

PUBLIC DISCLOSURE

April 18, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sage Bank
Certificate Number: 26467

18 Hurd Street
Lowell, Massachusetts 01852

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

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

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory** by the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC). 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 CRA performance.

- 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 reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration of loans.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

DESCRIPTION OF INSTITUTION

Background

Sage Bank is a Massachusetts-chartered cooperative stock bank headquartered in Lowell, Massachusetts (MA). The bank operates in the eastern part of Massachusetts and southern New Hampshire (NH). The assessment area includes Middlesex, Essex, Suffolk, Norfolk, and Plymouth Counties in Massachusetts and Rockingham County in New Hampshire. In June 2013, the bank changed its name to Sage Bank from Lowell Co-operative Bank.

The bank received a rating of “Needs to Improve” at its previous FDIC and Division of Banks CRA Performance Evaluation, dated March 18, 2014, based on Interagency Small Institution Examination Procedures. Evidence of discriminatory or other illegal credit practices against applicants on a prohibited basis in violation of the Equal Credit Opportunity Act or the Fair Housing Act affected the rating.

Operations

Sage Bank is a full service financial institution that operates two full-service branches, both located in Lowell, MA. The headquarters is located in a low-income census tract at 15 Hurd Street. The second branch is located in a moderate-income census tract at 691 Rogers Street. A mortgage loan center is co-located with the headquarters on Hurd Street. There are ten additional mortgage loan centers in MA and one in NH. Six of the ten Massachusetts-based mortgage centers are located in the bank’s assessment area. They are located in Burlington, Lowell, Everett, Methuen, Dracut, and Wilmington. The Salem, NH location is also located within the assessment area. The four mortgage loan offices located outside the assessment area are in the cities of Leominster, New Bedford, Longmeadow, and Yarmouthport, MA.

Sage Bank offers loan products that include home mortgage, commercial, and consumer loans with a primary focus on home mortgage lending. The institution provides various deposit services including checking, savings, money market deposit accounts, and certificates of deposit. The bank also offers business deposit services that include checking and savings accounts, remote banking, and cash management. Alternative banking services include online banking and bill pay, mobile and telephone banking, and eight bank-owned automated teller machines (ATMs). There has been no merger or acquisition activity since the previous evaluation. The bank has not opened or closed any branches; however, it has closed 16 mortgage loan centers since 2013.

Ability and Capacity

The bank had total assets of \$157.8 million as of December 31, 2015. Assets decreased 24.3 percent since the previous examination. As of December 31, 2015, total loans stood at \$139.2 million, and represented 88.2 percent of total assets. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/15		
Loan Category	\$(000s)	%
Construction and Land Development	1,487	1.1
Secured by Farmland	0	
1-4 Family Residential	103,270	74.2
Multi-family (5 or more) Residential	17,480	12.6
Commercial Real Estate	14,680	10.5
Total Real Estate Loans	136,917	98.4
Commercial and Industrial	2,063	1.5
Agricultural	0	
Consumer	141	0.1
Obligations of States and Political Subdivisions in the United States	0	
Other	66	nominal
Less: Unearned Income	0	
Total Loans	139,187	100.0
<i>Source: Reports of Income and Condition</i>		

Sage Bank is primarily a real estate lender with approximately 98.4 percent of the loan portfolio secured by residential and commercial real estate. This percentage is generally consistent with the previous evaluation where real estate secured loans represented approximately 97.6 percent of the loan portfolio. The remainder of the current portfolio consists of commercial and industrial loans (1.5 percent), while consumer and other loans comprise a nominal percentage of the portfolio (0.1 percent).

Examiners identified a legal impediment that affects the bank's ability to meet assessment area credit needs. A consent order issued in December 2014, imposing restrictions on asset growth and the payment of dividends, governs the bank's operations.¹

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. For evaluation purposes, the bank designated a single, contiguous assessment area that includes 978 census tracts (CTs) located in the Boston, MA (14454); Cambridge-Newton-Framingham, MA (15764); and Rockingham County-Strafford County, NH (40484) Metropolitan Divisions (MDs). The assessment area, as currently defined, meets CRA's technical requirements, since all MDs form the Boston-Cambridge-Newton, MA-NH Core Statistical Area. The assessment area has not changed since the prior evaluation. The following sections discuss demographic and economic information for the assessment area.

