

PUBLIC DISCLOSURE

March 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Pittsfield Co-operative Bank
Certificate Number: 26393

70 South Street
Pittsfield, MA 01201

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

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

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

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	3
Description of Assessment Area	5
Conclusions on Performance Criteria	8
Discriminatory or Other Illegal Credit Practices Review	13
Appendix A – Fair Lending Policies and Procedures (Division of Banks)	14
Glossary	16

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.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test performance.

- The average net loan-to-deposit (LTD) ratio (99.2 percent) is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of home mortgage and small business loans (96.1 percent) and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The institution did not receive any CRA-related complaints during the evaluation period; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated December 16, 2013, to the current evaluation dated March 13, 2017. Examiners used the Small Institution Examination Procedures to evaluate The Pittsfield Co-operative Bank's CRA performance. These procedures evaluated the bank's CRA performance pursuant to the following criteria: net loan-to-deposit (LTD) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA-related complaints.

Loan Products Reviewed

This evaluation focused on the bank's major product lines, which are home mortgage and small business lending. Examiners focused on these loan types based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Furthermore, examiners emphasized performance by number over dollar volume because the number of loans better indicates the number of individuals and businesses that the bank serves. Finally, for purposes of this evaluation, greater emphasis is placed on the bank's residential lending performance, as it was the bank's primary lending focus throughout the evaluation period.

In addition, no other loan types, such as small farm loans, consumer and other loan types, represent a major product line. Therefore, the public evaluation does not present these product lines, as they provided no material support for conclusions or ratings.

Examiners evaluated home mortgage lending data from January 1, 2015, through December 31, 2016, as reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank's 2015 lending performance was compared with aggregate lending data for all HMDA reporting lenders and assessment area demographics, as this is the most current year for which aggregate data is available. In 2015, the bank originated 98 home mortgage loans totaling \$24.7 million. In 2016, the bank originated 112 loans totaling \$27.3 million.

Examiners also analyzed small business lending data. The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The Pittsfield Co-operative Bank is not required to report small business lending and does not collect the data; therefore, the analysis is based on a random statistical sample of loans originated in 2016. In 2016, the bank originated 59 small business loans totaling \$11.6 million, and examiners analyzed a sample of 39 loans totaling approximately \$6.6 million. Examiners analyzed this sample to determine the amount of lending within the assessment area. Loans identified as inside the assessment area were then used to determine the distribution and dispersion of lending under the Borrower Profile and Geographic Distribution criteria. Examiners compared bank small business lending to 2016 D&B demographic data.

DESCRIPTION OF INSTITUTION

Background

The Pittsfield Co-operative Bank is a Massachusetts state-chartered mutual savings bank that opened for business on January 8, 1889. The bank's mission statement explains that "The Pittsfield Co-operative Bank is a mutual cooperative, community oriented bank serving Berkshire County in Massachusetts with a variety of products and services, designed to meet the needs of individual consumers and small to mid-size businesses." At its previous CRA performance evaluation dated December 16, 2013, the FDIC assigned The Pittsfield Co-operative Bank a Satisfactory rating and the Division assigned the bank a High Satisfactory rating using small bank procedures.

Operations

The bank's main office is located in a low-income census tract at 70 South Street in Pittsfield. The bank operates three branch offices; one in Pittsfield located in a moderate-income census tract, and one each in Dalton and Great Barrington, both of which are located in middle-income census tracts. The branches are open Monday through Friday, 8:30 a.m. to 4:30/5:00 p.m. and Saturday 9:00 a.m. to noon. All branches have drive-up teller services and 24 hour walk-up automated teller machines (ATMs). In addition, the Great Barrington and Pittsfield branches have 24 hour drive-up ATM services. A remote 24 hour walk-up ATM is located in the town of Hinsdale. The bank is a member of the SUM Network, and as a member, the bank's customers can use any SUM program ATM surcharge-free.

The Pittsfield Co-operative Bank is a full-service financial institution that offers a wide variety of products and services. The bank offers a variety of residential mortgage loans, including fixed and adjustable rates, first-time homebuyer mortgages, non-owner occupied properties, home equity lines of credit, and home equity loans. The bank also offers unsecured personal loans, new and used car loans, passbook loans, and other lines of credit. In addition, the bank offers commercial and small business loans for working capital, equipment purchases, and real estate development. Commercial loans offered also include Small Business Administration (SBA) loans, Massachusetts Capital Access Program (Mass CAP) loans, and the United States Department of Agriculture (USDA) Community Facilities Guaranteed Loan Program.

