

PUBLIC DISCLOSURE

February 7, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Winchester Co-operative Bank
Certificate Number: 27238

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Winchester, Massachusetts 01890

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
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New York, New York 10118

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

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	3
Description of Assessment Area.....	5
Conclusions on Performance Criteria	8
Discriminatory or Other Illegal Credit Practices Review	16
Division of Banks Fair Lending Policies and Procedures	17
Glossary	19

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.

Winchester Co-operative Bank's (WCB) 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 reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among individuals of different income levels.
- 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 the community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the needs and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 27, 2014, to the current evaluation dated February 7, 2017. Examiners used the Intermediate Small Institution (ISI) Examination Procedures. These procedures include two performance tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors.

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

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

Loan Products Reviewed

WCB is predominately a residential real estate lender. Residential real estate loans, including construction loans and multi-family loans, represent 94.2 percent of gross loans as of December 31, 2016. Commercial loans, including commercial real estate and commercial and industrial loans represent 5.3 percent of gross loans and do not represent a major product line for the bank. Additionally, consumer loans do not represent a meaningful portion of the bank's balance sheet and the bank does not offer agricultural loans. Based on the loan portfolio composition and discussions with WCB management, examiners considered only the bank's record of home mortgage lending as part of this evaluation.

Examiners considered all home mortgage loans reported on the bank's 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR), and bank data for 2016 home mortgage originations. For 2015, the bank reported 254 originated home mortgage loans totaling \$100.6 million. In 2016, the bank reported 287 originated home mortgage loans totaling \$133.1 million.

Under the Lending Test, examiners considered both the number and dollar volume of home mortgage loans. Although both are considered and presented, examiners emphasized the number of loans because the number of loans serves as a better indicator of the number of individuals 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 May 27, 2014.

DESCRIPTION OF INSTITUTION

Background

WCB is a Massachusetts chartered mutual bank headquartered in Winchester, Massachusetts (MA). The bank serves Winchester and the surrounding communities in the eastern portion of Middlesex County. The bank operates a single wholly owned subsidiary, Old Sagem Village Securities Corporation, for the purchase and sale of investment securities for the bank's portfolio. The FDIC and Massachusetts Division of Banks conducted the prior CRA evaluation using ISI Examination Procedures as of May 27, 2014. WCB received a Satisfactory rating.

Operations

WCB is primarily a residential lender operating a single branch location at 19 Church Street in an upper-income census tract of Winchester, MA. WCB offers consumer and business deposit accounts including checking, savings, money market, and certificates of deposit. Loan products include residential mortgage and construction loans, home equity lines of credit, consumer loans, and commercial real estate loans. The bank also offers alternative banking services including mobile banking, telephone banking, and bill-pay services. WCB did not open or close any branches during the evaluation period.

Ability and Capacity

As of December 31, 2016, the bank's assets totaled approximately \$601 million and included total loans of approximately \$437 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2016		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	21,064	4.8
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	369,889	84.7
Secured by Multi-family (5 or more) Residential Properties	20,408	4.7
Secured by Non-farm Non-Residential Properties	23,015	5.3
Total Real Estate Loans	434,376	99.5
Commercial and Industrial Loans	167	0.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	2,081	0.5
Obligations of States and Political Subdivisions in the United States	0	0.0
Other Loans	0	0.0
Lease Financing Receivables (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	\$436,624	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. WCB designated a single assessment area that included Winchester and the six surrounding communities of Arlington, Burlington, Lexington, Medford, Stoneham, and Woburn. All communities are located in Middlesex County, MA and are part of the Cambridge-Framingham-Newton, MA Metropolitan Division (MD).

Economic and Demographic Data

The assessment area includes 47 census tracts and reflects the following income designations according to the 2010 U.S. Census:

- 0 low-income tracts,
- 6 moderate-income tracts,
- 25 middle-income tracts, and
- 16 upper-income tracts.

