

# **PUBLIC DISCLOSURE**

May 1, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Northern Bank and Trust Company  
Certificate Number: 18266

275 Mishawum Road  
Woburn, Massachusetts 01801

Division of Banks  
1000 Washington Street, 10<sup>th</sup> 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

# TABLE OF CONTENTS

Institution Rating	
Overall Rating.....	1
Performance Test Ratings Table .....	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Evaluation .....	3
Description of Institution .....	5
Description of Assessment Area.....	7
Conclusions on Performance Criteria .....	11
Discriminatory or Other Illegal Credit Practices Review .....	28
Appendix	
Appendix A – Fair Lending Policies and Procedures (Division of Banks).....	29
Scope of Evaluation .....	31
Glossary .....	32

## INSTITUTION RATING

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

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

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

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

**The Lending Test is rated Satisfactory.**

- Northern Bank and Trust Company’s (NBTC) lending levels reflect adequate responsiveness to assessment area credit needs.
- NBTC originated an adequate percentage of loans in its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers, given the product lines offered by the institution, reflects good penetration among business customers of different sizes and retail customers of different income levels.
- NBTC originated a relatively high level of community development loans.
- NBTC uses innovative or flexible lending practices in order to serve assessment area credit needs.

**The Investment Test is rated High Satisfactory.**

- NBTC made a significant level of qualified community development investments and grants, particularly those that are not routinely provided by private investors.
- NBTC exhibits good responsiveness to credit and community economic development needs.
- NBTC rarely uses innovative and/or complex investments to support community development initiatives.

**The Service Test is rated High Satisfactory.**

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- NBTC provided an adequate level of community development services during the evaluation period.

## SCOPE OF EVALUATION

### *General Information*

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated January 10, 2014, to the current evaluation dated May 1, 2017. Examiners used the Interagency Large Institution Examination Procedures to evaluate NBTC's performance. These procedures include three tests: the Community Reinvestment Act (CRA) Large Retail Institutions Lending Test, Investment Test, and Service Test.

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

- Assessment Area Concentration;
- Geographic Distribution;
- Borrower Profile;
- Responsiveness to credit needs of highly disadvantaged areas, individuals, and/or businesses;
- Community development lending; and
- Use of innovative or flexible lending practices

The Investment Test considered the following factors:

- The number and dollar amount of qualified investments;
- The innovativeness and complexity of qualified investments;
- The degree to which these qualified investments are not routinely provided by other private investors; and
- The responsiveness of qualified investments to available opportunities

The Service Test considered the following factors:

- The distribution of branches among low-, moderate-, middle-, and upper-income geographies;
- The institution's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- The availability and effectiveness of alternative systems for delivering retail banking services;
- The extent to which the institution provides community development services; and
- The range and accessibility of services provided in low-, moderate-, middle-, and upper-income geographies

An institution must achieve at least a Satisfactory rating on the Lending Test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### *Loan Products Reviewed*

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period. Small farm or consumer loans are not presented as they do not represent a major product line and do not provide any material support

for conclusions. Although NBTC focuses on commercial lending, the bank originated more Home Mortgage Disclosure Act (HMDA) reportable than small business loans, by number and dollar volume, in 2015 and 2016. The bank's record of originating home mortgage loans and small business loans contributed equal weight in arriving at overall conclusions.

This evaluation presents information for 2015, the most recent year for which aggregate data is available. This evaluation also presents 2016 data for trend analysis, for both home mortgage and small business loans. Although this evaluation presents both number and dollar volume of home mortgage and small business loans, examiners emphasized performance by number of loans. This is a better indicator of the number of businesses and individuals served.

In evaluating the bank's performance under the Lending Test, examiners considered all home mortgage loan originations reported on the bank's 2015 and 2016 HHMDA Loan Application Registers (LARs). In 2015, the bank originated 418 home mortgage loans for approximately \$154.2 million. In 2016, the bank originated 544 home mortgage loans for approximately \$196.5 million.

Examiners also considered all small business loans reported on the bank's 2015 and 2016 CRA Loan Registers. In 2015, the bank originated 204 small business loans for approximately \$71.4 million. In 2016, the bank originated 264 small business loans for approximately \$72.7 million.

Examiners reviewed community development loans, investments, and services, as well as innovative and/or flexible lending practices from the prior evaluation date of January 10, 2014, through the current evaluation date of May 1, 2017. Examiners weighed the bank's performance under the Lending Test more heavily than the Investment and Service Tests in arriving at an overall rating.

## DESCRIPTION OF INSTITUTION

### ***Background***

NBTC is an independently owned commercial bank, a subsidiary of Northern Bancorp Incorporated headquartered in Woburn, Massachusetts. The bank received a Satisfactory rating at its previous Massachusetts Division of Banks and FDIC Performance Evaluation, dated January 10, 2014, based on Interagency Intermediate Small Institution Examination Procedures.

### ***Operations***

NBTC operates 12 full-service branches located in Acton, Billerica, Burlington, Chelmsford, Littleton, Melrose, Reading, Sudbury, Westford, and Woburn (3). The bank opened the Reading branch in April 2014 and the Sudbury branch in January 2016. Both branches are located in upper-income census tracts. The bank closed one branch in Woburn in April 2017, which was in a middle-income census tract. In addition to offering regular banking activities, NBTC provides community meeting space in the Woburn and Reading locations for nonprofit organizations to use.

All branches are equipped with an Automated Teller Machine (ATM) and drive-up services, except for the Burlington and Melrose branches. Further, neither location offers drive-up services. The bank also participates in the SUM ATM network. This program is designed to help customers minimize the high costs associated with ATM withdrawals. Bank customers can use any network ATM free of charge. Other alternative banking services include online banking, remote deposit capture, Europay, MasterCard®, Visa® (EMV) chip debit cards, and mobile banking.

In addition to standard checking and savings accounts, NBTC offers a checking account that meets the guidelines of the Basic Banking for Massachusetts program (BBM). BBM assists in encouraging unbanked individuals to establish banking relationships. NBTC also participates in the Interest on Lawyers Trust Account (IOLTA) program. The bank has not been involved in any merger or acquisition activity since the previous evaluation.

### ***Ability and Capacity***

Assets totaled approximately \$1.7 billion as of December 31, 2016, which included total loans of \$1.5 billion and securities totaling \$47.4 million. The following table illustrates the loan portfolio distribution as of December 31, 2016.

