

# **PUBLIC DISCLOSURE**

May 15, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Wellesley Bank  
Certificate Number: 26605

40 Central Street  
Wellesley, Massachusetts 02482

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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

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

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	4
Description of Assessment Area .....	6
Conclusions on Performance Criteria .....	10
Discriminatory or Other Illegal Credit Practices Review .....	21
Appendix A – Fair Lending Policies and Procedures (Division of Banks).....	22
Glossary .....	24

## 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.

Wellesley Bank's (WB) 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 poor dispersion throughout the assessment area, particularly to low- and moderate-income geographies.
- 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 the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

## SCOPE OF EVALUATION

### *General Information*

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated February 24, 2014, to the current evaluation dated May 15, 2017. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate WB's CRA performance. These procedures include two 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*

The Lending Test considered the bank's home mortgage and small business lending, as these products account for the majority of the bank's loan portfolio. As of March 31, 2017, residential real estate loans, including multi-family residential properties, accounted for 57.0 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 24.5 percent of the loan portfolio. Small farm loans and consumer loans represent a nominal portion of the loan portfolio. Therefore, they provided no material support for conclusions or ratings and are not included in this analysis. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period.

The evaluation includes all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) from 2015 and 2016. For 2015, the bank reported 319 originated loans totaling \$228.0 million. For 2016, the bank reported 253 originated loans totaling \$179.1 million. This evaluation presents information for 2015, the most recent year for which aggregate HMDA data is available and 2016 data for trends.

The evaluation also includes a review of small business loans from 2015 and 2016. Examiners selected a sample of small business loans originated in 2015 and 2016. Examiners considered these samples representative of the bank's performance during the entire evaluation period. The bank originated 134 small business loans in 2015 for \$28.4 million of which examiners sampled 29 totaling \$4.1 million. In 2016, the bank originated 135 loans for \$32.5 million of which examiners sampled 30 loans totaling \$5.5 million. Since the bank is not a small business reporter, examiners did not use small business aggregate data for comparison. D&B data for 2015 provided a standard of comparison for the sampled small business loans.

Under the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the test presents 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.

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 February 24, 2014.

## DESCRIPTION OF INSTITUTION

### ***Background***

WB is a Massachusetts-chartered, stock, co-operative bank headquartered in Wellesley, Massachusetts (MA). WB operates in the central and eastern part of Massachusetts, in Middlesex, Suffolk, and Norfolk Counties. WB is a wholly-owned subsidiary of Wellesley Bancorp, Inc., a one-bank holding company. The bank has three subsidiaries and one affiliate. The subsidiaries are Wellesley Investment Partners, LLC; Wellesley Securities Corporation; and Central Linden, LLC. Wellesley Investment Partners (WIP) offers investment and wealth management services. Wellesley Securities Corporation holds and acquires securities for the bank. The Central Linden, LLC subsidiary sells foreclosed real estate. The bank's affiliate is the Wellesley Bank Charitable Foundation. The FDIC and Massachusetts Division of Banks conducted the prior CRA evaluation using ISI procedures as of February 24, 2014. WB received a Satisfactory rating.

### ***Operations***

WB operates six full-service branches in its assessment area with three locations in Wellesley. This includes the headquarters, one branch in Boston MA; one in Newton, MA; and one in Needham, MA. All branches are located in upper-income census tracts. The operational days and hours vary by location. The branches also have different available services. For example, the Linden Square Office in Wellesley, MA provides a drive-up teller and a drive-up automated teller machine (ATM). No other branch offers such services. The bank also maintains a commercial lending office and a residential mortgage lending office, both located in Wellesley. WB offers commercial, home mortgage and consumer loans and primarily focuses on residential lending. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, and six ATMs. The bank opened two branches since the previous evaluation. On December 11, 2014, the bank opened a branch in Needham, MA. On April 15, 2016, the bank opened a branch in Newton, MA. The Needham branch is a limited hour branch opened to serve the retirement community in the area. There have been no mergers or acquisitions since the previous examination.

