lending Policies and Procedures

Examiners reviewed the bank’s fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment and Fair Lending Policy. Based upon the review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of anti-discrimination laws and regulations.

Minority Application Flow

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

The bank’s residential lending in 2014 was compared to the 2014 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank’s minority application flow as well as a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	0	0.0	0.9	1	0.3
Black/ African American	0	0.0	0.6	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	0.8	0	0.0
Total Minority	0	0.0	2.8	1	0.3
White	198	92.1	79.8	275	93.5
Race Not Available	17	7.9	17.4	18	6.2
Total	215	100.0	100.0	294	100.0
ETHNICITY					
Hispanic or Latino	2	0.9	1.6	5	1.7
Not Hispanic or Latino	194	90.3	79.2	267	90.8
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.9	1.5	2	0.7
Ethnicity Not Available	17	7.9	17.7	20	6.8
Total	215	100.0	100.0	294	100.0

Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

According to the 2010 U.S. Census data, the bank's assessment area had a population of 109,330 individuals, of which 7.3 percent are minorities. The assessment area's minority and ethnic population consists of 0.1 percent American Indian, 1.4 percent Asian/Pacific Islander, 1.4 percent Black, 3.1 percent Hispanic, and 1.3 percent other.

In 2014, the bank received 215 HMDA reportable loan applications within its assessment area. Of these applications, zero were received from racial minority applicants. This is below the aggregate's performance of 2.8 percent of applications received from racial minorities. In 2014, the bank received 4 applications representing 1.8 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from Hispanic applicants was below the aggregate's performance of 3.1 percent of applications received from Hispanic applicants.

In 2015, the bank received 0.3 percent of applications from racial minorities and 2.4 percent of applications from Hispanic or Latino applicants.

The bank's minority application flow, when compared to the aggregate's levels and the assessment area demographics, 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.

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.

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.

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.

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.

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.

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 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.

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and Federal Deposit Insurance Corporation, at 146 Main St, Monson MA."

[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.