<b>Loan Portfolio Distribution as of 12/31/2016</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	186,073	12.4
Secured by Farmland	0	0.0
1-4 Family Residential	215,173	14.4
Multi-family (5 or more) Residential	24,486	1.6
Commercial Real Estate	533,208	35.5
<b>Total Real Estate Loans</b>	<b>958,940</b>	<b>63.9</b>
Commercial and Industrial	520,263	34.7
Agricultural	0	0.0
Consumer	989	0.1
Other	19,826	1.3
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>1,500,018</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of the assessment area.



## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. NBTC designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764), which is part of the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA) (11460). The following sections discuss demographic and economic information for the assessment area.

### *Economic and Demographic Data*

Since the last evaluation, the bank added 119 census tracts to its assessment area. In total, the assessment area includes all 54 cities and towns of Middlesex County, which represents 318 census tracts. These census tracts reflect the following income designations according to the 2010 U.S. Census:

- 12 low-income census tracts<sup>1</sup>;
- 64 moderate-income census tracts<sup>2</sup>;
- 127 middle-income census tracts;
- 114 upper-income census tracts; and
- 1 census tract with no income designation

There are no distressed and underserved census tracts in the assessment area. Everett, Lowell, and Malden are designated “Gateway Cities”. A Gateway municipality (under Massachusetts General Law (MGL) Chapter 23A Section 3A) is a municipality with:

- a population greater than 35,000 and less than 250,000,
- a median household income below the state average, and
- a rate of educational attainment of a bachelor’s degree or above that is below the state average.

The Housing Development Incentive Program (HDIP), established as M.G.L., Chapter 40V, provides Gateway Cities with a development tool to increase residential growth, expand diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas. The program provides two tax incentives to developers to rehabilitate properties for lease or sale as multi-unit market rate housing. Gateway Cities that want to participate in the HDIP must propose zones where they want to encourage redevelopment and revitalization and prepare plans for promoting market rate housing development in these designated areas for approval.

The following table illustrates select demographic characteristics of the assessment area.

---

<sup>1</sup> 7 are new since last evaluation

<sup>2</sup> 28 are new since last evaluation

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	318	3.8	20.1	39.9	35.8	0.4
Population by Geography	1,503,085	3.1	19.0	41.9	36.0	0.0
Housing Units by Geography	607,199	3.2	19.5	43.3	34.0	0.0
Owner-Occupied Units by Geography	366,303	1.0	12.4	43.9	42.7	0.0
Occupied Rental Units by Geography	206,544	6.7	31.5	42.4	19.4	0.0
Vacant Units by Geography	34,352	5.5	23.9	41.8	28.8	0.0
Businesses by Geography	115,222	3.2	13.9	40.2	42.7	0.0
Farms by Geography	2,102	0.9	8.7	42.2	48.2	0.0
Family Distribution by Income Level	366,038	19.7	15.6	20.7	44.0	0.0
Household Distribution by Income Level	572,847	23.2	14.5	17.5	44.8	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD	\$90,625	Median Housing Value		\$446,997		
		Median Gross Rent		\$1,222		
		Families Below Poverty Level		5.1%		
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Under the Borrower Profile criterion, examiners compared the bank's performance in originating small business loans to the distribution of businesses by gross annual revenue (GAR) level. According to 2016 D&B data, there were 115,222 businesses in the assessment area. GARs for these businesses are below.

- 83.6 percent have \$1 million or less
- 7.5 percent have more than \$1 million
- 8.9 percent have unknown revenues

Service industries represent the largest portion of businesses (51.9 percent); followed by retail trade (11.3 percent); finance, insurance, and real estate (8.4 percent); and construction (8.0 percent). Of the businesses in the assessment area, 71.6 percent have less than five employees and 88.8 percent operate from a single location.

The analysis of the bank's home mortgage lending includes comparisons to the distribution of families in the assessment area. The table above indicates that the largest income category of families is upper-income at 44.0 percent, while moderate-income families have the smallest representation at 15.6 percent. Examiners further analyzed home mortgage loans under the Borrower Profile criterion using the 2015 and 2016 FFIEC-updated median family income level. The table on the following page presents low-, moderate-, middle-, and upper-income categories based on the 2015 and 2016 FFIEC Estimated Median Family Income data.

<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>Cambridge-Newton-Framingham, MA MD (15764)</b>				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: 2015 &amp; 2016 FFIEC- Estimated Median Family Income Data</i>				

Under the Geographic Distribution criterion, examiners compared the bank’s performance in home mortgage lending to the distribution of owner-occupied housing units. There are 607,199 housing units in the assessment area. Of these, 60.3 percent are owner-occupied, 34.0 percent are occupied rental units, and 5.7 percent are vacant. Only 1.0 percent of owner-occupied housing units are located in the 12 low-income census tracts, and 12.4 percent are located in the 64 moderate-income tracts. The moderate-income geographies account for 20.1 percent of the assessment area.

Under the Geographic Distribution criterion, examiners compared the bank’s performance in originating small business loans to the distribution of businesses by income category. Only 3.2 percent of businesses are located in low-income census tracts and 13.9 percent of businesses are located in moderate-income census tracts.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2016 year-end unemployment rate was 2.8 percent statewide. The year-end unemployment rate was 2.2 percent for Middlesex County.

***Competition***

The bank operates in a very competitive market for financial services. According to 2015 Peer Deposit Data, 100 financial institutions operate 549 full-service branches within the assessment area. Of those institutions, NBTC ranked 13<sup>th</sup> with 12 branches and a 1.7 percent deposit market share. Several larger community banks ranked ahead of NBTC. In addition, the top 5 financial institutions, including Bank of America, N.A.; Citizens Bank, N.A.; Digital, TD Bank, N.A.; and Middlesex Savings Bank, maintained nearly 50.0 percent of deposits.

There is also a high competition level for home mortgage loans in the assessment area. In 2015, NBTC ranked 42<sup>nd</sup> out of 526 lenders in the assessment area with 265 loans and a market share of 0.5 percent. The majority of financial institutions that ranked ahead of NBTC were large national banks, credit unions, and mortgage companies. Several state-chartered community banks such as Eastern Bank, Middlesex Savings Bank, Century Bank and Trust Company, and Cambridge Savings Bank ranked ahead of the bank. Each financial institution maintains a greater deposit market share and is larger than NBTC in asset size.

Lastly, there is a high competition level for small business loans in the assessment area. In 2015, NBTC ranked 24<sup>th</sup> out of 121 lenders in the assessment area with a market share of 0.4 percent by number and 2.2 percent by dollar. Some larger community banks, including Eastern Bank

and Middlesex Savings Bank, outranked NBTC. Enterprise Bank and Trust Company ranking 15<sup>th</sup>, is the only similarly sized institution that outperformed NBTC. The top 5 small business lenders accounted for approximately 65.0 percent of the market by number, but 25.1 percent by dollar, with average loan amounts between \$7,000 and \$33,000. This is mainly due to these institutions offering business credit cards. NBTC's average loan size in 2015 was much higher, at approximately \$236,000.