The moderate-income census tracts are located in Medford (4) and Woburn (2). 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)	47	0.0	12.8	53.2	34.0	0.0
Population by Geography	235,840	0.0	9.2	55.1	35.7	0.0
Housing Units by Geography	99,199	0.0	9.8	55.9	34.4	0.0
Owner-Occupied Units by Geography	64,048	0.0	6.7	52.8	40.5	0.0
Occupied Rental Units by Geography	30,054	0.0	15.3	63.3	21.4	0.0
Vacant Units by Geography	5,097	0.0	15.6	50.6	33.9	0.0
Businesses by Geography	20,883	0.0	7.8	55.5	36.7	0.0
Farms by Geography	342	0.0	5.0	57.0	38.0	0.0
Family Distribution by Income Level	60,829	16.6	15.4	21.5	46.5	0.0
Household Distribution by Income Level	94,102	20.6	14.4	17.4	47.5	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$90,625	Median Housing Value			\$479,807
			Median Gross Rent			\$1,291
			Families Below Poverty Level			3.5%
2016 FFIEC-Estimated Median Family Income – 15764 Cambridge-Newton-Framingham, MA MD		\$98,600				
<i>Source: 2010 U.S. Census and 2015 D&B Data (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners use median family income data, updated annually by the FFIEC, to analyze home mortgage lending performance under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories by analysis year. These categories are based on the 2015 and 2016 median family incomes of \$101,700 and \$98,600, respectively.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
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. As illustrated in the table above, of the 99,199 housing units located in the assessment area, 64,048, or 64.6 percent, are owner-occupied. Only 6.7 percent of owner-occupied housing units are located in moderate-income geographies.

The unemployment rate for Middlesex County declined over the evaluation period to 3.3 percent and is below the State average rate of 4.7 percent. Major industries in the area include healthcare and education. The top two employers in Middlesex County are the Children’s Hospital and Massachusetts Institute of Technology.

Competition

The assessment area is a competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2016, there are 27 financial institutions operating 106 branch offices within the bank’s assessment area.

Additionally, there is significant competition for home mortgage lending within the assessment area. In 2015, 351 lenders originated or purchased 9,645 home mortgage loans in the assessment area. Among these lenders, WCB ranked 14th originating 153 home mortgage loans for a 1.6 percent market share.

Community Contact

As part of the examination process, examiners contact third party organizations active within the assessment area to assist with identifying credit and community development needs present within the area. The information reveals the available credit and community development opportunities and the responsiveness of local financial institutions.

Examiners contacted a representative of a community service organization serving the bank's assessment area. The contact discussed the need for affordable housing throughout the assessment area. Additionally, the contact identified concerns with a growing substance abuse problem and elder abuse issues. The contact was positive about the involvement of local financial institutions in meeting the credit and community development needs within the assessment area.

Credit and Community Development Needs and Opportunities

Considering the information from the community contact and demographic and economic data, examiners determined that affordable housing is the primary credit and community development need within the assessment area. Additionally, due to assessment area demographics, there is a need for senior-related services. Based on 2010 U.S. Census Data, individuals over 65 represented 16.6 percent of the assessment area population.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WCB demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile criteria primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 74.7 percent over the past 11 quarters from June 30, 2014 through December 31, 2016. The LTD ratio for the most recent quarter is the high point over the evaluation period at 82.8 percent. As illustrated in the table below, WCB maintained a ratio somewhat below those of comparable institutions. However, it is reasonable given the assessment area's highly competitive market for financial services and WCB's limited branch presence.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2016 \$(000s)	Average Net LTD Ratio (%)
Winchester Co-operative Bank	601,214	74.7
Melrose Co-operative Bank	264,190	82.7
The Savings Bank	538,040	93.4
Winchester Savings Bank	558,865	79.6
<i>Source: Reports of Income and Condition</i>		

Assessment Area Concentration

The bank made the majority of home mortgage loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		#	\$	%	\$	%
Home Mortgage										
2015	153	60.2	101	39.8	254	61,156	60.8	39,401	39.2	100,557
2016	153	53.3	134	46.7	287	75,192	56.5	57,888	43.5	133,080
Total	306	56.6	235	43.4	541	136,348	58.4	97,289	41.6	233,637
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016. Tables may not add to 100.0 due to rounding.</i>										

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As the assessment area does not contain any low-income census tracts, examiners focused on the percentage of loans by number originated in moderate-income census tracts.

