

PUBLIC DISCLOSURE

July 5, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Shore Bank
Certificate Number: 26484

248 Andover Street
Peabody, Massachusetts 01960

Division of Banks
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Federal Deposit Insurance Corporation
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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 of 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.

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans 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 Lending Test rating.

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 14, 2013, to the current evaluation dated July 5, 2016. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC). These procedures include two performance tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that North Shore Bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans was slightly above small business loans during the evaluation period. Accordingly, examiners weighted home mortgage loan performance slightly higher when determining overall conclusions. The bank does not originate small farm loans; therefore, this loan category was not used for analysis in this evaluation.

This evaluation considered all home mortgage loans reported on the bank's 2014 and 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 122 HMDA reportable loans totaling \$37.6 million in 2014, and 163 loans totaling \$50.9 million in 2015. The bank did not purchase any HMDA loans during this timeframe. Examiners compared the bank's performance in 2014 to aggregate HMDA data, the most recent year for which data is available. Aggregate data includes the lending activity of all institutions subject to HMDA reporting requirements that originated or purchased at least one home mortgage loan in the assessment area. Examiners also compared 2014 and 2015 lending performance to applicable demographic data.

As an ISI, the bank is not required to, and did not, report small business lending. However, the bank collected small business lending data for its own purposes. Examiners were able to validate the bank's collected small business data, and use this data for purposes of this evaluation. The bank originated 145 small business loans totaling approximately \$35.5 million in 2014, and 136 loans totaling approximately \$37.4 million in 2015. As a non-reporter, aggregate small business lending data does not serve as an appropriate comparison; therefore, examiners compared the bank's small business lending data with Dun & Bradstreet (D&B) business demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans. The number of loans is a better indicator of the number of businesses and individuals served. Demographic information referenced in this evaluation was obtained from the 2010 United States (U.S.) Census, unless otherwise noted.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated March 14, 2013.

DESCRIPTION OF INSTITUTION

Background

North Shore Bank, a wholly owned subsidiary of North Shore Bancorp, is a State-chartered, mutual savings bank headquartered in Peabody, Massachusetts (MA). The bank operates in the northeastern part of MA and southeastern New Hampshire (NH) in the counties of Essex, MA; Middlesex, MA; and Rockingham, NH. North Shore Bank operates three wholly owned subsidiaries, North Shore Security Corporation, Compass Rose Security Corporation, and First Saugus Corporation. Both security corporations buy, sell, and hold securities; and First Saugus Corporation is a real estate holding investment subsidiary. North Shore Capital Trust is a wholly owned subsidiary of the Bancorp formed for the purpose of issuing trust-preferred securities and investing the proceeds in subordinated debentures. On April 9, 2014, the bank relocated its main office to the branch location at 248 Andover Street, Peabody, MA. The former main office at 32 Main Street, Peabody, MA was re-designated as a branch office. The Division and FDIC conducted the prior CRA Evaluation using ISI Examination Procedures as of March 14, 2013. The institution received a Satisfactory rating at its previous Performance Evaluation.

Operations

North Shore Bank merged with two separate financial institutions during the evaluation period. As of September 1, 2014, North Shore Bank merged with Saugusbank, A Cooperative Bank previously headquartered in Saugus, MA. On November 1, 2015, North Shore Bank also merged with Merrimac Savings Bank, previously headquartered in Merrimac, MA. In both instances, the mergers were consummated under the charter and title of North Shore Bank.

North Shore Bank currently operates 12 full-service branches, an increase from eight at the prior evaluation. Eleven branches are in the MA towns of Beverly, Danvers, Merrimac, Middleton, Peabody (3), Salem, and Saugus (3). Since the prior examination, the bank added five branch

locations including three Saugus locations resulting from the Saugusbank merger as well as the Merrimac, MA and Newton, NH branches as a result of the Merrimac Savings Bank merger. Additionally, the bank closed one branch that was located in a middle-income Census Tract (CT) in Salem, MA. North Shore Bank offers loan products that include commercial, home mortgage, and consumer loans, but does not make agricultural loans. Its primary focus is on both home mortgage and commercial lending. The institution provides a variety of deposit services that include checking, savings, money market deposit accounts, certificates of deposit, and Individual Retirement Accounts (IRAs). The bank also offers investment advisory services and estate planning. Alternative banking services include internet and mobile banking, electronic bill pay, and automated teller machines (ATMs). Each branch has an ATM with two additional ATMs located in Plaistow, NH and Newton, NH.