### ***Community Contact***

As part of the evaluation process, examiners contact third-party organizations engaged in the community and economic development to aid in identifying the credit needs and availability within the community. Examiners conducted a contact with a representative of a nonprofit organization that focuses on promoting affordable housing in the Greater Lowell area. The organization provides down payment and home rehabilitation assistance, as well as financial literacy and first-time homebuyer training. The contact noted that few affordable homes and rental units are available for low- and moderate-income residents. The contact noted that there is a significant need for institutions to support affordable housing developers such as Coalition for a Better Acre, Habitat for Humanity, and Massachusetts General Laws Chapter 40B projects. Chapter 40B permits local zoning boards to approve affordable housing projects under flexible rules if at least 20-25 percent of the units have long-term affordability restrictions. The contact mentioned that local institutions have supported their services. The contact also indicated there is a need for more flexible lending programs that include a financial education component. Further, there is a need for additional outreach to underbanked and unbanked individuals.

Examiners also contacted a nonprofit community development organization in Woburn. The community-based agency responds to the community's basic needs. The organization offers affordable daycare services, a food pantry, and other family-related social services. The contact indicated that financial institutions are involved in the community. The contact identified several needs in the area, including additional affordable housing and rental units. The contact indicated that Section 8 lottery lists are long and approved applicants struggle to find affordable units. Additionally, the contact identified a need for elder abuse awareness and seasonal loan programs, such as heat loans, to provide fuel assistance.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that support for low- and moderate-income individuals and affordable housing represent the primary credit and community development needs of the assessment area. The community contact and bank management identified an additional need for financial education in the assessment area. In 2015, the state's Financial Literacy Task Force completed a comprehensive study of access to financial education in Massachusetts. The Task Force concluded that despite numerous programs and financial resources that already exist, many residents and families lack access to and awareness of the tools needed to manage money, plan for college, save for retirement, and make sound financial decisions. The Task Force concluded that financial education and outreach are needed to ensure low- and moderate-income individuals are aware of, and have access to, the programs and services available to assist them.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's overall Lending Test performance is rated Satisfactory. The sections below discuss the bank's performance under each criterion.

#### **Lending Activity**

This performance criterion considers the volume of NBTC's lending in relation to the bank's financial condition and resources. Lending levels reflect adequate responsiveness to assessment area credit needs. During 2015 and 2016, the bank originated 962 home mortgage loans, totaling approximately \$350.7 million, and 468 small business loans, totaling approximately \$144.1 million. Of this total, 589 home mortgage loans totaling approximately \$197.6 million, and 295 small business loans totaling approximately \$62.0 million, were inside the assessment area.

In 2015, the bank ranked 42<sup>nd</sup> out of 526 lenders originating home mortgage loans in the assessment area based on number with a market share of 0.5 percent. Among the higher ranked lenders were larger financial institutions and mortgage companies that operate regionally or nationally. These lenders include JPMorgan Chase Bank, NA; Wells Fargo Bank, NA; and LoanDepot.com, LLC. Several state-chartered financial institutions, including Century Bank (ranked 39<sup>th</sup>), Cambridge Savings Bank (ranked 33<sup>rd</sup>), East Cambridge Savings Bank (ranked 29<sup>th</sup>), Sage Bank (ranked 28<sup>th</sup>), Belmont Savings Bank (ranked 27<sup>th</sup>), Middlesex Savings Bank (ranked 23<sup>rd</sup>), and Eastern Bank (ranked 17<sup>th</sup>), outperformed NBTC. Other similarly sized community banks such as Cambridge Trust Company (ranked 59<sup>th</sup>), Enterprise Bank and Trust Company (ranked 69<sup>th</sup>), and Lowell Five Cent Savings Bank (ranked 90<sup>th</sup>) originated fewer loans in the assessment area than NBTC.

In 2015, the bank ranked 24<sup>th</sup> out of 121 small business loan reporters in Middlesex County. The bank's market share was 0.4 percent by number and 2.2 percent by dollar volume. The highest ranked lenders for small business reporting were credit card lenders including American Express, FSB; Bank of America N.A.; Capital One Bank (USA), N.A.; and Citibank, N.A. Four state-chartered community banks outranked NBTC. Three including Eastern Bank (ranked 10<sup>th</sup>), Middlesex Savings Bank (ranked 18<sup>th</sup>), and Rockland Trust Company (ranked 21<sup>st</sup>) are significantly larger than NBTC in asset size. Enterprise Bank & Trust Company (ranked 15<sup>th</sup>) is the only similarly sized institution that outperformed NBTC. Market share information for 2016 was not available as of the evaluation date.

#### **Assessment Area Concentration**

The bank made an adequate percentage of loans inside the assessment area. As indicated in the following table, the bank originated 61.8 percent of home mortgage and small business loans, by number inside the assessment area. The overall percentage of loans originated in the assessment area remained stable throughout the evaluation period. An increase in the percentage of small business loans made in the assessment area offset a slight decline in the percentage of home mortgage loans made inside the assessment area in 2016.

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										
2015	265	63.4	153	36.6	418	89,305	57.9	64,860	42.1	154,165
2016	324	59.6	220	40.4	544	108,297	55.1	88,172	44.9	196,469
<b>Subtotal</b>	<b>589</b>	<b>61.2</b>	<b>373</b>	<b>38.8</b>	<b>962</b>	<b>197,602</b>	<b>56.4</b>	<b>153,032</b>	<b>43.6</b>	<b>350,634</b>
Small Business										
2015	119	58.3	85	41.7	204	28,077	39.3	43,311	60.7	71,388
2016	176	66.7	88	33.3	264	33,887	46.6	38,818	53.4	72,705
<b>Subtotal</b>	<b>295</b>	<b>63.0</b>	<b>173</b>	<b>37.0</b>	<b>468</b>	<b>61,964</b>	<b>43.0</b>	<b>82,129</b>	<b>57.0</b>	<b>144,093</b>
<b>Total</b>	<b>884</b>	<b>61.8</b>	<b>546</b>	<b>38.2</b>	<b>1,430</b>	<b>259,566</b>	<b>52.5</b>	<b>235,161</b>	<b>47.5</b>	<b>494,727</b>
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016</i>										

### Geographic Distribution

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

#### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. The following table shows that the bank's performance in low-income census tracts in 2015 was similar to aggregate performance and the percentage of owner-occupied housing units. However, in 2016, originations in low-income tracts declined to one loan.

