

PUBLIC DISCLOSURE

August 14, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Harvard University Employees Credit Union
Certificate Number: 67696

104 Mount Auburn Street
Cambridge, Massachusetts 02138

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

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

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INSTITUTION RATING

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of Harvard University Employees Credit Union (Credit Union) prepared by the division, the institution's supervisory agency, as of August 14, 2017. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's Regulation 209 CMR 46.00.

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

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Credit Union's performance under each of these two tests is summarized below:

The Lending Test is rated Satisfactory

- The loan-to-share (LTS) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Credit Union's average net LTS ratio over the past eight quarters was 106.03 percent.
- The distribution of borrowers reflects, given the demographics of its assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income).
- The Credit Union did not receive any CRA-related complaints during the review period.

The Community Development Test is rated Satisfactory

- The Credit Union demonstrates a satisfactory level of responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area. The Credit Union originated 724 qualified community development loans totaling \$3.6 million during the evaluation period. The Credit Union made approximately \$127,855.00 in qualified community development investments represented entirely of donations to organizations within the community.

SCOPE OF EVALUATION

General Information

This evaluation assesses the Credit Union's CRA performance utilizing Intermediate Small Institution Credit Union examination procedures. An institution with this designation has assets of at least \$307 million as of December 31 of both of the prior two calendar years, and less than \$1.226 billion as of December 31 (adjusted annually) of either of the prior two calendar years. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage and consumer loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) that an institution has completed to meet the needs of the community since the previous evaluation.

Loan Products Reviewed

The Lending Test considered the Credit Union's home mortgage lending. The Credit Union's most recent Report of Condition and Income (Call Report), dated June 30, 2017, indicated that residential lending, including all loans secured by 1 to 4 family and multi-family (5 or more units) residential properties, represented 62.1 percent of the loan portfolio and consisted of a majority of loan volume generated during the current review period. Student loans represented 18 percent of the portfolio, followed by consumer loans totaling 20 percent. Consumer loans included unsecured credit cards, home equity loans and lines of credit, and new and used vehicle loans. Based on the information in the call report, the overall conclusions were primarily based on the Credit Union's performance in home mortgage lending, as this product carried a greater weight in the overall Lending Test analysis.

Data reviewed includes all originated home mortgage lending loans reported on the Credit Union's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2015 and 2016. The LARs contain data about home purchase and home improvement loans, including refinances, of one to four family and multi-family properties. The Credit Union's home mortgage lending performance was compared to the demographics of the Cambridge-Newton-Framingham Metropolitan Division and also the demographics of the Credit Union's membership. The Credit Union does not have a defined assessment area, therefore comparison to the aggregate data was not evaluated. The Credit Union defines their membership as their assessment area.

The Community Development Test considered the number and dollar amount of community development loans, investments, and services for the period of July 24, 2012 through August 14, 2017.

DESCRIPTION OF INSTITUTION

Background

Harvard University Employees Credit Union is a state-chartered credit union, established to promote thrift among the employees of Harvard University. Its membership includes employees, students, and alumni of Harvard University and their families, Harvard teaching hospitals, and affiliated organizations. Some of these are: Brigham's and Women's Hospital, Beth Israel Deaconess Hospital, Boston Children's Hospital, and Harvard Pilgrim Health Care. As of June 30, 2017 the Credit Union's membership consists of 48,724 members.

Operations

Since the last examination, the main office and branch relocated from 16 Dunster Street to 104 Mount Auburn Street within Cambridge, Massachusetts. There are four additional branch locations: one branch in Charlestown at the Charlestown Navy Yard, two in Boston at the Longwood Medical Area and Massachusetts General Hospital and one in Somerville at Assembly Row. The Cambridge branch and the Massachusetts General Hospital branch are located in a middle- and upper-income areas. The Charlestown branch is located in a moderate-income area, and the Longwood Medical branch on Huntington Avenue in Boston is in a low-income area. The newest branch at 399 Revolution Drive, Assembly Row in Somerville is in a moderate-income area. This branch is only available to Partners HealthCare employees that work in the building. Most branch hours range from 8:30am to 4:30pm Monday to Friday. The Harvard Square branch is open on Saturdays from 8:30am to 12:00pm.

The Credit Union is a member of a Shared Branch Network. It is a shared financial delivery channel created by credit unions to provide members with convenient hours and locations. Shared Branching allows members within its network to access and do limited transactions through a network of participating credit unions worldwide. Examples of such transactions include, but are not limited to, balance inquiries, share to share transfers, deposits, withdrawals, check cashing, statement printouts, and purchasing of monetary instruments such as bank checks, money orders, and traveler checks.