The bank also offers deposit products and services, including checking accounts, business checking accounts, savings accounts, business savings accounts, certificates of deposit, money market accounts, and IRAs. Other services include online banking, bill pay, e-Statements, and bank by phone.

Ability and Capacity

As of December 31, 2016, the bank had total assets of \$305 million and total deposits of \$228 million. Loans totaled \$218 million and represented 71.5 percent of total assets. The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the table below, approximately 68.7 percent of loans are secured by one-to-four family residential properties, followed by owner-occupied nonfarm nonresidential properties at 13.2 percent.

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

Loan Portfolio Distribution as December 31, 2016		
Loan Category	\$(000s)	%
Construction and Land Development	5,814	2.7
Secured by 1-4 Family Residential	149,515	68.7
Multi-family (5 or more) Residential	6,293	2.9
Secured by Owner-Occupied Nonfarm Nonresidential	28,846	13.2
Secured by Other Nonfarm Nonresidential	13,063	6.0
Total Real Estate Loans	203,531	93.5
Commercial and Industrial	11,917	5.5
Consumer Loans	1,287	0.6
Other Loans	1,015	0.5
Total Loans	217,750	100.1
<i>Source: Reports of Income and Condition, Due to rounding, totals may not equal 100.0 percent.</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts and examiners will evaluate its CRA performance. The Pittsfield Co-operative Bank has designated a single, contiguous assessment area which includes 28 census tracts. All 28 census tracts are located in the Pittsfield, MA Metropolitan Statistical Area (MSA). The bank's assessment area consists of the following 26 cities and towns located in Berkshire County: Alford, Becket, Cheshire, Dalton, Egremont, Great Barrington, Hancock, Hinsdale, Lanesborough, Lee, Lenox, Monterey, Mt. Washington, New Ashford, New Marlborough, Otis, Peru, Pittsfield, Richmond, Sandisfield, Sheffield, Stockbridge, Tyringham, Washington, West Stockbridge, and Windsor.

Economic and Demographic Data

The bank's assessment area consists of 28 census tracts that reflect the following income designations according to the 2010 U.S. Census Data.

- 1 low-income tract
- 2 moderate-income tracts
- 19 middle-income tracts
- 6 upper-income tracts

The one low-income census tract and two moderate-income census tracts are located in Pittsfield. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: The Pittsfield Co-operative Bank						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	28	3.6	7.1	67.9	21.4	0.0
Population by Geography	98,126	3.5	8.7	69.0	18.8	0.0
Housing Units by Geography	53,089	4.7	7.9	69.2	18.3	0.0
Owner-Occupied Units by Geography	29,563	0.8	4.0	73.0	22.2	0.0
Occupied Rental Units by Geography	12,576	14.8	19.8	55.7	9.8	0.0
Vacant Units by Geography	10,950	3.5	4.7	74.5	17.3	0.0
Businesses by Geography	7,564	10.2	5.6	64.9	19.3	0.0
Farms by Geography	287	1.4	1.7	75.6	21.3	0.0
Family Distribution by Income Level	25,322	20.9	16.6	22.8	39.7	0.0
Household Distribution by Income Level (occupied housing units)	42,139	24.2	14.8	17.5	43.4	0.0
Median Family Income MSA - 38340 Pittsfield, MA MSA		\$64,783	Median Housing Value			\$241,648
Families Below Poverty Level		7.8%	Median Gross Rent			\$745
<small>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

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

Median Family Income Ranges Pittsfield, MA MSA Median Family Income				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2015 (\$67,700)	<\$33,850	\$33,850 to <\$54,160	\$54,160 to <\$81,240	≥\$81,240
2016 (\$68,400)	<\$34,200	\$34,200 to <\$54,720	\$54,720 to <\$82,080	≥\$82,080
<i>Source: FFIEC</i>				

Of the 53,089 housing units, 29,563 or 55.7 percent are owner-occupied, and the median housing value in 2010 for the assessment area was \$241,648. Additionally, there are 12,576, or 23.7 percent of rental units with a median gross rent of \$745. The first table in this Description of Assessment Area section shows lower than expected distributions of owner-occupied housing units in the low- and moderate-income tracts, as compared to the population of these tracts. This affects opportunities to make home mortgage loans in these tracts. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The low percentage of owner-occupied units in the low- and moderate-income tracts limits the affect of Geographic Distribution performance on the overall rating.