In the moderate-income census tracts, the bank's 2015 lending was lower than aggregate performance and demographics. Despite limited activity in 2015, the bank improved its lending in the moderate-income census tracts in 2016 with 31 loans, representing 9.6 percent of all originations.

Market share data shows that in 2015, the bank ranked 61<sup>st</sup> with a 0.4 percent market share in low-income census tracts. NBTC ranked 84<sup>th</sup> with a 0.3 percent market share in moderate-income census tracts. Both rankings were lower than NBTC's overall market ranking of 42<sup>nd</sup>. However, the bank maintained a similar market share at 0.5 percent. In low-income census tracts, several community banks, including Lowell Five Cent Savings Bank (ranked 8<sup>th</sup>), Enterprise Bank and Trust (ranked 23<sup>rd</sup>), and Cambridge Trust (ranked 37<sup>th</sup>) ranked higher than NBTC. Similarly, many of the same community banks ranked higher than NBTC in moderate-income census tracts. Lowell Five Cent Savings Bank ranked 49<sup>th</sup>, Cambridge Trust ranked 55<sup>th</sup>, and Enterprise Bank and Trust ranked 62<sup>nd</sup>.

<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>
<b>Low</b>						
2015	1.0	1.3	3	1.1	1,057	1.2
2016	1.0	--	1	0.3	119	0.1
<b>Moderate</b>						
2015	12.4	12.2	18	6.8	5,370	6.0
2016	12.4	--	31	9.6	9,296	8.6
<b>Middle</b>						
2015	43.9	44.3	149	56.2	43,956	49.2
2016	43.9	--	184	56.8	57,642	53.2
<b>Upper</b>						
2015	42.7	42.2	95	35.9	38,922	43.6
2016	42.7	--	108	33.3	41,240	38.1
<b>Not Available</b>						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>265</b>	<b>100.0</b>	<b>89,305</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>324</b>	<b>100.0</b>	<b>108,297</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available.</i>						

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

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. The following table shows that the bank did not originate any loans in the low-income census tracts during 2015 and 2016.

In the moderate-income tracts, the bank's 2015 lending activity exceeded the aggregate performance by 1.2 percentage points. The bank's performance also exceeded the percent of businesses in the moderate-income census tracts. In 2016, the bank's lending performance declined slightly and was less than the percentage of businesses in the assessment area.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	3.1	2.9	0	0.0	0	0.0
2016	3.2	--	0	0.0	0	0.0
Moderate						
2015	13.9	14.7	18	15.1	5,784	20.6
2016	13.9	--	21	11.9	3,165	9.3
Middle						
2015	40.1	40.8	55	46.2	12,202	43.5
2016	40.2	--	91	51.7	16,892	49.8
Upper						
2015	42.9	41.6	46	38.7	10,091	35.9
2016	42.7	--	64	36.4	13,830	40.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>28,077</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>176</b>	<b>100.0</b>	<b>33,887</b>	<b>100.0</b>

Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data, "--" data not available.

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's good performance of home mortgage and adequate performance of small business lending support the conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate- income borrowers. Examiners also focused on the percentage of small business loans to businesses with GARs of \$1 million or less, and considered 2016 lending trends.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects good penetration.

In 2015, the bank's home mortgage lending to low-income borrowers, at 6.0 percent, was better than aggregate data at 4.3 percent and less than the percent of low-income families in the assessment area. Low-income families in the assessment area have annual incomes of less than \$50,850 and would unlikely qualify for a conventional mortgage, given that the median housing



value is \$446,997. Lending opportunities to low-income families is further limited as 5.1 percent of families in the assessment area live below the poverty level. These factors help explain the difference between bank performance and the percent of low-income families.

As illustrated in the following table, the bank's lending to moderate-income borrowers, at 20.4 percent, exceeded aggregate performance and demographics. Lending to both low- and moderate-income borrowers declined in 2016; however, still compared favorably to the percent of families in those income categories.

Market share data further supports the bank's good performance under this criterion. In 2015, the bank ranked 38<sup>th</sup> out of 227 lenders lending to low-income borrowers in the assessment area with a 0.7 percent market share. Similarly, the bank ranked 36<sup>th</sup> out of 334 lenders lending to moderate-income borrowers with a 0.7 percent market share.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2015	19.7	4.3	16	6.0	2,477	2.8
2016	19.7	--	12	3.7	1,686	1.6
Moderate						
2015	15.6	14.1	54	20.4	12,680	14.2
2016	15.6	--	55	17.0	12,609	11.6
Middle						
2015	20.7	21.7	92	34.7	27,375	30.7
2016	20.7	--	91	28.1	28,746	26.5
Upper						
2015	44.0	41.3	100	37.7	41,875	46.9
2016	44.0	--	148	45.7	56,527	52.2
Not Available						
2015	0.0	18.6	3	1.1	4,898	5.5
2016	0.0	--	18	5.6	8,729	8.1
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>265</b>	<b>100.0</b>	<b>89,305</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>324</b>	<b>100.0</b>	<b>108,297</b>	<b>100.0</b>

*Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available.*

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

The distribution of small business loans reflects adequate penetration of loans to businesses of different sizes. The following table shows that in 2015 the bank originated 40.3 percent of small business loans to businesses with GARs of \$1 million or less, underperforming aggregate

performance and the percent of businesses with GARs of \$1 million or less. However, the bank’s performance improved in 2016 as the bank originated 79 loans to businesses with GARs of \$1 million. This is in line with the overall increase in small business loans.

Market share data further supports the bank’s adequate performance. In 2015, the bank ranked 21st out of 120 lenders for lending to businesses with GARs of \$1 million or less, with a market share of 0.3 percent. This ranking is higher than the bank’s overall ranking of 24<sup>th</sup> for small business lending within the assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	76.6	48.8	48	40.3	9,331	33.2
2016	83.6	--	79	44.9	13,233	39.1
<b>&gt;\$1,000,000</b>						
2015	6.4	--	63	52.9	16,334	58.2
2016	7.5	--	94	53.4	20,370	60.1
<b>Revenue Not Available</b>						
2015	17.0	--	8	6.8	2,412	8.6
2016	8.9	--	3	1.7	284	0.8
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>28,077</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>176</b>	<b>100.0</b>	<b>33,887</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available.</i>						