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

Assets totaled approximately \$702.3 million, as of March 31, 2017, and included total loans of \$592.6 and securities totaling \$66.9 million. The following table details the loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/17</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	109,075	18.4
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	314,923	53.1
Secured by Multi-family (5 or more) Residential Properties	22,896	3.9
Secured by Non-farm Non-Residential Properties	96,823	16.3
<b>Total Real Estate Loans</b>	<b>543,717</b>	<b>91.7</b>
Commercial and Industrial Loans	48,719	8.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	136	0.0
Other Loans	46	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>592,618</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0</i>		

As the table displays, the bank has a high concentration of residential real estate, at 57.0 percent of the loan portfolio. The next highest is commercial lending, including commercial and industrial loans and commercial real estate, at 24.5 percent. The loan portfolio distribution has remained relatively stable since the previous examination.

There are no significant financial or legal 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 examiners will evaluate its CRA performance. WB designated a single assessment area that is comprised of portions of two metropolitan divisions (MD): the Cambridge-Newton-Framingham MD and the Boston MD. Both MDs are part of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA) (14460). The bank's assessment area is comprised of eight towns and cities in Massachusetts located in Brookline, Cambridge, Dover, Natick, Needham, Newton, Wellesley, and Weston. In addition, the assessment area is comprised of eight neighborhoods of Boston including Allston/Brighton, Back Bay, Charlestown, Downtown, Fenway, Jamaica Plain, South Boston, and the South End. Cambridge, Natick, and Newton are located in Middlesex County within the Cambridge-Newton-Framingham MD. Brookline, Dover, Needham, and Wellesley are located in Norfolk County and are part of the Boston MD. The remaining neighborhoods are located in the City of Boston within Suffolk County and are also part of the Boston MD.

### *Economic and Demographic Data*

There are 174 census tracts within WB's assessment area. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 22 low-income tracts,
- 26 moderate-income tracts,
- 37 middle-income tracts,
- 83 upper-income tracts, and
- 6 census tracts with no income designation.

The majority of the low- and moderate-income census tracts are concentrated in Allston/Brighton, Cambridge, Jamaica Plain, Mission Hill, and the South End. The income tracts with no income designation are the arboretum in Jamaica Plain, the Boston Commons, the Seaport waterfront, the Charles River, and the Muddy River.

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 #	NA* % of #
Geographies (Census Tracts)	174	12.6	14.9	21.3	47.7	3.4
Population by Geography	657,325	12.3	16.1	20.5	51.1	0.0
Housing Units by Geography	290,195	10.4	16.0	23.1	50.5	0.0
Owner-Occupied Units by Geography	120,021	3.6	9.5	19.3	67.5	0.0
Occupied Rental Units by Geography	149,258	15.8	21.6	25.6	36.9	0.0
Vacant Units by Geography	20,916	10.4	12.8	26.9	49.8	0.0
Businesses by Geography	70,203	7.9	9.1	13.9	68.4	0.7
Farms by Geography	549	4.2	9.3	18.4	68.1	0.0
Family Distribution by Income Level	122,624	22.2	11.6	14.4	51.8	0.0
Household Distribution by Income Level	269,279	27.9	12.8	14.5	44.8	0.0
Updated Median Family Income MSA - 14454 Boston, MA MD		\$90,800	Median Housing Value			\$558,183
Updated Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$98,600	Median Gross Rent			\$1,365
			Families Below Poverty Level			8.3%

*Source: 2010 U.S. Census and 2016 D&B Data  
Due to rounding, totals may not equal 100.0  
(\* The NA category consists of geographies that have not been assigned an income classification.*

According to 2016 D&B data, there were 70,203 businesses. Gross annual revenues (GARs) for these businesses are below.

- 80.5 percent have \$1 million or less.
- 8.8 percent have more than \$1 million.
- 10.7 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 52.8 percent; followed by finance, insurance, and real estate (14.5 percent); retail trade (11.0 percent); and non-classifiable establishments (8.9 percent). In addition, 68.1 percent of area businesses have four or fewer employees, and 86.6 percent operate from a single location.