¹ Consent order issued jointly by the FDIC and Massachusetts Division of Banks in December 2014.

Economic and Demographic Data

Sage Bank’s assessment area includes all 978 CTs in the counties of Middlesex, Essex, Suffolk, Norfolk, and Plymouth in Massachusetts and Rockingham County in New Hampshire. In 2015, the assessment area contained the following CT income distribution:

- 104 low-income tracts,
- 181 moderate-income tracts,
- 393 middle-income tracts,
- 285 upper-income tracts, and
- 15 census tracts with no income designation.

The following table illustrates select assessment area demographic characteristics:

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	978	10.6	18.5	40.2	29.2	1.5
Population by Geography	4,429,259	8.9	17.9	43.0	30.1	0.1
Housing Units by Geography	1,815,323	8.5	18.6	44.2	28.7	0.0
Owner-Occupied Units by Geography	1,064,416	3.1	13.0	48.2	35.7	0.0
Occupied Rental Units by Geography	624,023	17.0	27.4	37.6	18.0	0.0
Businesses by Geography	357,127	6.2	12.7	41.5	39.4	0.2
Family Distribution by Income Level	1,067,379	22.0	16.5	20.6	40.9	0.0
Median Family Income FFIEC-Estimated Median Family Income for 2015 Boston, MA MD (14454)		\$93,616	Median Housing Value Median Gross Rent Families Below Poverty Level			\$411,958 \$1,152 6.6%
Cambridge-Newton-Framingham, MA MD (15764)		\$90,000				
Rockingham County-Strafford County, NH MD (40484)		\$101,700				
		\$89,200				

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

According to 2014 D&B data, there were 357,127 businesses within the assessment area. Gross annual revenue (GAR) for these businesses are below.

- 76.2 percent have \$1 million or less.
- 6.2 percent have more than \$1 million.
- 17.6 percent have unknown revenues.

Service-oriented businesses are the predominant industry (50.8 percent) within the assessment area. Other notable industries include retail trade (12.2 percent), finance/insurance/real estate (9.3 percent), and construction (8.0 percent). The largest employers in the region are hospitals such as Massachusetts General Hospital and Brigham and Women’s Hospital in Boston.

Based on 2010 U.S. Census data, the assessment area has a total population of 4,429,259. Examiners used the 2014 and 2015 FFIEC-Estimated Median Family Income Levels to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the Boston, MA MD; Cambridge-Newton-Framingham, MA MD; and Rockingham County-Strafford County, NH MD 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%
Boston, MA MD Median Family Income				
2014 (\$87,200)	<\$43,600	\$43,600 to <\$69,760	\$69,760 to <\$104,640	≥\$104,640
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
Cambridge-Newton-Framingham, MA MD MSA Median Family Income				
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
Rockingham County-Strafford County, NH MD Median Family Income				
2014 (\$86,600)	<\$43,300	\$43,300 to <\$69,280	\$69,280 to <\$103,920	≥\$103,920
2015 (\$89,200)	<\$44,600	\$44,600 to <\$71,360	\$71,360 to <\$107,040	≥\$107,040

Source: FFIEC-Estimated Median Family Income data

Of the 1,067,379 families in the assessment area, 22.0 percent are low-; 16.5 percent are moderate-; 20.6 percent are middle-; and 40.9 percent are upper-income. The 2010 U.S. Census indicates that 6.6 percent of families in the assessment area have incomes below the poverty threshold. This population segment would have difficulty in obtaining credit even under relaxed underwriting criteria.

There are 1,185,323 total housing units within the assessment area. Of these, 58.6 percent are owner-occupied, 34.4 percent are occupied-rental units, and 7.0 percent are vacant. The weighted average median housing value, based on 2010 U.S. Census data, is \$411,958. This indicates limited housing opportunities for low- and moderate-income residents.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the unemployment rate for Massachusetts in December 2015 was 4.6 percent statewide. In New Hampshire, it was 2.9 percent. By county, the rate varied from a low of 3.1 percent for Rockingham County, NH to 4.8 percent in both Essex and Plymouth Counties in Massachusetts.

Competition

The assessment area is highly competitive with numerous credit lending institutions and financial services. According to the FDIC Deposit Market Share data as of June 2015, 139 financial institutions operated 1,516 full-service branches within the bank's assessment area with an aggregate deposit amount of \$328.8 billion. Of these institutions, Sage Bank ranked 97th with a 0.04 percent deposit market share.