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

NBTC uses innovative and flexible lending practices to assist in serving credit needs of its assessment area. The majority of programs involve government-related subsidies and guarantees. The bank offers MassHousing, Federal Housing Administration (FHA), Veterans Affairs (VA), Fannie Mae HomeReady, and a portfolio second mortgage to address the credit needs of low- and moderate-income buyers. In addition, starting in 2017, the bank offered Small Business Administration (SBA) loans to small business customers. The bank originated 94 innovative and flexible loans, totaling \$20.0 million throughout the evaluation period. The following table illustrates the bank’s innovative and flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2014		2015		2016		YTD 2017		Totals	
	#	\$(000)	#	\$(00)	#	\$(000s)	#	\$(000s)	#	\$(000s)
NBT CRA 2 <sup>nd</sup> Mortgage	11	502	11	712	7	648	0	0	29	1,862
HOMEReady	0	0	2	634	3	987	2	432	7	2,053
MassHousing Mortgage	3	475	1	350	2	702	0	0	6	1,527
MassHousing-No Mortgage Insurance (MI)	4	1,207	1	242	2	380	0	0	7	1,829
MassHousing Right Rate – No MI	2	267	0	0	0	0	0	0	2	267
MassHousing Lender Paid Mortgage Insurance	3	838	6	1,294	5	1,285	1	295	15	3,712
MassHousing Welcome Home	0	0	0	0	2	306	0	0	2	306
FHA	3	892	6	1,858	3	1,238	0	0	12	3,988
VA	1	280	5	1,708	5	1,618	2	656	13	4,262
<b>Sub-Total Residential Loans</b>	<b>27</b>	<b>4,461</b>	<b>32</b>	<b>6,798</b>	<b>29</b>	<b>7,164</b>	<b>5</b>	<b>1,383</b>	<b>93</b>	<b>19,806</b>
SBA – 504	NA	NA	NA	NA	NA	NA	1	195	1	195
<b>Sub-Total Commercial Loans</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>195</b>	<b>1</b>	<b>195</b>
<b>Totals</b>	<b>27</b>	<b>4,461</b>	<b>32</b>	<b>6,798</b>	<b>29</b>	<b>7,164</b>	<b>6</b>	<b>1,578</b>	<b>94</b>	<b>20,001</b>

Source: Bank Records

The following highlights the various innovative and flexible loan programs.

#### Home Mortgage Lending Programs

- ***NBT CRA 2<sup>nd</sup> Mortgage Program***: The product provides homebuyers an alternative to private mortgage insurance by expanding loan-to-value guidelines to 90 percent. This loan is offered in conjunction with a fixed-rate 30-year loan. The rate for the second mortgage is 25 basis points higher than the first mortgage. The program also features a fixed-rate second money purchase mortgage for terms up to 30 years. Typically, second mortgages carry 15- or 20- year terms. Extending the maturity and amortization period, addresses the monthly payment affordability.
- ***HomeReady*** – HomeReady is a Fannie Mae product designed for creditworthy low-to-moderate-income borrowers. It expands eligibility for financing homes in low-income

communities. Borrowers do not have to be a first time homebuyer to participate in the program. The program allows up to 97.0 percent loan-to-value financing, flexible sources of funds for down payment and closing costs, and affordable and cancellable monthly mortgage insurance.

- **FHA** – Loans must meet certain requirements established by FHA to qualify for insurance. FHA loans benefit low- and moderate-income buyers as they offer low down payments, low closing costs, and have relaxed credit qualifications.
- **VA** – VA loans require no down payment and the U.S. Department of Veterans Affairs guarantees them. Borrowers must meet both service requirements and credit/income requirements to be eligible. VA allows sellers to pay all veteran's mortgage loan-related closing costs and up to 4 percent in concessions. These can cover prepaid expenses like property taxes and homeowners insurance.

NBTC is a MassHousing approved lender. MassHousing is a nonprofit, public agency working to support affordable housing for low- and moderate-income Massachusetts residents. MassHousing loan programs offer low down payments, competitive rates, and discounted mortgage insurance. The following describes the MassHousing programs NBTC offers.

- **MassHousing Mortgage** – This program offers a traditional, 30-year fixed-rate mortgage. Borrowers may finance up to 97.0 percent loan-to-value. The MassHousing Mortgage Insurance Fund insures loans with down payments of less than 20.0 percent. Borrowers in this program benefit from flexible underwriting, low down payments, and quick processing due to automated underwriting and online mortgage insurance approvals.
- **MassHousing Mortgage with No Mortgage Insurance** – Eligible borrowers can obtain affordable, fixed-rate financing without the need for mortgage insurance. This product provides financing up to 97.0 percent loan-to-value financing without mortgage insurance on single-family homes and condominiums and 95.0 percent loan-to-value financing on two-to-four family homes.
- **MassHousing Right Rate Loan Program** – This home mortgage program offers discounted interest rates, low down payments, and a no mortgage insurance option to low- and moderate-income borrowers.
- **MassHousing Operation Welcome Home Loan Program** – This program supports veterans, active-duty military, Reserves and National Guard members, and Gold Star Families. The program combines a traditional 97.0 percent loan-to-value MassHousing mortgage loan with a zero-interest deferred down payment and/or closing cost assistance loan.

### Small Business Lending Programs

In 2017, the bank started offering SBA-guaranteed loans. The bank originated 1 SBA 504 loan for approximately \$195,000.

- ***SBA 504 Loan Program*** – Community Development Companies (CDCs) work with the SBA and private sector lenders to provide financing to small businesses through the 504 Loan Program. The SBA 504 Loan Program provides growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings, ranging from \$5.0 million to \$5.5 million. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation from the CDC, and 50.0 percent participation by the bank. This program benefits borrowers as it offers long-term fixed-rate full amortization and no balloons with a low down payment, and financing for fees and equity contributions.
- ***SBA 504 Refinance Program*** – This debt restructuring loan program allows small businesses to refinance qualifying 504 loans. Businesses must be in continuous operation for two years as of the application date.
- ***SBA 7(a) Loan Programs*** – The 7(a) Loan Program is the SBA’s primary program for providing financing to start-up and existing small businesses. The maximum loan amount is \$5 million. The SBA guarantees 85.0 percent of loans of \$150,000 or less and 75.0 percent of loans greater than \$150,000 and up to \$3.8 million. Borrowers benefit from long-term financing, cash flow improvement, and no balloon payment or prepayment penalty for loans that mature in less than 15 years. NBTC offers several SBA loan programs including the Small Loan Advantage Program, SBA Express, SBA Veterans Advantage Guaranteed Loans, and SBA CAPLines.