According to the Department of Housing and Urban Development's (HUD) Comprehensive Market Analysis, Boston has two significant industries. These include health and education, and professional and business services. The largest employers include Partner HealthCare, Stop & Shop, Harvard University, Steward Health Care, and Massachusetts Institute of Technology.

The unemployment rates for the Boston, MA MD and the Cambridge-Newton-Framingham, MA MD declined over the evaluation period to 2.9 percent and 2.8 percent, respectively. The unemployment rates within these two MDs fall below the State unemployment rate of 3.6 percent as of December 31, 2016.

Examiners used the 2015 and 2016 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle- and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</b>				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: FFIEC</i>				

Additionally, examiners use demographic data, specifically owner-occupied housing data for comparison under the Geographic Distribution criterion. Of the 290,195 housing units located in the assessment area, 120,021 or 41.4 percent are owner-occupied. The median sale price of a single family house varies significantly throughout the area. Housing in Chelsea, Revere, and Winthrop, all located in Suffolk County, have a median sales price under \$400,000. Dorchester, Jamaica Plain, Roxbury, and South Boston have a median sales price range of \$500,000 to \$700,000. The price increases significantly in areas such as the Back Bay with a median sales price of \$4.3 million and Beacon Hill with \$3.3 million. Residential construction has been declining since 2004, but multi-family construction has been increasing since 2010 (HUD’s Comprehensive Market Analysis for Boston, MA). Massachusetts’ housing prices have grown significantly, outpacing other areas of the country. Further, according to Moody’s Analytics, the median housing price across Massachusetts is approximately \$240,000.

**Competition**

WB’s market area is highly competitive. There are 55 depository institutions operating 282 offices within WB’s assessment area. WB ranks 22<sup>nd</sup> with a deposit market share of 0.20 percent, as of June 30, 2016. The competition includes large national and small community banks.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2015, 432 lenders reported 20,980 originated or purchased residential mortgage loans in the assessment area. Of the 432 lenders, only 202 originated more than 10 loans in 2015. WB ranked 27<sup>th</sup> out of this group of lenders, with a market share of 0.9 percent by number and 1.3 percent by dollar volume. The 3 most prominent

home mortgage lenders accounted for 19.1 percent by number and 16.9 percent by dollar volume of total market share.

The bank is not required to collect or report its small business loan data. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data; however, reflects the level of demand for small business loans. The aggregate data shows that 153 institutions reported \$2.5 billion in small business loans in the assessment area during 2015. This indicates a high degree of competition for this product.

### ***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.

Examiners contacted a representative of a community outreach organization in Allston/Brighton, MA. The contact cited a lack of affordable housing within the major cities. This is due to competition, particularly from the high number of students and the construction of upscale condominiums. With many students and young professionals seeking rental units, rents have become too expensive for many low- and moderate-income families. Additionally, landlords purchase available single family properties and convert them into rental units. This limits the housing stock and home ownership opportunities for low- and moderate-income families. In addition, the contact identified a significant level of opportunity for community development investments and donations within the assessment area. The contact noted a particular need for low-cost checking and savings accounts and financial literacy within the low- and moderate-income census tracts. Programs to assist those seeking financial mobility are in high demand as low-income families struggle to make ends meet. Many families have started small businesses but struggle with understanding operational and taxation requirements.

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

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that residential and multi-family loans represent a primary credit need for the assessment area. Residential loans, particularly those for affordable housing in the Boston metropolitan area, are a need in the assessment area. According to the community contact, the majority of low- and moderate-income individuals and families in the assessment area are renters. There is a need for more multi-family housing projects that would create more affordable housing units in the assessment area. The percentage of owner-occupied housing within low- and moderate-income census tracts and the discussion with the community contact support this.