As illustrated in the following table, the bank's performance in moderate-income census tracts falls slightly below both aggregate lending performance and the percentage of owner-occupied housing units in these census tracts in 2015. However, this performance level is reasonable given the high competition level and the bank's limited branch presence. The bank originated 5.9 percent of home mortgage loans within moderate-income census tracts, only 0.8 percent below the percent of owner occupied housing units. Although the percentage of loans remained unchanged in 2016 and was less than demographics, the dollar volume of loans made in moderate-income census tracts increased by 72.0 percent.

Market share data further supports the bank's reasonable performance. In 2015, the bank captured 1.3 of the market and ranked 19th among 152 lenders originating home mortgage loans within moderate-income census tracts of the assessment area. This ranking is slightly lower than the bank's overall market share ranking of 14th in the assessment area. Lenders exceeding WCB's market share within the assessment area include larger national, regional, and local financial institutions. Many have a larger physical presence within the area. Nevertheless, the much larger national bank, Bank of America, originated just 18 loans within these tracts. The top three lenders include JPMorgan Chase Bank, N.A.; Leader Bank; and Loandepot.com, LLC.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2015	6.7	6.9	9	5.9	1,742	2.8
2016	6.7	--	9	5.9	2,995	4.0
Middle						
2015	52.8	54.1	79	51.6	25,518	41.7
2016	52.8	--	76	49.7	30,989	41.2
Upper						
2015	40.5	39.0	65	42.5	33,896	55.4
2016	40.5	--	68	44.4	41,208	54.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	153	100.0	61,156	100.0
2016	100.0	--	153	100.0	75,192	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Tables may not add to 100.0 due to rounding.

Borrower Profile

The distribution of borrowers reflects excellent loan penetration among individuals of different income levels within the assessment area. As part of this analysis, examiners emphasized the bank's performance compared with aggregate lending performance, as this is a better indicator of the actual lending opportunities within the assessment area.

In 2015, WCB significantly exceeded aggregate lending performance to low-income borrowers. Its lending to low-income borrowers dropped slightly in 2016. Examiners compared the bank's 2016 performance to the percent of low-income families as aggregate data is not available. Although the bank's lending is less than demographics in 2016 and similarly was in 2015, demographic data includes all families, not just those who are in the market for a new home loan. Further, given the assessment area's affluent nature, with a median family income of \$108,414, the bank's penetration of low-income borrowers is noteworthy. Low-income families are those with annual income of \$49,300 or less. With assessment area median housing values of \$479,807, these families are unlikely to qualify for financing even under the most flexible lending standards.

Market share data for 2015 further supports the excellent lending penetration, revealing WCB as a local leader in lending to low-income individuals. WCB ranked 4th among 89 lenders with a 4.3 percent market share. Two significantly larger national banks and a national mortgage company ranked higher than WCB. Overall, given the assessment area demographics and market share data, examiners consider this performance excellent.

WCB also exceeded aggregate lending performance to moderate-income borrowers by 1.2 percent. Based on 2015 market share data, the bank ranked 15th among 117 lenders originating loans to moderate-income borrowers. This was slightly less than its overall market share position of 14th among 351 lenders operating within the assessment area. However, the bank's market share of the moderate-income borrower market share at 1.7 percent was slightly greater than its overall at 1.6 percent. Although aggregate data for 2016 is not available, the bank's lending to moderate-income borrowers is consistent with its 2015 performance.