Additionally, there is a high competition level for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2014, 696 lenders reported 170,078 originated or purchased residential mortgage loans. Sage Bank ranked 20th with a 1.0 percent market share. The three most prominent home mortgage lenders (JP Morgan Chase Bank, Wells Fargo Bank, and Quicken Loans) accounted for 14.8 percent of total market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis under the Lending Test does not include comparisons against aggregate data.

Community Contact

As part of the evaluation process, examiners conducted a community contact with a local nonprofit housing agency that offers a range of services to prospective homebuyers in the Greater Lowell area. The contact lauded the work done by several area lenders in helping to revitalize Lowell over the past decade. This includes the extension of loan products that cater to low- and moderate-income borrowers. However, the contact indicated that there is still opportunity for growth in the city's densest and most impoverished parts.

The contact was also concerned with future homeownership prospects in Lowell, pointing to increased home prices and a lack of new affordable housing developments. The contact was also concerned that student debt will hamper the prospects for prospective borrowers in this community. Lowell has a large student population and the contact wants to encourage those students to continue to live in the area upon graduation.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that residential loans and credit in support of low- and moderate-income residents represent a primary credit need. There is a large population of low-income families and a relatively high cost of housing, creating significant need for assistance. Additionally, the significant percentage of businesses with GARs of \$1 million or less and the large number of businesses with four or fewer employees reflect an opportunity for small business lending.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, covers the period from the prior evaluation dated March 18, 2014, to the current evaluation dated April 18, 2016. Examiners used the Interagency Small Institution Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate Sage Bank's CRA performance, which included the CRA Small Bank Lending 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

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and commercial loans. This conclusion considered the number and dollar volume of loans originated during the evaluation period and the bank's business strategy. As home mortgage loans accounted for a substantial majority of the bank's originations, they had the greatest impact on the conclusions. Examiners did not evaluate small farm loans, as the bank does not originate these loans nor consumer and other loan types due to the low origination volume.

The evaluation considered all home mortgage loans reported on the bank's 2014 and 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Examiners compared the bank's 2014 lending performance to aggregate lending data for all HMDA reporting lenders as well as assessment area demographics. Similarly, examiners compared 2015 home mortgage lending, for which aggregate data is not available for comparison, to assessment area demographics and analyzed for trends. The bank originated 1,813 home mortgage reportable-loans totaling \$468.4 million in 2014 and 1,924 loans totaling \$529.2 million in 2015.

In addition, examiners considered commercial loans originated during 2014 and 2015. In 2014, the bank originated 22 commercial loans for nearly \$5.5 million in 2015, 6 loans for nearly \$2.0 million. As the bank is not an active commercial lender, as substantiated by the low loan volume, this lending activity will have a minimal impact on the overall conclusions.

Examiners reviewed the number and dollar volume of home mortgage and commercial loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 122.2 percent over the past 11 calendar quarters from June 30, 2013, to December 31, 2015. The ratio ranged from a low of 107.3 percent as of June 30, 2013, to a high of 130.8 percent as of March 31, 2014. Sage Bank maintained a ratio that exceeded that of 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 Name	Total Assets as of 12/31/15 \$(000s)	Average Net LTD Ratio (%)
Sage Bank	157,792	122.2
Melrose Co-operative Bank	226,240	77.0
Wakefield Co-operative Bank	194,135	82.1
Washington Savings Bank	209,029	88.2
<i>Source: Reports of Income and Condition 06/30/13 through 12/31/15</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and commercial loans, by number and dollar volume, within its assessment area. As indicated in the following table the bank is a limited commercial lender originating these loans primarily as an accommodation and are not a typical loan product offering. This is consistent with the prior evaluation.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%	\$	%	\$	%		
Home Mortgage Loans										
2014	1,242	68.5	571	31.5	1,813	349,360	74.6	119,025	25.4	468,385
2015	1,307	67.9	617	32.1	1,924	388,142	73.3	141,100	26.7	529,242
Subtotal	2,549	68.2	1,188	31.8	3,737	737,502	73.9	260,125	26.1	997,627
Commercial Loans*										
2014	17	77.3	5	22.7	22	3,616	66.1	1,858	33.9	5,474
2015	6	100.0	0	0.0	6	1,987	100.0	0	0.0	1,987
Subtotal	23	82.1	5	17.9	28	5,603	75.1	1,858	24.9	7,461
Total	2,572	68.3	1,193	31.7	3,765	743,105	73.9	261,983	26.1	1,005,088
<i>Source: 2014 and 2015 HMDA Reported Data, (*) 2014 and 2015 Bank Records</i>										