Small business and consumer financial literacy is also needed throughout the assessment area, particularly in the low- and moderate-income areas. The community contact stated that many of the low- and moderate-income individuals are self-employed and would benefit from small business lending opportunities. However, these individuals are limited by a lack of financial knowledge.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

WB demonstrated reasonable performance under the Lending Test. The LTD ratio, Assessment Area Concentration, and Borrower Profile criteria 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. The bank's LTD ratio, calculated from Call Report data, averaged 108.6 percent over the past 13 calendar quarters from March 31, 2014, to March 31, 2017. The ratio ranged from a low of 104.7 percent as of March 31, 2015, to a high of 111.4 percent as of March 31, 2017. The ratio remained generally stable during the evaluation period. WB maintained a ratio similar to or exceeding many 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		
Institution	Total Assets as of 3/31/17 \$(000s)	Average Net LTD Ratio (%)
Walpole Cooperative	473,812	112.9
The Savings Bank	547,681	92.9
Stoneham Bank	591,516	114.4
<b>Wellesley Bank</b>	<b>702,301</b>	<b>108.6</b>
The Village Bank	1,015,342	91.9
<i>Source: Reports of Condition and Income</i>		

### Assessment Area Concentration

The bank made a 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)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	\$(000s)
Home Mortgage										
2015	192	60.2	127	39.8	319	163,769	71.8	64,201	28.2	227,970
2016	149	58.9	104	41.1	253	130,776	73.0	48,326	27.0	179,102
<b>Subtotal</b>	<b>341</b>	<b>59.6</b>	<b>231</b>	<b>40.4</b>	<b>572</b>	<b>294,545</b>	<b>72.4</b>	<b>112,527</b>	<b>27.6</b>	<b>407,072</b>
Small Business										
2015	20	69.0	9	31.0	29	3,088	76.2	962	23.8	4,050
2016	22	73.3	8	26.7	30	4,250	76.7	1,290	23.3	5,540
<b>Subtotal</b>	<b>42</b>	<b>71.2</b>	<b>17</b>	<b>28.8</b>	<b>59</b>	<b>7,338</b>	<b>76.5</b>	<b>2,252</b>	<b>23.5</b>	<b>9,590</b>
<b>Total</b>	<b>383</b>	<b>60.7</b>	<b>248</b>	<b>39.3</b>	<b>631</b>	<b>301,883</b>	<b>72.5</b>	<b>114,779</b>	<b>27.5</b>	<b>416,662</b>
<i>Source: Bank Records and 2015 and 2016 HMDA data Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the assessment area. The bank's poor performance of HMDA and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts. Low- and moderate-income census tracts represent approximately a third of the bank's assessment area.

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

The geographic distribution of home mortgage loans reflects poor dispersion. Examiners focused on the comparison to 2015 aggregate data. The following table shows that the bank's 2015 performance in low-income census tracts compares poorly to aggregate lending, at 4.0 percentage points lower and falls below the percent of owner-occupied housing. More specifically, the bank made loans within 2 low-income tracts, or 9.1 percent of the 22 low-income tracts within the assessment area. In 2016, the bank did not originate any loans within the 22 low-income tracts.

Similarly, in moderate-income areas, the bank's lending fell below peer and the percent of owner-occupied housing units in 2015. In 2015, the bank originated loans in 9 moderate-income tracts, or 34.6 percent of the 26 moderate-income tracts within the assessment area. In 2016, the bank originated loans in 8 moderate-income tracts, or 30.8 percent. Additionally, while the bank's assets and loans grew 49.7 percent and 50.1 percent, respectively since the previous CRA evaluation, the bank's lending in low- and moderate-income census tracts decreased.

Market share data further supported the bank's poor performance. In 2015, the bank ranked 67<sup>th</sup> out of 190 lenders, in lending in low-income census tracts with a 0.3 percent market share. The bank ranked 49<sup>th</sup> out of 235 lenders, in lending in moderate-income census tracts, with a 0.5

percent market share. These market rankings fall significantly below the bank's overall market rank of 27<sup>th</sup> in the assessment area in 2015.