### Community Development Lending

The bank made a relatively high level of community development loans. Throughout the evaluation period, the bank originated 16 community development loans for approximately \$56.4 million. Of these loans, 9 totaling \$12.3 million were within the bank’s assessment area and 7 totaling \$44.4 million were in counties adjacent to the assessment area. This activity level represents 3.9 percent of average total assets, 4.5 percent of average total loans, and demonstrates significant improvement since the previous evaluation. The bank has more than doubled the number and dollar amount of community development loans qualified during the previous evaluation period.

The following table shows the bank’s community development loans by year and community development category.

**Community Development Lending**

Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2014	1	540	1	750	0	0	1	7,950	0	0	3	9,240
2015	2	5,659	2	7,700	0	0	3	22,968	0	0	7	36,327
2016	4	1,477	1	1,873	0	0	1	7,500	0	0	6	10,850
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>7,676</b>	<b>4</b>	<b>10,323</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>38,418</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>56,417</b>

*Source: Bank Records*

The following illustrates examples of the community development loans.

- In 2014, the bank originated a \$750,000 loan as short-term working capital to a nonprofit human services organization. This organization assists low- and moderate-income adults with developmental disabilities. The nonprofit offers programs for employment, job training, and housing within the bank’s assessment area. One program includes day services to help individuals transition from school to work, obtain meaningful employment, and live independently. The organization also operates 15 group homes. It is regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods.
- In 2014, the bank originated a \$7,950,000 construction loan to a developer to convert a 345,045 square feet warehouse/industrial building to approximately 72,362 square feet of commercial and office space located in a low-income census tract in Lawrence, Massachusetts. This loan will provide space for three new tenants and additional employment opportunities.
- In 2015, the bank originated a \$7.2 million loan to a nonprofit organization in Woburn that provides services to low- and moderate-income individuals. The organization used the proceeds to purchase, refinance, and renovate two buildings used to provide training to adults to help them live independently. The adults served by the organization rely primarily on limited supplemental social security income and MassHealth, the Massachusetts Medicaid program.
- In 2015, the bank originated a \$16.2 million loan to rehab an industrial building located in a low-income census tract in Worcester, Massachusetts. The building will be transformed into a student housing complex with 81 units and 251 beds. The owner will market this complex to students attending colleges in Worcester. The project will help revitalize and stabilize this predominantly low- and moderate-income area by attracting additional residents to the area, and in turn, new businesses and potential residents.
- In 2016, the bank originated a \$2.3 million loan to construct 17 condominium units. Three units are designated as affordable housing for sale to low- and moderate-income individuals in Bedford, Massachusetts. The bank received pro-rata credit for the 3 units,

representing \$396,000. The 3 affordable units sold for \$180,000 each. The projected sale prices for the market-rate units ranged from \$676,800 to \$778,940.

- In 2016, the bank originated a \$5.8 million loan to construct 41 condominium units. Four units are designated as affordable housing for sale to low- and moderate-income individuals in Woburn, Massachusetts. The bank received pro-rata credit for the 4 units, representing \$561,951. The affordable units sold for \$224,000 each. The projected sale prices for the market-rate units ranged from \$589,000 to \$619,000.

## **INVESTMENT TEST**

The bank's Investment Test performance is rated "High Satisfactory." The sections below discuss the bank's performance.

### **Investment Activity**

The bank made a significant level of qualified investments at \$7.4 million. This includes 12 equity investments of approximately \$6.9 million and 138 grants and donations of approximately \$466,000. The bank made 5 new equity investments during the evaluation period for approximately \$2.7 million. The remaining \$4.2 million represents the current book value of 7 equity investments made prior to the evaluation period. The total dollar amount of equity investments equates to approximately 0.5 percent of average total assets and 5.3 percent of average total investments since the previous evaluation. The following summarizes the bank's equity investment activity.

#### ***Boston Community Capital (BCC)***

In 2016, the bank invested \$1.0 million in Boston Community Capital (BCC). BCC provides funding to low- and moderate-income homebuyers in the greater Boston area.

#### ***Municipal Bonds***

In 2015, the bank purchased two municipal bonds from the city of Malden for \$300,000 and \$125,000. The bond is for economic redevelopment in Malden, which is a Gateway City designated as an Economic Target Area and Economic Opportunity Area. The majority of census tracts in Malden are moderate-income and census tract #3414 was designated as an Economic Target Area as of March 2014.

#### ***Federal Tax Credit Investment***

In 2016, in connection with a community development loan to finance the installation of a roof mounted solar panel system in Woburn, the bank also made a \$704,000 Federal Tax Credit Investment. The solar panel project benefits a low-income senior housing center in the assessment area through reduced utility costs. In exchange for the Tax Credit Investment, the bank owns 99.0 percent of the membership interests in the borrower and receives the benefit of 99.0 percent of the tax credits related to the project. In essence, the bank's investment bridges the Federal Tax Credit award which would occur during the first quarter following the project's commissioning. At the time of the award, the bank's investment will be returned and the bank will remain the 90.0 percent owner of the facility for five years until the Federal Tax Credit look back period expires.

***Federal National Mortgage Association (FNMA) Mortgage-Backed Securities (MBS)***

During the evaluation period, the bank purchased a pool of FNMA MBSs for \$565,536. In addition, the current book value of the 6 mortgage-backed security pools purchased prior to the current evaluation period is \$2.9 million. The collateral for each MBS pool consists of loans in the assessment area and solely to low- and moderate-income borrowers.

***Access Capital Strategies Community Investment Fund, Inc. (ACSCIF)***

The bank continues to hold an investment in the ACSCIF. The ACSCIF is a Security and Exchange Commission-regulated fund structured as a business development company. ACSCIF's primary purpose is to provide a secondary market and financing vehicle for community development loan originators. The fund invests in private placement debt securities specifically designated to support underlying community development activities targeted to serve low- and moderate-income individuals. These include affordable housing, education, small business lending, and other job creating investments. The bank purchased the investment in 2010 targeting the assessment area and the current book value is \$1.3 million.

The bank made a significant level of qualified grants and donations to organizations that provide financial education, affordable housing, and community services throughout the assessment area. During the evaluation period, NBTC established the Northern Bank & Trust Charitable Foundation (Foundation) to improve the community's social and economic conditions. During the evaluation period, the Foundation provided grants and donations totaling \$519,478. Of those, 77 grants and donations, for \$420,278 (80.9 percent), meet the definition of community development. The bank made the other 72 donations directly. The following table illustrates the bank's total qualified investments by year and community development purpose.



Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Equity Investments												
Prior Period	6	2,944	0	0	1	1,278	0	0	0	0	7	4,222
2014	1	566	0	0	0	0	0	0	0	0	1	566
2015	0	0	0	0	2	425	0	0	0	0	2	425
2016	0	0	1	704	1	1,000	0	0	0	0	2	1,704
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>7</b>	<b>3,510</b>	<b>1</b>	<b>704</b>	<b>4</b>	<b>2,703</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>6,917</b>
Qualified Grants & Donations												
2014	4	22	37	101	2	1	0	0	0	0	43	124
2015	5	20	34	88	1	1	0	0	0	0	40	109
2016	7	45	38	76	0	0	0	0	0	0	45	121
YTD 2017	0	0	10	112	0	0	0	0	0	0	10	112
<b>Subtotal</b>	<b>16</b>	<b>87</b>	<b>119</b>	<b>787</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>138</b>	<b>466</b>
<b>Total</b>	<b>23</b>	<b>3,597</b>	<b>120</b>	<b>1,082</b>	<b>7</b>	<b>2,705</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>150</b>	<b>7,383</b>
<i>Source: Bank Records</i>												

The following are notable examples of the bank’s and the Foundation’s qualified grants and donations:

- The Foundation and the bank donated to the Boys & Girls Club of Greater Billerica and the Boys & Girls Club of Woburn for \$30,990. Both clubs help provide guidance and direction to young people. For both clubs, the Foundation and the bank made specific donations to support programs that target low- and moderate-income members and to finance annual membership dues, allowing those who cannot afford a membership the opportunity to participate.
- The Foundation donated in 2014, 2015, and 2016 for \$30,000 to the Council of Social Concern (CSC) in Woburn. CSC is a nonprofit human services agency that offers affordable center-based and family child care; resource and referral information; supplemental and emergency food assistance; and family skill building, education, and support for low- and moderate-income individuals. This donation responds to the needs for community services targeted towards low- and moderate-income individuals in the assessment area.
- The Foundation donated to the Habitat for Humanity of Greater Lowell in 2014, 2015, and 2016 for \$27,000. The Habitat for Humanity of Greater Lowell is a nonprofit organization that builds homes for low- and moderate-income families with volunteer labor and materials. In 2014, the Foundation donated funds to assist with building a home in Billerica for a low-income family. This donation was responsive to the need for affordable housing options in the assessment area.

- The Foundation made annual \$10,000 donations to Heading Home, Inc. located in Boston. The organization's mission is to end homelessness in the Greater Boston area by providing emergency, transitional, and permanent housing, as well as support services, to low-income, homeless, and formerly homeless families. The Foundation requested that the donations be allocated to families and individuals located in the bank's assessment area, specifically the communities of Cambridge, Somerville, Medford and Malden.
- The Foundation and the bank donated to food pantries and meal programs throughout the assessment area. The Foundation made annual donations for \$15,000 to People Helping People to provide food, medicine, heat, and utility payment assistance to low-income residents of Burlington. In 2015, the bank divided an additional \$15,000 donation amongst 12 other local food pantries such as the Reading Food Pantry, Merrimack Valley Food Pantry, Westford Food Pantry, and the Margaret Fuller Neighborhood House in Cambridge. These donations are particularly responsive to the need for services for low- and moderate-income individuals as well as the need for fuel assistance in the winter months, identified by the community contact.

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

The bank exhibits good responsiveness to credit and community development needs of the assessment area. As noted previously, community services, affordable housing, and financial education are primary needs for low- and moderate-income individuals in the assessment area. The majority of the bank's grants and donations (81.1 percent) were to organizations that provide community services to low- and moderate-income individuals. Some noteworthy donations included a donation to the Habitat for Humanity and Medford Community Housing (HHMCH) and a low-income senior center. HHMCH supports the need for affordable housing in the assessment area. The Melrose Friends of the Aging requested a donation of \$15,000 to help purchase a van to transport seniors to and from places such as doctor's offices, the grocery store, and the bank. With the senior's annual income level often below \$15,000 and a significant need for transportation, the bank donated \$51,378, the van's entire purchase price.

### **Innovativeness or Complexity of Qualified Investments**

The bank rarely uses innovative and/or complex investments to support community development initiatives; however, the bank established the Foundation to meet the community development needs better in the assessment area.

## **SERVICE TEST**

The bank's Service Test performance is rated "High Satisfactory". The sections below discuss the bank's performance.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment area. In addition to its main office in Woburn, NBTC operates 11 other full-service branches located in Middlesex County. One Woburn branch is in a moderate-income census tract. Although all other branches are located in middle- and upper-income census tracts, the Chelmsford and Melrose branches are located near low- and moderate-income geographies, particularly Lowell, Melrose, Malden, and Medford. The following table illustrates distribution of branches by census tract income level.

<b>Branch Distribution by Geography Income Level</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	12	3.8	46,046	3.1	0	0.0
Moderate	64	20.1	285,992	19.0	1	8.3
Middle	127	39.0	629,548	41.9	5	41.7
Upper	114	35.8	541,499	36.0	6	50.0
NA	1	0.3	0	0.0	0	0.0
<b>Total</b>	<b>318</b>	<b>100.0</b>	<b>1,503,085</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>
<i>Source: 2016 U.S. Census &amp; Bank Records</i>						

In addition to the branch network and ATMs, the institution also provides access to the SUM Network of ATMs and online banking and mobile banking. These alternative delivery systems allow consumers convenient access to various retail services.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous examination, the bank opened two branches. The Reading and Sudbury branches are both in upper-income census tracts. The opening of the Sudbury branch improved the accessibility to services for the western and southern-most part of the assessment area, where there are fewer branches. The bordering towns of Framingham and Marlborough maintain some low- and moderate-income census tracts. The bank closed one branch located in a middle-income census tract in Woburn; however, three other branches remain open in Woburn.

### **Reasonableness of Business Hours and Services**

Business hours do not vary in a way that inconvenience certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Branch hours are generally

consistent at each location. Weekday hours are generally 8:30 A.M. to 5:00 P.M. Monday through Wednesday; 8:30 A.M. to 7:00 P.M. on Thursday; 8:30 A.M. to 6:00 P.M. on Friday; and 8:30 A.M. to 12:30 P.M. on Saturday. The only branch with slightly different business hours is the Reading branch. This location stays open until 6:00 P.M. on Thursday.

Additionally, the Reading branch is one of five branches to offer extended drive-up hours Monday through Friday, opening one hour before the branch. The other branches with extended drive-up hours include Sudbury and all three Woburn branches. All branches offer all deposit and loan products as well as either a walk-up or a drive-up ATM. As stated previously, the bank also participates in the SUM ATM network, allowing a greater variety of ATMs accessible to NBTC customers. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

### **Community Development Services**

The institution provides an adequate level of community development services. The bank provided 96 instances of community development services throughout the evaluation period. The bank’s service activity included board involvement with local organizations, first time homebuyer seminars, financial education, and technical assistance. The following table summarizes the bank’s community development services by year and purpose.