WCB's position as predominately a portfolio lender, allows for more flexible underwriting guidelines than those offered by the secondary market supporting the strong performance with low- and moderate-income borrowers. For example, for residential loans, the bank does not charge any closing costs. This assists in helping to make home ownership more affordable. Considering these factors, the bank's lending to low- and moderate-income individuals is excellent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	16.6	2.4	10	6.5	1,587	2.6
2016	16.6	--	8	5.2	1,862	2.5
Moderate						
2015	15.4	11.6	19	12.4	5,431	8.9
2016	15.4	--	18	11.8	5,820	7.7
Middle						
2015	21.5	21.9	38	24.8	11,258	18.4
2016	21.5	--	35	22.9	12,003	16.0
Upper						
2015	46.5	45.4	83	54.2	41,251	67.5
2016	46.5	--	86	56.2	47,364	63.0
Not Available						
2015	0.0	18.6	3	2.0	1,629	2.7
2016	0.0	--	6	3.9	8,143	10.8
Totals						
2015	100.0	100.0	153	100.0	61,156	100.0
2016	100.0	--	153	100.0	75,192	100.0
<i>Source: 2010 U.S. Census; 11/7/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Tables may not add to 100.0 due to rounding.</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

WCB 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

WCB originated 2 community development loans totaling approximately \$1.2 million during the evaluation period. This activity level represents 0.2 percent of total assets and 0.3 percent of total loans as of the December 31, 2016 Call Report. This represents a significant increase in the dollar volume of community development lending since the prior examination. At that time, community development lending accounted for only 0.06 percent of total loans.

The bank’s community development lending includes one loan to a community service organization dedicated to serving low- and moderate-income seniors in Winchester. Examiners also considered one affordable housing loan originated outside the assessment area in Chelsea. Chelsea is an area in which affordable housing is a community development need. Examiners considered this loan as the bank has been responsive to the community development needs and opportunities within its assessment area. These two loans demonstrate the bank’s responsiveness to the community development needs identified by a community contact.

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	0	0	1	500	0	0	0	0	0	0	1	500
2016	1	700	0	0	0	0	0	0	0	0	1	700
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	700	1	500	0	0	0	0	0	0	2	1,200

Source: Bank Records

Below is a summary of the bank’s community development loans:

- The bank originated a \$500,000 line of credit to a non-profit organization that provides an array of services to predominantly low- and moderate-income senior citizens in Winchester. The organization will use these funds to renovate the non-profit’s location where a majority of its programs and services occur.

- The bank originated a \$700,000 loan for the purchase of a nine family property in a low-income census tract in Chelsea. All nine units are subsidized and rented below Housing and Urban Development market rates.

Qualified Investments

During the evaluation period, the bank made 39 qualified grants and donations totaling approximately \$119,859. The bank did not make any qualified equity investments during the evaluation period. The bank focused its qualified grants and donations to organizations involved with identified community development needs such as affordable housing and elder services. The dollar amount of qualified grants and donations equates to 0.02 percent of average total assets and 0.08 percent of average securities since the last evaluation.

The following table illustrates the bank’s community development investments by year and purpose. The following table includes investments that benefitted the regional or statewide area that includes the bank’s assessment area.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0	0	0
2014	2	3	5	5	0	0	0	0	0	0	7	8
2015	4	4	12	36	0	0	0	0	0	0	16	40
2016	3	23	11	47	0	0	0	0	0	0	14	70
YTD 2017	1	1	1	1	0	0	0	0	0	0	2	2
Total	10	31	29	89	0	0	0	0	0	0	39	120

Source: Bank Records

Below are examples of organizations that received qualified charitable contributions and grants from the bank.

Housing Corporation of Arlington: This organization provides and advocates for affordable housing for low- and moderate-income families and individuals in Arlington and surrounding communities.

Just a Start Corporation: This Community Development Corporation’s mission is to provide housing security and economic stability to low- and moderate-income individuals in Cambridge and surrounding communities including the bank’s assessment area.

Homeowner Options for Massachusetts Elders: This agency’s mission is to protect the equity of low- and moderate-income elder homeowners. Programs offered include senior foreclosure prevention, financial literacy, specialized lending products, and in-home counseling.