The bank's limited lending in the low- and moderate-income census tracts may partially be attributed to no branches in these areas. All six branches are located within upper-income geographies. Although the branch in the financial district of Boston is contiguous to a low-income census tract, the majority of the low- and moderate-income areas within the assessment area are concentrated in Cambridge, Allston/Brighton, Jamaica Plain, and Mission Hill. The bank's branches are not contiguous to or easily accessible to these areas.

Considering the limited number of loans in low- and moderate-income census tracts, comparison to aggregate and demographic data, the bank's market share rankings, and branching structure, WB's lending within these tracts reflects poor penetration.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	3.6	5.6	3	1.6	1,607	1.0
2016	3.6	--	0	0.0	0	0.0
<b>Moderate</b>						
2015	9.5	10.0	11	5.7	10,663	6.5
2016	9.5	--	11	7.4	7,253	5.5
<b>Middle</b>						
2015	19.3	20.8	29	15.1	19,186	11.7
2016	19.3	--	25	16.8	19,446	14.9
<b>Upper</b>						
2015	67.5	63.5	149	77.6	132,313	80.8
2016	67.5	--	113	75.8	104,077	79.6
<b>Not Available</b>						
2015	0.0	0.1	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>163,769</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>149</b>	<b>100.0</b>	<b>130,776</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The geographic distribution of sampled small business loans reflects poor dispersion. The following table shows that the bank's performance in low-income census tracts falls behind business demographics by 3.0 percentage points in 2015. Further, the bank did not originate any of the sampled small business loans in low-income census tracts during 2016. The bank's lending in moderate-income areas also falls short of business demographics. The bank did not originate any small business loans in a moderate-income census tract during 2015 or 2016. Management cited competition as a driving factor for the bank's limited lending to small businesses. As the bank does not report small business loans, examiners cannot compare to the aggregate. Nevertheless, the bank's lack of small business loans in low- and moderate-income census tracts reflects poor penetration.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2015	8.0	1	5.0	50	1.6
2016	7.9	0	0.0	0	0.0
<b>Moderate</b>					
2015	9.1	0	0.0	0	0.0
2016	9.1	0	0.0	0	0.0
<b>Middle</b>					
2015	14.0	0	0.0	0	0.0
2016	13.9	1	4.5	23	0.5
<b>Upper</b>					
2015	68.2	19	95.0	3,038	98.4
2016	68.4	21	95.5	4,227	99.5
<b>Not Available</b>					
2015	0.7	0	0.0	0	0.0
2016	0.7	0	0.0	0	0.0
<b>Totals</b>					
<b>2015</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>3,088</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>4,250</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</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.

### ***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 2015 aggregate data. Examiners used 2016 data for trends.

Home mortgage lending to low-income borrowers, at 1.6 percent, is reasonable when compared to the aggregate data of 1.4 percent. Lending to low-income borrowers remained consistent in 2016. A low-income family, with an income of \$45,400 in Boston, MA MD and \$49,300 in the Cambridge-Newton-Framingham, MA MD, would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value in the assessment area of \$558,183. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 22.2 percent low-income families in the assessment area. The bank's performance of lending to moderate-income borrowers, at 4.7 percent, is below the aggregate of 6.1 percent and demographics. The bank's lending to moderate-income borrowers remained consistent in 2016.

Bank management noted high competition in the assessment area and the bank's limited size compared to other area banks as prohibitive factors in lending to low- and moderate-income borrowers. Further, management also stated that, during the evaluation period, the bank did not offer products that would assist low- and moderate-income borrowers.

Market share data further supported the bank's reasonable performance under this criterion. In 2015, the bank ranked 22<sup>nd</sup> out of 103 lenders, in lending to low-income borrowers with a 1.0 percent market share. In lending to moderate-income borrowers, the bank ranked 39<sup>th</sup> out of 193 lenders with a 0.7 percent market share. These market rankings are relatively consistent with the bank's overall market share rank of 27<sup>th</sup> out of 432 HMDA lenders.