Ability and Capacity

Assets totaled approximately \$755 million as of March 31, 2016; which included total loans of \$580 million and securities totaling \$104 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 03/31/16		
Loan Category	\$(000s)	%
Construction and Land Development	43,086	7.4
1-4 Family Residential	195,050	33.6
Multi-family (5 or more) Residential	54,595	9.4
Commercial Real Estate	216,109	37.3
Total Real Estate Loans	508,840	87.7
Commercial and Industrial	68,309	11.8
Consumer	2,376	0.4
Other	141	Nominal
Total Loans	579,666	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, percentages may not add to exactly 100.0 percent</i>		

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

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. North Shore Bank designated two separate assessment areas. The first assessment area (further referred to as *the assessment area*) includes 12 contiguous communities including Beverly, Danvers, Lynn, Lynnfield, Marblehead, Middleton, Peabody, Salem, Saugus, and Swampscott located within Essex County, MA; and the communities of Melrose and Wakefield located in Middlesex County, MA. The bank added the towns of Lynn, Lynnfield, Melrose, Saugus, and Wakefield subsequent to the merger with Saugusbank and acquisition of three branch locations in Saugus, MA.

Upon the merger with Merrimac Savings Bank in November 2015 and acquisition of two additional branches in Merrimac, MA and Newton, NH, the bank designated a second, non-contiguous assessment area located approximately 20 miles north of the bank's previously existing branch network. The additional assessment area consists of the communities of Merrimac and West Newbury located in Essex County, MA; and the towns of Newton, Kingston, East Kingston, Kensington, and South Hampton located in Rockingham County, NH. As of the date of this evaluation, examiners determined that there is insufficient data, in the form of at least six months reported lending data, for analysis. Accordingly, examiners will not consider the bank's performance within this assessment area as part of this evaluation, but will do so at the next performance evaluation. All further discussion of the bank's assessment area, including demographic information, will refer only to *the assessment area*, as described above. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 77 CTs in Essex County, MA and Middlesex County, MA. These CTs reflect the following income designations according to the 2010 U.S. Census:

- 12 low-income tracts,
- 19 moderate-income tracts,
- 34 middle-income tracts, and
- 12 upper-income tracts.

Eleven low-income CTs are located in Lynn, MA; the twelfth is located in Salem, MA. Moderate-income CTs are located in MA communities of Lynn, Salem, Peabody, Beverly, Saugus, and Melrose. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	77	15.6	24.7	44.2	15.6
Population by Geography	381,636	11.6	22.6	48.7	17.1
Housing Units by Geography	158,544	11.9	23.6	48.3	16.2
Owner-Occupied Units by Geography	95,986	4.9	18.7	55.8	20.5
Businesses by Geography	28,106	9.5	18.6	51.6	20.3
Family Distribution by Income Level	95,526	25.2	18.5	21.6	34.7
Median Family Income (2010 U.S. Census) Cambridge-Newton-Framingham, MA MD (15764)		\$90,625	Median Housing Value		\$403,300
FFIEC-Estimated Median Family Income for 2014 Cambridge-Newton-Framingham, MA MD (15764)		\$93,300			
Families Below Poverty Level		6.9%			
<i>Source: 2010 U.S. Census, 2015 D&B data, and 2015 FFIEC-estimated Median Family Income</i>					

According to 2014 D&B data, there were 28,106 businesses. Of those businesses, 9.5 percent operate in low-income CTs and 18.6 percent operate in moderate-income CTs. Gross annual revenues (GARs) for these businesses are below.

- 77.0 percent have \$1 million or less.
- 5.8 percent have more than \$1 million.
- 17.2 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 49.5 percent; followed by retail trade (14.0 percent); construction (8.6 percent); and finance, insurance, and real estate (8.7 percent). In addition, 69.2 percent of area businesses have four or fewer employees, and 90.8 percent operate from a single location. The largest employers in the region include the Massachusetts General Hospital for Children – North Shore Center (Salem, MA), American Renal Associates (Beverly, MA), and General Electric Aviation (Lynn, MA).