Data from the U.S. Bureau of Labor Statistics indicates that the annual unemployment rate for 2015 for the bank’s assessment area (Berkshire County) has a higher unemployment rate (5.6 percent) than the Commonwealth of Massachusetts (4.9 percent). In 2016, the unemployment rate decreased for both the County (4.3 percent) and the Commonwealth (3.7 percent).

According to 2016 D&B data, 7,564 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by gross annual revenue (GAR) level. GAR data for businesses in the assessment area is estimated below.

- 81.7 percent have \$1 million or less.
- 6.4 percent have more than \$1 million.
- 12.0 percent did not report revenues.

Service industries represent the largest portion of businesses at 45.9 percent, followed by retail trade at 16.0 percent and construction at 9.4 percent. In addition, 70.4 percent of businesses in the area employ four or fewer people and 86.9 percent of businesses in the area operate from a single location. Included among the largest employers in the assessment area are: Berkshire Health Systems, Big Y World Class Market, Cranwell Resort Spa and Golf, and Berkshire Gas Company.

Competition

The bank faces strong competition from other larger financial institutions that originate loans within the assessment area. Competitors of the bank include Greylock Federal Credit Union, Lee Bank, Academy Mortgage, Adams Community Bank, Salisbury Bank, and Berkshire Bank.

Aggregate home mortgage lending data for 2015 shows that a total of 156 lenders originated 2,424 home mortgage loans within the bank's assessment area. The top three lenders were: Greylock Federal Credit Union, originating 658 loans with a 27.2 percent market share; Lee Bank, originating 207 loans with an 8.5 percent market share; and Academy Mortgage Corporation, originating 167 loans with a 6.9 percent market share. The Pittsfield Co-operative Bank ranked sixth, originating 98 loans with a market share of 4.0 percent.

Community Contact

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

Examiners contacted a nonprofit organization whose mission is to improve the quality of life for residents of Berkshire County. This organization improves the quality of life by increasing affordable housing opportunities, delivering community development programs and projects, and operating a professional management company. The contact stated people are still struggling with foreclosures and there is a need for foreclosure prevention funding. The contact also stated a majority of small business owners have difficulty obtaining credit because they have no credit rating and need small dollar loan amounts. Overall, the contact was pleased with the responsiveness of the local community banks to the area's credit needs.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the assessment area. The bank and the community contact indicated a decline in the economic conditions within parts of the assessment area, and stated that the economy is shifting focus from a manufacturing industry to a service industry. Examiners determined there is a need for affordable housing. They also determined that the area's business base requires numerous commercial credit options to meet a wide variety of financing purposes and to attract and retain small businesses to the area.

CONCLUSIONS ON PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's average net LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 99.2 percent over the past 13 calendar quarters from December 31, 2013, to December 31, 2016. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The ratio ranged from a low of 94.5 percent as of December 31, 2016, to a high of 101.9 percent as of September 30, 2016, and remained consistent during the evaluation period.

During this time period, net loans have increased 13.7 percent, deposits have increased 19.9 percent, and assets have increased 20.4 percent. In discussions with bank management, the loan increase is due to the bank's 2013 hiring of a loan originator in the Great Barrington area and outreach to local realtors.

Examiners selected comparable institutions based on their asset size and geographic location. The Pittsfield Co-operative Bank maintained a high LTD ratio, but it was lower than comparable institutions, as detailed in the following table.

Loan-to-Deposit Ratio Comparison		
Bank Name	Total Assets as of December 31, 2016 \$(000s)	Average Net LTD Ratio from 12/31/13 – 12/31/16 (%)
Adams Community Bank	487,536	99.8
Lee Bank	335,525	115.6
Pittsfield Cooperative Bank	304,510	99.2

Source: Consolidated Reports of Condition and Income

Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	98	94.2	6	5.8	104	24,727	87.5	3,536	12.5	28,263
2016	112	98.2	2	1.8	114	27,298	98.8	326	1.2	27,624
Subtotal	210	96.3	8	3.7	218	52,025	93.1	3,862	6.9	55,887
Small Business										
2016	37	94.9	2	5.1	39	6,584	95.7	294	4.3	6,878
Total	247	96.1	10	3.9	257	58,609	93.4	4,156	6.6	62,765

Source: Bank 2015 and 2016 HMDA Data and 2016 Small Business Bank Records.
Evaluation Period: 1/1/2015 – 12/31/2016.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels and businesses of different sizes. Examiners emphasized the bank’s record of home mortgage lending to low- and moderate-income borrowers and small business lending to businesses with GARs of \$1 million or less. This focus further concentrated on lending percentages by number of loans.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. As noted in the table below, the bank did not originate any loans to low-income borrowers in 2015. However, low-income families may have difficulty qualifying for home mortgage loans. The average income for a low-income family in Berkshire County is less than \$33,850. In addition, 7.8 percent of all families in the assessment area fall below the poverty level.