<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2015	22.2	1.4	3	1.6	970	0.6
2016	22.2	--	3	2.0	375	0.3
<b>Moderate</b>						
2015	11.6	6.1	9	4.7	2,156	1.3
2016	11.6	--	7	4.7	1,953	1.5
<b>Middle</b>						
2015	14.4	13.9	8	4.2	3,120	1.9
2016	14.4	--	12	8.1	5,704	4.4
<b>Upper</b>						
2015	51.8	60.7	126	65.6	92,401	56.4
2016	51.8	--	84	56.4	60,588	46.3
<b>Not Available</b>						
2015	0.0	17.9	46	24.0	65,122	39.8
2016	0.0	--	43	28.9	62,156	47.5
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>192</b>	<b>100.0</b>	<b>163,769</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>149</b>	<b>100.0</b>	<b>130,776</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The distribution of sampled small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank originated 40.0 percent of the sampled loans in 2015 to businesses with GARs of \$1 million or less. Lending to businesses with GARs of \$1 million or less increased in 2016, accounting for 50.0 percent of the sampled loans.

Although the percentage of loans to businesses with GARs of \$1 million or less is below demographics, lending reflects reasonable performance. The majority of businesses located within the assessment area are in healthcare, professional services, and higher education and have GARs over \$1 million. However, a recent increase in technology firms helped Massachusetts grow its economy. Competition for these smaller start-up companies remains high. There are a significant number of large, national banks located within the assessment area, as well as local community banks. Considering these factors, lending reflects reasonable performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2015	71.2	8	40.0	1,040	33.7
2016	80.5	11	50.0	1,205	28.4
<b>&gt;\$1,000,000</b>					
2015	7.5	12	60.0	2,048	66.3
2016	8.8	10	45.5	2,295	54.0
<b>Revenue Not Available</b>					
2015	21.3	0	0.0	0	0.0
2016	10.7	1	4.5	750	17.6
<b>Totals</b>					
<b>2015</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>3,088</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>4,250</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 12/31/2016 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

**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

WB 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

WB originated 9 community development loans totaling approximately \$9.8 million during the evaluation period. This level of activity represents 1.7 percent of average total assets (\$587.7 million). Further, this activity represents 2.0 percent of average total loans (\$496.5 million). Community development lending increased from the previous examination, when the bank made 5 community development loans totaling approximately \$1.9 million. Of the new 9 community development loans, 4, totaling \$7.9 million, had a purpose of creating affordable housing in the assessment area. Affordable housing is a need in the bank's assessment area, particularly in areas with a concentration of low- and moderate-income census tracts.

The bank's community development lending includes 1 loan totaling \$475,000, to an organization located outside the assessment area. However, the organization serves the MetroWest area of Massachusetts, which includes a portion of the bank's assessment area. As the bank has been responsive to the community development needs of its assessment area, examiners considered the loan under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015	2	6,372	1	475	1	435	0	0	0	0	4	7,282
2016	2	1,519	1	544	1	275	0	0	0	0	4	2,338
YTD 2017	0	0	1	150	0	0	0	0	0	0	1	150
<b>Total</b>	<b>4</b>	<b>7,891</b>	<b>3</b>	<b>1,169</b>	<b>2</b>	<b>710</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>9,770</b>

*Source: Bank Records*

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

- In 2015, the bank purchased 2 residential mortgage loans totaling approximately \$6.4 million. A 42-unit property and a 40-unit property, both located in Cambridge, MA, secure the two loans. MassHousing designated all 82 apartment units as affordable housing for low- and moderate-income families.

- In 2015, the bank made a \$435,000 loan to finance the acquisition and renovation of a commercial property. The New England Certified Development Corporation (NECDC) originated the loan as part of the SBA 504 program, where NECDC originates loans with a primary purpose of community development. The bank financed 90 percent of the acquisition with the assistance of an SBA debenture.
- In 2016, the bank made a \$975,000 loan to a nonprofit organization based in Cambridge, MA. The loan will finance the acquisition of a 6-unit residential investment property. The property will provide one-year leases on all units. This nonprofit organization provides transitional housing for low- and moderate-income families as they move from short-term subsidies (i.e. section 8) into permanent housing.