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The FFIEC analyzes median family income by Metropolitan Divisions (MDs) when applicable. The Boston MSA has a large population; therefore, it has been subdivided into multiple MDs, one of which is applicable to North Shore Bank’s assessment area. All of the communities within the assessment area are part of the Cambridge-Newton-Framingham, MA MD. The low-, moderate-, middle- and upper-income categories for the years that were analyzed 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%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
<i>Source: FFIEC</i>				

North Shore Bank’s assessment area contains 158,544 housing units. Of these, 60.5 percent are owner-occupied, 33.4 percent are occupied rental units, and 6.1 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2015 unemployment rate was 5.0 percent in MA. By county, the rates were 5.2 percent in Essex County and 4.0 in Middlesex County. Unemployment rates decreased gradually throughout the evaluation period.

Competition

The assessment area is a competitive market for financial services. According to FDIC Deposit Market Share data as of June 2015, there were 23 financial institutions within the bank's assessment area that operated 136 full-service branches with aggregate deposits of \$11.0 billion. Of these institutions, North Shore Bank ranked 8th with a 4.9 percent deposit market share. The top three depository institutions in the area (Eastern Bank, Salem Five Cents Savings Bank, and Bank of America) earned a combined 46.4 percent market share.

There is also a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2014, 401 lenders reported a total of 11,104 residential mortgage loans that were originated or purchased. North Shore Bank ranked 34th, with a market share of 0.7 percent. The three most prominent home mortgage lenders (J.P. Morgan Chase, Wells Fargo Bank, and Eastern Bank) accounted for only 16.2 percent of total market share.

Although aggregate small business lending data does not serve as a basis for comparison, as previously noted, this data reflects the level of demand for small business loans within the assessment area. In 2014, 126 lenders made 46,334 small business loans originated in Essex and Middlesex counties, including the bank's assessment area. The top three lenders include national credit card lenders American Express, FSB; Capital One Bank (USA), N.A.; and FIA Card Services, which dominate the market with combined market share of 45.5 percent. This data is indicative of a highly competitive market for local lenders.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. As part of this examination, examiners conducted two such contacts.

Examiners contacted a representative of an economic development corporation located in the City of Peabody. The contact identified a significant need for small business lending, particularly in the area of micro-loans and start-up capital. The contact indicated downtown Peabody presents many opportunities for this type of lending. The contact further indicated that there is limited financial institution involvement in the community; however, the contact specifically noted that North Shore Bank has been involved with SBA lending in this area. Additionally, the contact noted a need for affordable housing focusing on senior housing as well as financial literacy and First Time Home Buyer (FTHB) education programs.

Examiners conducted a second interview with a representative of a non-profit organization located in Lynn, MA, which focuses on homelessness and youth services. This contact stated that beyond affordable housing, the loss of manufacturing jobs resulted in a need for job creation and workforce development. This contact noted that local financial institutions are generous with grants and donations, but stated that these funding sources are not sufficiently reliable for most projects where long-term funding is needed.

Credit and Community Development Needs and Opportunities

Considering information from the community contact as well as demographic and economic data, examiners determined that small business lending focused on micro-lending represents a key credit need of the assessment area. This determination is supported by business demographic information, which reveals that non-farm businesses with GARs of \$1 million or less represent 93.0 percent of assessment area businesses for which income data is available.

In addition, affordable housing represents a key credit and community development need in the assessment area. Other key community development needs include economic development and job creation, workforce development, and financial literacy education.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

North Shore Bank demonstrated satisfactory performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. North Shore Bank's LTD ratio, calculated from Call Report data, averaged 96.6 percent over the past 13 calendar quarters from March 31, 2013, to March 31, 2016. During the evaluation period, the ratio ranged from a minimum of 93.5 percent as of June 30, 2015 to a maximum of 102.6 percent as of June 30, 2014. Additionally, the bank sold more than \$21 million in home mortgage loans during the evaluation period. Despite this, the bank maintained a ratio exceeding most comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/16 \$ (000s)	Average Net LTD Ratio (%)
North Shore Bank	754,643	96.6
The Provident Bank	736,680	89.9
Pentucket Bank	649,551	84.8
Newburyport Five Cents Savings Bank	735,685	115.7