In 2016, the bank originated three loans to low-income borrowers, increasing its lending to this group to 2.7 percent. Management attributed the increase to outreach with realtors in the Pittsfield area promoting bank products suited for low- and moderate-income borrowers (first-time homebuyer programs, low downpayment, 10/1 adjustable rate, bi-weekly payments). The bank also hired a market manager to expand their secondary market products. The increasing trend and bank initiatives during the review period support the bank’s reasonable performance.

In 2015, the bank originated 14.3 percent of total loans to moderate-income borrowers, which was lower than both the aggregate (18.4 percent) and moderate-income families (16.6 percent). However, market share data for 2015 shows that the bank tied for 5th with a market share of 3.2 percent for loans to moderate-income borrowers. Of the 44 lenders originating loans to moderate-income borrowers, Greyllock Federal Credit Union dominated all other lenders with a 36.6 percent market share, followed by Academy Mortgage Corporation at 13.0 percent. Greyllock’s low-income designation by the National Credit Union Administration and the nature of its membership reduces the opportunities for other lenders in the area to make home mortgage

loans to low- and moderate-income borrowers. The bank increased its lending to moderate-income borrowers to 15.2 percent in 2016.

The Pittsfield Co-operative Bank also offers Federal Home Loans Bank's Equity Builder Program (EBP) loans. The EBP provides grant money for down payment and closing costs associated with obtaining a mortgage loan. Low- and moderate-income eligible borrowers can receive up to \$15,000 in assistance. In addition, the bank will provide borrowers an additional \$500 towards closing costs. During the evaluation period, the bank originated one loan totaling \$108,000. This is an indication of the bank's commitment to meeting the credit needs of low-income individuals in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: The Pittsfield Co-operative Bank						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	20.9	7.1	0	0.0	0	0.0
2016	20.9	--	3	2.7	354	1.3
Moderate						
2015	16.6	18.4	14	14.3	1,837	7.4
2016	16.6	--	17	15.2	2,135	7.8
Middle						
2015	22.8	19.7	16	16.3	2,812	11.4
2016	22.8	--	18	16.1	3,424	12.5
Upper						
2015	39.7	41.7	62	63.3	18,850	76.2
2016	39.7	--	65	58.0	18,792	68.8
Not Available						
2015	0.0	13.1	6	6.1	1,228	5.0
2016	0.0	--	9	8.0	2,593	9.5
Totals						
2015	100.0	100.0	98	100.0	24,727	100.0
2016	100.0	--	112	100.0	27,298	*99.9

*Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0 percent.

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As shown in the following table, the percentage of loans to businesses with GARs of \$1 million or less is less than the percentage of businesses in this category.

Discussions with management indicated that significant competition exists for small business loans. The bank offers loan programs through the Mass CAP and SBA. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. However, during the evaluation period, the bank did not originate any Mass CAP or SBA loans.

Heavy competition mitigates The Pittsfield Co-operative Bank’s level of lending to small businesses. Many lenders compete for small business loans in a low interest rate environment. Furthermore, business lending is also the bank’s secondary product.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	Bank Data 2016			
		#	%	\$(000s)	%
≤ \$1,000,000	81.7	25	67.6	4,735	71.9
> \$1,000,000	6.4	12	32.4	1,849	28.1
Revenue Not Available	12.0	0	0.0	0	0.0
Total	*100.1	37	100.0	6,584	100.0
<i>Source: 2016 D&B Data, 2016 Small Business Bank Records. * Due to rounding, totals may not equal 100.0 percent.</i>					

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. Examiners emphasized the percentage by number of home mortgage and small business loans in low- and moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area, particularly in the low- and moderate-income census tracts. With only one low- and two moderate-income census tracts in the assessment area, this performance factor did not significantly affect the overall rating.

The low-income tract had very few opportunities for home mortgage loans. Market share data showed that 12 lenders combined to make just 15 loans in the area’s low-income tract. Nonetheless, the bank made one loan in 2015 and two loans in 2016 in this geography. Additionally, bank management and the community contact indicated there is limited housing units within these low-and moderate-income census tracts, as the existing housing stock in these areas are predominantly multifamily rental housing.