### **Qualified Investments**

WB made 141 qualified investments totaling approximately \$11.8 million. This total includes 15 qualified equity investments of approximately \$11.5 million and donations of \$228,769. During the evaluation period, the bank made 10 equity investments totaling approximately \$9.6 million. The bank maintains five equity investments from previous evaluation periods. The current book value of the remaining equity investments is approximately 1.9 million. The dollar amount of equity investments equates to 2.0 percent of average total assets. Further the activity represents 20.5 percent of average securities (\$56.0 million).

During the evaluation period, WB and the Wellesley Bank Charitable Foundation (WBCF) made 126 qualified grants and donations totaling \$228,769. The WBCF made the vast majority of donations, or 95.5 percent, totaling \$218,467. WB made the remaining 4.5 percent of donations, totaling \$10,302.

The bank's total qualified investments, donations, and grants, increased from the previous examination when the bank had 5 equity investments totaling approximately \$3.3 million, and 67 donations totaling \$92,000. The following table illustrates the bank's community development investments by year and purpose.

<b>Qualified Investments</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	5	1,935	0	0	0	0	5	1,935
2/24/14 - 12/31/14	5	11	25	42	8	7,002	0	0	0	0	38	7,055
2015	8	13	32	55	2	467	0	0	0	0	42	535
2016	7	8	30	61	6	2,142	0	0	0	0	43	2,211
YTD 2017	2	5	11	23	0	0	0	0	0	0	13	28
<b>Total</b>	<b>22</b>	<b>37</b>	<b>98</b>	<b>181</b>	<b>21</b>	<b>11,546</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>141</b>	<b>11,764</b>

Source: Bank Records

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

- Throughout the investment period, the bank purchased 9 Small Business Administration (SBA) equity securities totaling \$9.1 million. The SBA equity investments support the SBA program by providing funding and guidance to small businesses. Loans from the SBA provide funding to develop businesses into sustainable organizations. The SBA provides support through informational services and training to entrepreneurs to encourage small business development.
- In 2015, the bank agreed to a \$1 million investment in a fund managed by the Massachusetts Business Development Corporation (MBDC). MBDC provides financing to small businesses that promote economic development by supporting permanent job creation, retention and/or improvement for low- or moderate-income individuals. Although the bank committed to fund \$1 million, the bank funded \$465,000 as of March 31, 2017. The bank received credit for the funded portion of the investment for this evaluation.
- In 2014 and 2016, WBCF donated a combined \$6,000 to The Women's Lunch Place. The bank donated an additional \$302 in 2016. This organization provides services to homeless women in the greater Boston area. Services provided include hot meals, health care, employment assistance, and other basic needs.
- In 2014 and 2016, WBCF donated a combined \$2,000 to Career Collaborative. Career Collaborative serves unemployed and under-employed adults with low-income jobs in the Greater Boston area age 22 to 55. The organization helps these individuals build a career. The majority of Career Collaborative's first time clients enter the program making between \$2,000 and \$11,000 a year. Of those who complete the program, 70 percent maintain a full-time job, with benefits, earning an annual salary of approximately \$32,000 two years later.
- In 2015, 2016, and 2017 WBCF donated a combined \$4,300 to Citizens for Affordable Housing in Newton Development Organization (CAN-DO). CAN-DO is a community-based nonprofit developer of affordable housing for individuals and families with low and moderate-incomes. CAN-DO created 44 affordable housing units, 37 of which are deed-restricted permanent affordable housing. The organization also partners with other organizations to provide support services such as job training, mentoring, childcare, and parenting skills training.