Source: Reports of Condition and Income 03/31/13 through 03/31/16

Assessment Area Concentration

North Shore Bank originated a majority of home mortgage and small business loans by number within the assessment area during the evaluation period. The following table details the bank's home mortgage and small business lending activity inside and outside of the assessment area in 2014 and 2015.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2014	84	68.9	38	31.1	122	23,791	63.3	13,796	36.7	37,587
2015	87	53.4	76	46.6	163	25,412	49.9	25,484	50.1	50,896
Subtotal	171	60.0	114	40.0	285	49,203	55.6	39,280	44.4	88,483
Small Business										
2014	75	51.7	70	48.3	145	15,319	43.2	20,161	56.8	35,480
2015	76	55.9	60	44.1	136	20,839	55.7	16,548	44.3	37,387
Subtotal	151	53.7	130	46.3	281	36,158	49.6	36,709	50.4	72,867
Total	322	56.9	244	43.1	566	85,361	52.9	75,989	47.1	161,350

Source: 2014 - 2015 HMDA LAR Data and 2014 and 2015 Small Business Bank Data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is supported by reasonable geographic distribution of home mortgage and small business loans. The following sections detail this analysis by loan type.

Home Mortgage Loans

Overall, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area; however, performance in the moderate-income tracts was considered excellent. Examiners primarily focused on the comparison to aggregate data. The following table shows that the bank's performance in low-income CTs is consistent with both aggregate lending data and the percentage of owner-occupied housing units within these geographies. In moderate-income CTs, the bank out-performed aggregate lending data by nearly 10.0 percentage points. Although examiners noted a decline in lending within low- and moderate-income geographies in 2015, the bank's performance is still consistent with or exceeded demographic data and supports the bank's overall performance.

Market share data further supported North Shore Bank's excellent performance. In 2014, the bank ranked 34th in lending within its assessment area with a 0.7 percent market share, but the bank exceeded these rankings in both low- and moderate-income CTs. The bank ranked 36th out of 156 lenders within low-income CTs with a 0.8 percent market share, and 27th out of 253 lenders within moderate-income CTs where the bank captured the greatest percentage of the market with a 1.0 percent market share.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	4.9	5.2	5	6.0	4,354	18.3
2015	4.9	--	4	4.6	4,408	17.3
Moderate						
2014	18.7	21.3	26	31.0	6,591	27.7
2015	18.7	--	22	25.3	4,319	17.0
Middle						
2014	55.8	52.9	49	58.3	11,537	48.5
2015	55.8	--	54	62.1	14,030	55.2
Upper						
2014	20.5	20.7	4	4.8	1,309	5.5
2015	20.5	--	7	8.0	2,655	10.4
Totals						
2014	100.0	100.0	84	100.0	23,791	100.0
2015	100.0	--	87	100.0	25,412	100.0

Source: 2010 U.S. Census; 2014 and 2015 HMDA LAR Data, 2014 HMDA Aggregate Data, 2015 HMDA Aggregate Data not available. Due to rounding, percentages may not add to exactly 100.0 percent

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion within the assessment area. The following table shows that the bank's performance in low-income CTs was generally in-line with business demographics at 8.0 percent in 2014, but nearly 4.0 percent lower than demographics in moderate-income CTs. In 2015, the bank's lending, by number, in low-income CTs declined to 5.3 percent; however, the dollar volume of loans made within these tracts nearly doubled to \$1.6 million. Additionally, lending within moderate-income CTs increased to within 1.5 percent of business demographics. During the two-year evaluation period, the bank's small business lending performance within low- and moderate-income CTs was slightly below business demographics, but represents reasonable performance, particularly in-light of the highly competitive small business lending market.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2014	9.4	6	8.0	850	6.0
2015	9.5	4	5.3	1,635	8.0
Moderate					
2014	18.6	11	14.7	1,604	10.0
2015	18.6	13	17.1	2,102	10.0
Middle					
2014	51.7	57	76.0	12,720	83.0
2015	51.6	55	72.4	15,252	73.0
Upper					
2014	20.4	1	1.3	145	1.0
2015	20.3	4	5.3	1,850	9.0
Totals					
2014	100.0	75	100.0	15,319	100.0
2015	100.0	76	100.0	20,839	100.0
<i>Source: 2014 and 2015 D&B Data; 2014 and 2015 Small Business Bank Data Due to rounding, percentages may not add to exactly 100.0 percent</i>					

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data. In 2014, the bank out-performed aggregate lending to low-income borrowers by 4.0 percent, and increased lending to these borrowers to 16.1 of total home mortgage loans in 2015. Although these levels fall far short of the 25.2 percent of families designated as low-income, a low-income family in the assessment area, with an income of \$46,650 in 2014, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$403,303. Therefore, the opportunities for lending to low-income families are limited. Lending to moderate-income borrowers fell somewhat below both the percentage of families within this income classification and aggregate lending to these borrowers; however, the bank's lending is reasonable and shows an increasing trend between 2014 and 2015.