Massachusetts Affordable Housing Alliance: This organization’s mission is to educate and mobilize individuals and communities to increase affordable and sustainable homeownership across Massachusetts including the bank’s assessment area. The organization also offers a variety of homebuyer education programs to its clients.

Caritas Communities: This organization’s programs include permanent housing for low-income individuals and veterans, homeless prevention, food assistance, mental and physical health services, and job training and placement services.

Community Services

During the evaluation period, bank employees provided 25 instances of financial expertise or technical assistance to community development-related organizations. 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	6	0	0	0	7
2015	1	8	0	0	0	9
2016	1	8	0	0	0	9
YTD 2017	0	0	0	0	0	0
Total	3	22	0	0	0	25

Source: Bank Records

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

Winchester Affordable Housing Board: The Board recommends strategies and proposals for developing affordable housing and applications for allocating federal and state housing development subsidies and grants. It also reviews and recommends proposals for privately financed multi-unit developments to include affordable housing. A senior vice president serves on the Board.

Winchester Got Lunch: This organization provides food assistance during the summer months to families who are eligible to receive free lunch during the school year. A senior vice president serves on the Board.

En-Ka Society: This organization provides community and social services that include emergency assistance funding to needy families, funding within the school system for students in need, and assistance to local organizations such as Meals-on-Wheels, A Better Chance House, and Winchester Got Lunch. A Director serves on the En-Ka Social Service Committee.

Mission of Deeds: This organization collects and distributes bedding, furniture, fixture, and kitchenware to needy families. A Director serves as the organization's President.

English at Large: This organization's mission is to help unemployed and underemployed refugees and immigrants overcome language barriers so that they can locate employment, obtain community services, access healthcare, and advocate for their children at school. An assistant vice president serves on the Board.

Council of Social Concern: The organization provides affordable childcare, parenting education, and food assistance to needy families residing in Woburn. A vice president serves as a Board member and Treasurer.

In addition, WCB collaborates with community organizations to offer educational seminars on topics including first-time homebuyer, elder abuse, and career readiness for individuals who do not speak English as a first language.

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

Examiners reviewed the bank's fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the 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 anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2015 and 2016 HMDA LARs to determine if the application flow from different minority groups reflects the assessment area demographics.

Examiners compared the bank's 2015 residential lending to the 2015 aggregate lending performance. This comparison assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as for a comparison to aggregate lending data within the assessment area.

Minority Application Flow					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	8	4.5	11.0	4	2.2
Black/ African American	0	0.0	1.4	1	0.6
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	1.7	2.2	4	2.2
Total Minority	11	6.2	15.0	9	5.0
White	149	83.7	59.0	153	83.6
Race Not Available	18	10.1	26.0	21	11.4
Total	178	100.0	100.0	183	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	1.4	1	0.6
Not Hispanic or Latino	157	88.2	71.7	155	84.7
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	1	0.6
Ethnicity Not Available	21	11.8	25.8	26	14.1
Total	178	100.0	100.0	183	100.0
<i>Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data; 2015 HMDA Aggregate Data</i>					

According to the 2010 U.S. Census data, the bank's assessment area contained 235,840 individuals, of which 19.5 percent are minorities. The assessment area's minority and ethnic population consists of 3.9 percent Black/African American, 9.5 percent Asian/Pacific Islander, 0.1 percent American Indian, 3.4 percent Hispanic, and 2.6 percent Other.

In 2015, the bank received 178 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 6.2 percent from minority applicants. This is less than the aggregate's performance of 15.0 percent of applications received from minorities. For the same year, the bank did not receive any applications from Hispanic or Latino applicants.

In 2016, the bank received 5.0 percent of applications from racial minorities and 0.6 percent of applications from Hispanic or Latino applicants.

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved 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 Areas (CBSAs): 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 19 Church Street, Winchester, Massachusetts."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at 19 Church Street, Winchester, Massachusetts."

[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.