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data for the year 2014. The bank's performance in low-income census tracts exceeded the aggregate by 4.5 percent and in the moderate-income census tracts, by 9.2 percent. Although aggregate data was not available for comparison in 2015, the bank's performance in these tracts remained consistent with a minor decrease of 0.1 percent in low- and a slight decrease of 3.6 percent in moderate-income census tracts. Additionally, in both 2014 and 2015, the bank's mortgage lending exceeded the percentage of owner-occupied housing units in both the low- and moderate-income census tracts. This further substantiates that the bank is meeting the assessment area's credit needs.

Market share data further supported the bank's excellent performance. In 2014, the bank ranked 9th in lending in low-income census tracts (out of 329 total institutions) with a 2.2 percent market share and 14th in moderate-income census tracts (out of 448 total institutions) with a 1.7 percent market share. These market rankings exceeded the bank's overall market rank of 20th in the assessment area in 2014. Most institutions ranked above Sage Bank in low- and moderate-income census tracts were much larger national or regional banks or mortgage companies.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	3.1	3.7	102	8.2	22,817	6.5
2015	3.1	--	106	8.1	28,070	7.2
Moderate						
2014	13.0	13.3	279	22.5	70,396	20.2
2015	13.0	--	247	18.9	65,002	16.8
Middle						
2014	48.2	46.7	580	46.7	156,945	44.9
2015	48.2	--	634	48.5	181,523	46.8
Upper						
2014	35.7	36.3	281	22.6	99,202	28.4
2015	35.7	--	320	24.5	113,547	29.2
Totals						
2014	100.0	100.0	1,242	100.0	349,360	100.0
2015	100.0	--	1,307	100.0	388,142	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The geographic distribution of commercial loans reflects poor dispersion throughout the assessment area. The bank's performance in low- and moderate-income census tracts falls below demographics. During the two-year period, the bank originated one commercial loan in a moderate-income census tract. Although the bank's branch footprint is limited compared to the overall assessment area, the fact that the bank's branches are located in close proximity to multiple low- and moderate-income census tracts exhibits the potential to extend credit in these areas.

Since the commercial loan volume is low, the addition or subtraction of a loan in any income category could affect the distribution percentages.

Geographic Distribution of Commercial Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2014	6.1	0	0.0	0	0.0
2015	6.2	0	0.0	0	0.0
Moderate					
2014	12.6	1	5.9	128	3.5
2015	12.7	0	0.0	0	0.0
Middle					
2014	41.5	12	70.6	2,928	81.0
2015	41.5	0	0.0	0	0.0
Upper					
2014	39.6	4	23.5	560	15.5
2015	39.4	6	100.0	1,987	100.0
NA					
2014	0.2	0	0.0	0	0.0
2015	0.2	0	0.0	0	0.0
Total					
2014	100.0	17	100.0	3,615	100.0
2015	100.0	6	100.0	1,987	100.0
<i>Source: 2014 & 2015 D&B Data, Bank Records</i>					

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels within the assessment area and businesses of different sizes. The bank's excellent performance of home mortgage lending supports this conclusion. The bank's penetration by businesses of different incomes reflects reasonable performance. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Examiners focused on the comparison to aggregate data.

The bank's 2014 home mortgage lending to low-income borrowers, at 8.9 percent, is greater than aggregate at 6.6 percent. In both 2014 and 2015, the bank's percentage of lending to low-income borrowers (8.9 and 8.3 percent, respectively) exceeded the 7.6 percent of low-income families. The bank's performance of lending to moderate-income borrowers, at 30.3 percent, also exceeded the aggregate (16.7 percent). In both 2014 and 2015, the bank's percentage of lending to moderate-income borrowers (30.3 and 28.0 percent, respectively) exceeded the 16.7 percent of moderate-income families.