Market share data further supported North Shore Bank’s reasonable performance under this criterion. Market share data is reflective of the bank’s strong lending performance with low-income borrowers, as the bank significantly exceeds its overall market share ranking with these borrowers. In lending to low-income borrowers, the bank rises to 26th out of 177 lenders, with a market share of 1.1 percent, from a ranking of 34th with market share of 0.7 percent overall. In lending to moderate-income individuals, the bank ranked 49th out of 239 lenders, with a market share of 0.5 percent. The following table illustrates the distribution of loans, demographic, and aggregate data by income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	25.2	5.5	8	9.5	1,202	5.1
2015	25.2	--	14	16.1	3,093	12.2
Moderate						
2014	18.5	19.4	12	14.3	2,395	10.1
2015	18.5	--	15	17.2	2,465	9.7
Middle						
2014	21.6	24.9	19	22.6	4,427	18.6
2015	21.6	--	12	13.8	2,591	10.2
Upper						
2014	34.7	32.8	25	29.8	6,536	27.5
2015	34.7	--	28	32.2	8,882	35.0
Not Available						
2014	0.0	17.4	20	23.8	9,231	38.8
2015	0.0	--	18	20.7	8,381	33.0
Totals						
2014	100.0	100.0	84	100.0	23,791	100.0
2015	100.0	--	87	100.0	25,412	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA LAR Data, 2014 HMDA Aggregate Data, 2015 HMDA Aggregate Data not available. Due to rounding, percentages may not add to exactly 100.0 percent</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. As shown in the following table, the bank made a majority of its small business loans to businesses with GARs of \$1 million or less in both years of the evaluation. In 2015, the bank showed an increasing trend, by number, in lending to businesses with GARs of \$1 million or less, and nearly doubled the dollar volume of loans made. Additionally, of the 38 loans made to businesses with GARs of \$1 million or below, 44.7 percent are in loan amounts of \$100,000 or less, which is indicative of lending to the smallest of

assessment area businesses. In 2015, this percentage increased to 53.2 percent, and further supports that the bank is meeting the needs of its assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2014	72.1	38	50.7	5,974	39.0
2015	77.0	47	61.8	11,405	54.7
>1,000,000					
2014	5.5	37	49.3	9,345	61.0
2015	5.8	29	38.2	9,434	45.3
Revenue Not Available					
2014	22.4	0	0.0	0	0.0
2015	17.2	0	0.0	0	0.0
Totals					
2014	100.0	75	100.0	15,319	100.0
2015	100.0	76	100.0	20,839	100.0

*Source: 2014 and 2015 D&B Data; 2014 and 2015 Small Business Bank Data.
Due to rounding, percentages may not add to exactly 100.0 percent*

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

North Shore Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

North Shore Bank originated 10 community development loans totaling approximately \$2.9 million during the evaluation period. This level of activity represents 0.4 percent of average total assets and 0.6 percent of average total loans since the prior CRA evaluation. Of the 10 community development loans, six totaling \$1.3 million were used to create economic development opportunities in the assessment area. These loans demonstrate the bank's responsiveness to this community development need identified by a community contact. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending								
Activity Year	Affordable Housing		Community Services		Economic Development		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
3/14/13-12/31/13	2	245	0	0	0	0	2	245
2014	0	0	0	0	4	536	4	536
2015	0	0	0	0	2	1,301	2	1,301
YTD 2016	1	300	1	500	0	0	2	800
Total	3	545	1	500	6	1,837	10	2,882
<i>Source: Bank Records</i>								

Below are notable examples of the bank's community development loans:

- The bank provided two SBA 504 loans totaling \$1,534,500 to local businesses. The U.S. Small Business Administration 504 Loan program is designed to provide financing for the purchase of fixed assets (real estate, buildings, and machinery). The development of these businesses will create employment opportunities and contribute to the overall economic development of the community.
- The bank originated a \$425,000 loan, of which \$185,000 was used to refinance a multi-family property in a low-income census tract in Salem. A majority of the tenants in this property receive Section 8 vouchers.
- The bank provided four loans totaling \$300,948 to the Massachusetts Business Development Corporation (MBDC). The MBDC provides financing and financial services to growing companies that create jobs throughout Massachusetts, including the assessment area.
- The bank originated a \$60,000 construction loan to Habitat for Humanity, an organization dedicated to creating affordable, stable housing. The proceeds of this loan will be used to create a 2-unit affordable housing complex in Danvers.
- The bank originated a \$500,000 line of credit to a non-profit organization that provides an array of services including foster-care, in-home day and residential services to developmentally challenged children and adults in the Merrimac Valley area. All of the organization's clients are considered low-income.
- The bank originated a \$300,000 loan to refinance a 6-unit property in a moderate-income census tract in Lynn. Five tenants will be clients of the Lynn Housing Authority and one tenant will be a client of the Revere Housing Authority. All six tenants in this property will be recipients of Section 8 vouchers.

Qualified Investments

North Shore Bank made 94 qualified investments totaling approximately \$102,000. This total is solely composed of grants and donations, and also includes grants and donations which benefited the broader statewide or regional area.

Of the total dollar amount, 62.8 percent benefitted efforts to community services to low- or moderate-income individuals or families. These investments demonstrate the bank's responsiveness to the low- and moderate-income community, which is an identified community development need. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments								
Activity Year	Affordable Housing		Community Service		Revitalize or Stabilize*		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
3/14/13-12/31/13	3	10	13	14	2	4	18	28
2014	3	10	23	12	2	4	28	26
2015	4	10	25	20	2	4	31	34
YTD 2016	1	1	16	13	0	0	17	14
Total	11	31	77	59	6	12	94	102

Source: Bank Records.

Below are notable examples of the bank's qualified investment activities:

- Citizens for Adequate Housing (CAH):** CAH offers emergency shelter for the homeless in addition to services and programs designed to ensure that families return to independent living. CAH also provides training in life, parenting, and employment skills; assistance in finding and maintaining permanent housing; and legal, medical, and mental health referrals. The majority of the program recipients are low- or moderate-income.
- North Shore Community Development Coalition (NSCDC):** NSCDC invests in neighborhoods to create thriving communities. The only regional community development organization serving the North Shore, the CDC focuses on low-income and distressed neighborhoods. NSCDC is committed to transformational, sustainable revitalization in Salem, Peabody, and Beverley.
- The Caleb Group:** The Caleb Group is a faith inspired non-profit organization that provides quality affordable housing, supportive services, and opportunities that empower the lives of individuals they serve. This organization is dedicated to providing access to housing and economic opportunities for people in the bank's assessment area.
- The Plummer Home:** This is a social service organization that is committed to providing aid to young people who leave the foster care or juvenile justice system without safe, stable, and permanent family connections. These youth face grim outcomes including homelessness, unemployment, early parenting, and lack of education.

- **North Shore Community Action Programs (NSCAP):** NSCAP provides social services that enable low-income families and individuals to obtain the skills and knowledge they need to become economically self-sufficient, civically engaged, and to live with dignity and decency. This organization works with low-income people by offering financial literacy programs, help in applying for fuel assistance, or necessary resources to receive temporary shelter.
- **River House, Inc.:** River House provides homeless individuals with temporary shelter and the opportunity to work in partnership with their staff and the community to find stable income, adequate health care, and a permanent home, in an effort to return to lives of self-sufficiency.

In-Kind Contribution

North Shore Bank provides free office space to Habitat for Humanity at 34 Main Street in Peabody, a moderate-income census tract. The organization works to provide low- and moderate-income families with affordable housing. During the evaluation period, the bank provided Habitat for Humanity with approximately \$42,693 in rent assistance.

Community Development Services

During the evaluation period, bank employees provided 74 instances of financial expertise or technical assistance to 19 different community development-related organizations in the assessment area. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
3/14/13 – 12/31/13	4	9	3	6	22
2014	3	7	3	6	19
2015	3	9	2	4	18
YTD 2016	4	7	1	3	15
Total	14	32	9	19	74

Source: Bank Records

Below are notable examples of the bank’s community development services:

- **Salem Partnership-** this organization’s mission is to facilitate collaboration between small businesses, non-profit organizations and government agencies for the economic revitalization of downtown Salem, a low-income area. The bank’s President and Chief Executive Officer (CEO) and Senior Vice President (SVP) of Retail Lending serve on the Board.