<b>Community Development Services</b>						
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Neighborhood Stabilization</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2014	5	13	1	1	0	<b>20</b>
2015	7	16	2	1	0	<b>26</b>
2016	7	16	3	1	0	<b>27</b>
YTD 2017	7	13	2	1	0	<b>23</b>
<b>Total</b>	<b>26</b>	<b>58</b>	<b>8</b>	<b>4</b>	<b>0</b>	<b>96</b>

*Source: Bank Records*

The following are notable examples of the bank’s involvement in community organizations:

#### **Employee Involvement**

- An executive vice president serves on the Board of Directors of Bay Colony Development Corporation (CDC). Bay Colony is a CDC and simulates economic development through creating and preserving jobs. Bay Colony provides SBA 504 loans and it was recently approved as a participant in SBA’s Community Advantage (CA) Program. The CA Program authorizes Bay Colony to lend up to \$250,000 to small businesses in underserved markets. For CA purposes, underserved markets include low- and moderate-income communities as well as businesses where more than 50.0 percent of the workforce is low-income or reside in low- or moderate-income census tracts.
- Two employees served on the Massachusetts Community Banking Council (MCBC) Mortgage Lending Committee during the evaluation period. The Mortgage Lending

Committee works to expand home ownership opportunities for low- and moderate-income homebuyers and to sustain home ownership in low- and moderate-income neighborhoods. This service is particularly responsive to the need for affordable housing options in the assessment area. Section 8 housing wait lists are long and affordable housing units are not abundant.

- Two employees served on the MCBC Economic Development Committee during the evaluation period. The Economic Development Committee promotes the economic revitalization of low- and moderate-income communities in Massachusetts. The Committee works together to provide technical assistance, insight, ideas, and information designed to encourage small business lending growth.
- An assistant vice president of lending continues to serve on the Board of Medford Community Housing. Medford Community Housing promotes developing, rehabilitating, and maintaining affordable housing and focuses on the availability of housing for low- and moderate-income individuals. This service responds to the need for affordable housing options in the assessment area.

#### Financial Education and Technical Support

NBTC regularly provides financial education and technical assistance geared toward seniors, at-risk youths, and first-time homebuyers. The following are examples of financial education and technical support.

- Several bank employees served as Budget Buddies coaches throughout the evaluation period. Budget Buddies help low-income women become more economically self-sufficient. Employees taught participants core money-management skills and paired them with personal financial coaches. This service is particularly responsive to the identified need for financial education. Additionally, Lowell is a Gateway City with educational attainment below the state average, suggesting heightened needs for financial education.
- Two employees participated in the Money Management program at Minuteman Senior Services in Woburn. A branch manager is also on the Board of Minuteman Senior Services. The organization provides help to low- and moderate-income seniors to keep them in their own homes. Monthly, volunteers work one-on-one with low- and moderate-income seniors to budget, sort financial mail, balance checkbooks, and perform other financial related assistance. Two employees also participated in the Money Management program at Mystic Valley Elder Services. Mystic Valley offers the Money Management program and other senior services at low or no cost to low- and moderate-income individuals.
- The bank presented several First-Time Homebuyer seminars, targeted towards low- and moderate-income first-time homebuyers, through Medford Community Housing, Merrimack Valley Partnership, and Community Teamwork. Since the previous examination, the bank helped to provide seminars for over 300 individuals.

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

Examiners reviewed NBTC's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **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. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

#### **MINORITY APPLICATION FLOW**

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

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 1,503,085 individuals of which 23.5 percent are minorities. The assessment areas minority and ethnic population is 4.4 percent Black/African American, 9.3 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 6.5 percent Hispanic or Latino and 3.2 percent other.

In 2015, the bank received 367 HMDA reportable loan applications from within its assessment area. Of these applications, examiners reviewed 30 or 8.2 percent from minority applicants, of which 24 or 80.0 percent resulted in originations. The aggregate received 70,663 HMDA reportable loan applications of which 9,362 or 13.2 percent were received from minority applicants and 6,694 or 71.5 percent were originated. For the same time period, the bank also received 7 or 1.9 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 7 or 100.0 percent were originated versus the aggregate that received 2,738 applications or 3.9 percent of which 1,821 or 66.5 percent were originated.

For 2016, the bank received 446 HMDA reportable loan applications from within its assessment area. Of these applications, 39 or 8.7 percent were received from minority applicants, of which 30 or 76.9 percent resulted in originations. For the same time period, the bank received 8 or 1.8 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 7 or 87.5 percent were originated.

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 2015. 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 in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2015</b>		<b>2015 Aggregate Data</b>	<b>Bank 2016</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	21	5.7	9.4	32	7.2
Black/ African American	0	0.0	1.7	2	0.4
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)	9	2.5	1.9	5	1.1
<b>Total Minority</b>	<b>30</b>	<b>8.2</b>	<b>13.2</b>	<b>39</b>	<b>8.7</b>
White	283	77.1	62.2	342	76.7
Race Not Available	54	14.7	24.6	65	14.6
<b>Total</b>	<b>367</b>	<b>100.0</b>	<b>100.0</b>	<b>446</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>6</b>	<b>1.6</b>	<b>2.9</b>	<b>6</b>	<b>1.3</b>
Not Hispanic or Latino	306	83.4	71.7	372	83.4
Joint (Hisp/Lat /Not Hisp/Lat)	<b>1</b>	<b>0.3</b>	<b>1.0</b>	<b>2</b>	<b>0.5</b>
Ethnicity Not Available	54	14.7	24.4	66	14.8
<b>Total</b>	<b>367</b>	<b>100.0</b>	<b>100.0</b>	<b>446</b>	<b>100.0</b>

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

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2015, the bank's minority application flow is adequate.



## APPENDIX

### SCOPE OF EVALUATION

SCOPE OF EVALUATION			
<b>TIME PERIOD REVIEWED</b>	January 10, 2014 to May 1, 2017		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
Northern Bank and Trust Company			HMDA and Small Business Loans (2015 and 2016)  Community Development Loans, Investments, and Services (January 10 2014- May 1, 2017)
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Middlesex County	Large Bank	None	NA

## 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 nonmetropolitan 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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**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;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

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

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

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's 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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more 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 the Federal Deposit Insurance Corporation, at 275 Mishawum Road, Woburn, MA 01801."

[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.