Market share data further supported the bank’s excellent performance under this criterion. In 2014, the bank ranked 12th in lending to low-income borrowers (out of 352 total institutions) with a 1.9 percent market share and 10th in lending to moderate-income borrowers (out of 452 total institutions) with a 2.0 percent market share. These market rankings exceeded the bank’s overall market rank of 20th in the assessment area in 2014. Most institutions ranked above Sage Bank, among low- and moderate-income borrowers, were much larger national or regional banks or mortgage companies.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	7.6	6.6	111	8.9	18,369	5.3
2015	7.6	--	108	8.3	19,772	5.1
Moderate						
2014	16.6	16.7	376	30.3	88,138	25.2
2015	16.6	--	366	28.0	89,713	23.1
Middle						
2014	44.2	22.3	356	28.7	100,677	28.8
2015	44.2	--	355	27.1	109,680	28.3
Upper						
2014	31.6	40.2	368	29.6	129,411	37.1
2015	31.6	--	398	30.5	144,672	37.3
Income Not Available						
2014	--	14.2	31	2.5	12,765	3.6
2015	--	--	80	6.1	24,305	6.2
Total						
2014	100.0	100.0	1,242	100.0	349,360	100.0
2015	100.0	--	1,307	100.0	388,142	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

Commercial Loans

The distribution of commercial loans reflects reasonable penetration of loans to businesses of different sizes. As the bank did not collect the gross annual revenues of the businesses, examiners used loan size as a proxy to determine the distribution of credit.

In 2014, 4 loans or approximately 23.5 percent of all commercial loans had origination amounts between \$50,000 and \$100,000; 7 loans or approximately 41.2 percent had amounts between \$100,000 and \$250,000; and 6 loans were in amounts ranging between \$250,000 and \$500,000.

In 2015, the bank originated 2 loans in amounts between \$50,000 and \$100,000; 3 loans between amounts of \$250,000 and \$500,000; and 1 loan in an amount greater than \$500,000.

Response to Complaints

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

APPENDIX

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.

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 the bank's HMDA LARs for 2014 and 2015 to determine if the application flow from different minority groups within the AA was reflective of AA demographics.

Examiners compared the bank's residential lending in 2014 to 2014 aggregate lending data. 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 following table for information on the bank's minority application flow as well as a comparison to aggregate lending data.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.0
Asian	66	3.9	5.8	50	2.7
Black/ African American	59	3.5	3.3	89	4.8
Hawaiian/Pacific Islander	1	0.1	0.1	7	0.4
2 or more Minority Races	1	0.1	0.0	3	0.1
Joint Race (White/Minority)	20	1.1	1.3	35	1.9
Total Minority	147	8.7	10.7	185	9.9
White	1,398	82.8	65.0	1,556	83.5
Race Not Available	143	8.5	24.3	122	6.6
Total	1,688	100.0	100.0	1,863	100.0
ETHNICITY					
Hispanic or Latino	280	16.6	3.7	306	16.4
Not Hispanic or Latino	1,243	73.6	71.3	1,403	75.3
Joint (Hisp/Lat /Not Hisp/Lat)	27	1.6	0.9	31	1.7
Ethnicity Not Available	138	8.2	24.1	123	6.6
Total	1,688	100.0	100.0	1,863	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 AA has a population of 4,429,259, of which 25.6 percent are minorities. The AA's minority population consists of 0.1 percent American

Indian, 6.5 percent Asian/Pacific Islander, 6.8 percent Black/African American, 9.2 percent Hispanic, and 2.9 percent other race.

In 2014, the bank received 1,688 HMDA reportable loan applications within its AA. Of these applications, the bank received 8.7 percent from racial minority applicants. The bank's application flow was comparable to the aggregate's performance of 10.7 percent. In 2014, the bank received 307 applications representing 18.2 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from this ethnicity category was well above the aggregate performance of 4.6 percent. The bank's 2015 performance with regard to racial and ethnic minorities was comparable to 2014, at 10.7 percent and 18.1 percent, respectively.

The bank's market share information provides further evidence for its minority application flow performance. The bank ranked 13th out of 696 lenders in the area based on its record of applications received from high minority census tracts. When accounting for originated loans, the bank's rank increases to 11th out of 610 lenders in high minority census tracts. This performance reflects the bank's record of reaching minority areas and positively corresponds to their minority application flow. Overall, considering the demographic composition of the AA, comparisons to aggregate data, and market rank information, 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 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.

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.

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.

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.

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

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

Upper-Income: Individual income that is 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.