- **Youthworks Commonwealth Corporation-** a State-funded youth employment program for teens and young adults living in low-income communities across Massachusetts, including those located in the bank's assessment area. The bank's Vice President (VP) of Operations serves as a member and provides technical expertise to the organization.
- **Beverly Bootstraps-** This social service organization provides fuel and food assistance, adult education classes, youth and family services, and tax preparation services to low- and moderate-income families residing on the North Shore. The bank's SVP of Retail Lending serves on the Board.
- **Planning Office for Urban Affairs-** Affiliated with the Roman Catholic Archdiocese of Boston, this organization is a non-profit housing developer that creates and maintains affordable and mixed-income housing units. Established in 1969, this organization created 2,700 affordable units that provide housing to more than 11,000 individuals. The bank's President and Chief Operating Officer serve as Trustee and Treasurer for the organization.
- **North Shore Alliance-** This non-profit entity's mission is to create and increase economic opportunity in the 30 communities that comprise Boston's North Shore. The goal of the program is small business development, economic revitalization, and job creation in areas that include the bank's assessment area. The bank's President and CEO serves on the Board.
- **Boston Alliance for Economic Inclusion-** the organization's mission is to enhance the economic well-being of the unbanked and underbanked in the metropolitan Boston area, including portions of the bank's assessment area. The organization's efforts include developing and marketing more responsive and affordable financial products and services, promoting financial education, and addressing technical or regulatory issues surrounding these developments. The bank's VP and CRA Officer served as a member and provided technical expertise to the organization.

Financial Education and Outreach

- **First Time Homebuyers-**the bank hosts a first time homebuyer education program in collaboration with Coastal Homebuyer Education Inc. This program targets low- and moderate-income homebuyers. One session was held in 2015, and one session was held in 2016. The bank also developed and hosted its own first time homebuyer program. The VP of Residential Lending leads this in-house program. There were two sessions held over the evaluation period.

Other Community Services

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This State-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

FAIR LENDING POLICIES AND PRACTICES

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

Based on a 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 the anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed North Shore Bank’s 2014 and 2015 HMDA LARs to determine if the minority application flow reflected the assessment area’s demographics.

Examiners compared North Shore Bank’s 2014 residential lending to 2014 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding North Shore Bank’s minority application flow as well as the aggregates.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.0	1	0.8
Asian	0	0.0	9.8	1	0.8
Black/ African American	0	0.0	2.0	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)	1	0.9	2.3	0	0.0
Total Minority	1	0.9	14.3	2	1.7
White	80	71.4	57.4	95	79.1
Race Not Available	31	27.7	28.3	23	19.2
Total	112	100.0	100.0	120	100.0
ETHNICITY					
Hispanic or Latino	1	0.9	2.0	2	1.7
Not Hispanic or Latino	77	68.7	68.9	94	78.3
Joint (Hisp/Lat /Not Hisp/Lat)	2	1.8	1.0	0	0.0
Ethnicity Not Available	32	28.6	28.1	24	20.0
Total	112	100.0	100.0	120	100.0

Source: U.S. Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014

According to the 2010 U.S. Census data, the bank’s assessment area has a population of 381,636, of which 20.9 percent are minorities. The assessment area’s minority population includes 0.1

percent American Indian, 3.4 percent Asian/Pacific Islander, 3.8 percent Black, 11.7 percent Hispanic, and 1.9 percent other race.

In 2014, the bank received 112 HMDA reportable loan applications within its assessment area. Of these applications, one was received from a racial minority applicant. The bank's application flow was below aggregate performance of 14.3 percent for applications received from minorities. The bank received one application representing the Hispanic or Latino ethnic group in 2014, and two in 2015. The 2014 aggregate performance was 2.0 percent.

In 2015, the bank received 120 HMDA reportable loan applications. Of these applications, two were received from racial minority applicants.

Examiners reviewed housing and demographic data in the bank's assessment area. Given the low owner-occupancy rate in high minority tracts, homeownership opportunities in these areas can be limited. Further, demographic data shows that the high minority tracts are also low- and moderate-income tracts. This could make homeownership difficult in these areas.

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.