### **Community Development Services**

During the evaluation period, bank employees provided 17 instances of financial expertise or technical assistance to 6 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	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	
	#	#	#	#	#	#
2014	1	3	1	0	0	5
2015	1	1	1	0	0	3
2016	1	3	1	0	0	5
YTD 2017	1	2	1	0	0	4
<b>Total</b>	<b>4</b>	<b>9</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>17</b>

*Source: Bank Records*

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

- Caritas Communities is the largest nonprofit owner and manager of permanent veteran and single room occupancy housing in Greater Boston. They provide low- and extremely low-income residents safe, clean, and stable housing in its 895 rooms in 29 buildings. Rents range from \$120 to \$145 per week and include all utilities. All homes are no more than a 10-minute walk to public transportation. Caritas Communities run the properties on a nonprofit basis, allowing below market rents. The organization also partners with service agencies to help residents maintain a permanent home. A WB vice president has been part of Caritas Communities Young Professionals Committee since 2014.
- MetroWest Business Alliance promotes economic development within the community. The organization provides finance and business counseling coaching to small businesses. The senior vice president of commercial lending served as treasurer of MetroWest Business Alliance since 2011.
- Hope and Comfort works with distribution partners including food pantries and children’s organizations to distribute essential items to low- and moderate-income children and adults in Greater Boston. WB’s executive vice president and chief lending officer is a Board member of Hope and Comfort.
- Senior Living, Inc. is a nonprofit organization that provides housing for the elderly. It provides 24 rental units to low- and moderate-income senior citizens at below market rents. In addition, the organization provides four rental living units to municipal employees that have financial need, at below market rents. A bank Board member is the president of Senior Living, Inc. In addition, the bank President and CEO is a vice president of Senior Living, Inc.
- More Than Words (MTW) is a nonprofit organization that provides young adults an opportunity to learn responsibility by running a business. The organization serves young adults that are homeless, in foster care, have been involved in the courts, or have been in and out of school. By giving these young adults responsibilities in a business setting, it

provides them an opportunity to develop the skills to succeed and become contributing members to society. On July 17, 2014, the premier office manager discussed financial responsibility with young adults of MTW.

## **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 Procedures*

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners noted no evidence of disparate treatment.

#### **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 657,325 individuals of which 29.1 percent are minorities. The assessment areas minority and ethnic population is 5.8 percent Black/African American, 12.4 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 8.0 percent Hispanic or Latino and 2.8 percent other.

In 2015, the bank received 210 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 19 or 9.0 percent from minority applicants, of which 19 or 100.0 percent resulted in originations. The aggregate received 27,018 HMDA reportable loan applications of which 3,432 or 12.7 percent were received from minority applicants and 2,481 or 72.3 percent were originated. For the same time period, the bank also received 5 or 2.4 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 4 or 80.0 percent were originated versus the aggregate that received 714 applications or 2.6 percent of which 473 or 66.2 percent were originated.

For 2016, the bank received 165 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 20 or 12.1 percent from minority applicants, of which 16 or 80.0 percent resulted in originations. For the same time period, the bank received 2 or 1.2 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 1 or 50.0 percent were originated.

Examiners compared the bank's level of lending with that of the aggregate's lending performance level for the most recent year that data was available, the year 2015. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.



<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2015</b>		<b>2015 Aggregate Data</b>	<b>Bank 2016</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.1	2	1.2
Asian	17	8.1	9.0	14	8.5
Black/ African American	0	0.0	1.0	2	1.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	2	0.9	2.4	2	1.2
<b>Total Minority</b>	<b>19</b>	<b>9.0</b>	<b>12.7</b>	<b>20</b>	<b>12.1</b>
White	133	63.4	61.1	96	58.2
Race Not Available	58	27.6	26.2	49	29.7
<b>Total</b>	<b>210</b>	<b>100.0</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>2</b>	<b>1.0</b>	<b>1.6</b>	<b>2</b>	<b>1.2</b>
Not Hispanic or Latino	140	66.7	71.3	111	67.3
Joint (Hisp/Lat /Not Hisp/Lat)	<b>3</b>	<b>1.4</b>	<b>1.0</b>	<b>0</b>	<b>0.0</b>
Ethnicity Not Available	65	30.9	26.0	52	31.5
<b>Total</b>	<b>210</b>	<b>100.0</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>

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

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

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 40 Central Street, Wellesley, MA 02482.

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 40 Central Street, Wellesley, MA 02482.

[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.