The moderate-income tracts had slightly more opportunities for home mortgage loans. As shown in the table below, the bank’s lending within moderate-income census tracts (2.0 percent) was slightly below both the aggregate (4.0 percent) and owner-occupied housing (4.0 percent) percentages. However, market share data shows that 27 lenders originated just 97 loans in the moderate-income census tracts. The Pittsfield Co-operative Bank ranked 8th with a 2.1 percent market share. Greylock Federal Credit Union dominated lending in these tracts, originating nearly a third of all moderate-income tract loans. Substantial competition for the limited lending opportunities in these geographies supports that bank performance is reasonable.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: The Pittsfield Co-operative Bank							
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance (% of #)	Bank Data				
			#	%	\$(000s)	%	
Low							
2015	0.8	0.6	1	1.0	55	0.2	
2016	0.8	--	2	1.8	248	0.9	
Moderate							
2015	4.0	4.0	2	2.0	119	0.5	
2016	4.0	--	7	6.3	1,278	4.7	
Middle							
2015	73.0	73.2	71	72.4	18,432	74.5	
2016	73.0	--	70	62.5	18,049	66.1	
Upper							
2015	22.2	22.2	24	24.5	6,121	24.8	
2016	22.2	--	33	29.5	7,723	28.3	
Not Available							
2015	0.0	0.0	0	0.0	0	0.0	
2016	0.0	--	0	0.0	0	0.0	
Totals							
2015	100.0	100.0	98	99.9	24,727	100.0	
2016	100.0	--	112	100.1	27,298	100.0	
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>							

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows the distribution of small business loans compared to the percentage of businesses located in each tract income level.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	Bank Data 2016			
		#	%	\$(000s)	%
Low	10.2	3	8.1	92	1.4
Moderate	5.6	6	16.2	443	6.7
Middle	64.9	26	70.3	5,769	87.6
Upper	19.3	2	5.4	280	4.3
Totals	100.0	37	100.0	6,584	100.0
<i>Source: 2016 D&B Data, 2016 Small Business Bank Records</i>					

In 2016, the bank's small business lending in low-income census tracts is slightly below the business demographic data. The bank's level of lending in moderate-income census tracts for

the same year exceeded the percentage of businesses located within this census tract. Overall, these comparisons reflect reasonable performance.

Bank management stated there is significant competition for small business loans in the area's low- and moderate-income tracts, as local banks have multiple branches in Pittsfield.

Response to Complaints

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

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 CRA rating.

APPENDIX A

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. 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. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2015 and 2016 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 98,126 individuals of which 9.7 percent are minorities. The assessment areas minority and ethnic population is 2.8 percent Black/African American, 1.1 percent Asian, 0.1 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 3.7 percent Hispanic or Latino and 1.9 percent other.

In 2015, the bank received 126 HMDA reportable loan applications from within its assessment area. Of these applications, 4 or 3.2 percent were received from minority applicants, of which 2 or 50.0 percent resulted in originations. The aggregate received 3,562 HMDA reportable loan applications of which 149 or 4.2 percent were received from minority applicants and 94 or 63.1 percent were originated. For the same time period, the bank also received 2 or 1.6 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 1 or 50.0 percent were originated versus the aggregate that received 116 applications or 3.3 percent of which 70 or 60.3 percent were originated.

For 2016, the bank received 144 HMDA reportable loan applications from within its assessment area. Of these applications, 3 or 2.1 percent were received from minority applicants, of which 1 or 33.3 percent resulted in originations. For the same time period, the bank received 1 or 0.7 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 1 or 100.0 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.

MINORITY APPLICATION FLOW					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.8	0.4	0	0.0
Asian	1	0.8	0.8	2	1.4
Black/ African American	0	.0	1.7	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	2	1.6	1.2	1	0.7
Total Minority	4	3.2	4.2	3	2.1
White	110	87.3	79.3	128	88.9
Race Not Available	12	9.5	16.6	13	9.0
Total	126	100.0	100.1	144	100.0
ETHNICITY					
Hispanic or Latino	2	1.6	1.9	0	0.0
Not Hispanic or Latino	112	88.9	80.0	131	91.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.4	1	0.7
Ethnicity Not Available	12	9.5	16.8	12	8.3
Total	126	100.0	*100.1	144	100.0

Source: US Census 2010, HMDA Aggregate Data 2015, HMDA LAR Data 2015 and 2016 *Due to rounding, totals may not equal 100.0 percent.

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 70 South Street, Pittsfield, MA 01201.

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 70 South Street, Pittsfield, MA 01201.

[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.