Ability and Capacity

Assets totaled approximately \$609.5 million as of the June 30, 2017 quarterly call report, including total loans of approximately \$522.6 million. Total loans and assets have increased since the last examination in July 2012. Total loans have increased by \$262.2 million or 50.1 percent and total assets have increased by \$201 million or 32.9 percent. The Credit Union attributed the overall loan and asset growth to a convenient and accessible loan application process.

Loan Portfolio as of June 30, 2017		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
First Mortgage Real Estate Loans/Lines of Credit	324,518,036	62.1
Non-Federally Guaranteed Student Loans	94,972,085	18.2
Unsecured Credit Cards Loans	37,092,783	7.1
Other Real Estate Loans/Lines of Credit	30,919,376	5.9
Used Vehicle Loans	10,774,619	2.1
All Other Unsecured Loans/Lines of credit	14,706,472	2.8
Total All Other Loans/Lines of Credit	4,121,660	0.8
New Vehicle Loans	5,658,913	1.1
Total	522,763,944	100.0

Source: Reports of Income and Condition

DESCRIPTION OF ASSESSMENT AREA

In accordance with 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union’s bylaws, membership is not based on residence and is available to employees, students, and alumni of Harvard University, Harvard teaching hospitals, and affiliated organizations. For individuals falling into the Credit Union’s scope of membership, a family member can also qualify.

Demographic Data

The 2016 Federal Financial Institutions Examination Council (FFIEC) median family income level was used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. Low- and moderate-income (LMI) individuals make up the largest portion of the Credit Union’s membership at approximately 60 percent. The remaining 40 percent of the members are middle- and upper-income and also those members who do not have a reported income.

Median Family Income Ranges of Credit Union Membership				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Barnstable Town, MA MSA Median Family Income (12700)				
2016 (\$106,678)	<\$52,272	\$52,272 to <\$84,275	\$84,275 to <\$125,000	≥\$125,000

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Credit Union demonstrated a satisfactory level of performance under the Lending Test.

Loan-to Share Ratio

The average LTS ratio is more than reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area. The average LTS was calculated from call reports data over the past eight quarters, from September 30, 2015 through June 30, 2017. The average LTS ratio is 106 percent ranging from 90.2 percent in September 30, 2015 to 101.9 percent in June 30, 2017. The LTS has fluctuated slightly over the past two years. The period between September 30, 2015 and June 30, 2016 experienced the most fluctuation however an average LTS ratio of 106 demonstrates the Credit Union's ability to lend within its member base.

Borrower Profile

An analysis of home mortgage loans extended to Credit Union members was conducted to determine the distribution of lending by borrower income level. The following table illustrates the originated home mortgage loan distribution by borrower income for 2015 and 2016.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	% of Membership	#	%	\$(000s)	%
Low						
2015	--	--	9	2.3	1,328	1.1
2016	23.0	33.0	9	1.9	1,334	0.9
Moderate						
2015	--	--	52	13.5	10,858	8.9
2016	16.6	27.0	57	11.6	11,408	6.8
Middle						
2015	--	--	110	28.5	27,550	22.6
2016	19.9	22.0	118	24.1	32,415	19.2
Upper						
2015	--	--	213	55.2	81,592	66.9
2016	40.5	8.9	303	61.8	122,866	72.7
Not Available						
2015	--	--	2	0.50	608	0.50
2016	--	9.1	3	0.6	907	0.40
Total						
2015	--	--	386	100	121,936	100.0
2016	100.0	100.0	490	100	168,930	100.0

Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data

These figures indicate satisfactory performance taking into account the percentage of LMI members and families. The Credit Union offers mortgages in conjunction with the Federal Home Loan Bank (FHLB) of Boston's Equity Builder Program (EBP). This need-based program offers grants which are used to provide home loans to low-income families. Benefits include assistance with down payments, closing costs, homebuyer counseling and various other services.

Response to Complaints

There were no CRA-related complaints received during the evaluation period.

COMMUNITY DEVELOPMENT TEST

Community Development Loans

The Credit Union originated 724 qualified community development loans totaling approximately \$3.6 million during the evaluation period. Community development loans are for the purpose of community development to assist LMI individuals, affordable housing, revitalizing or stabilizing LMI areas or for the purpose of economic development by financing small businesses. This is a significant increase from the last exam. At the last examination, a total of 52 loans were originated for a total of \$94,063. Below are highlights of the Credit Union's community development loans during this review period.

Over the period from 2012-2017, the Credit Union originated 306 Mass Save HEAT Loans totaling \$2.7 million to LMI homeowners. These community development loans assisted community services to LMI borrowers and are responsive to the community development needs. As part of the Mass Save HEAT Loan program, eligible borrowers may obtain an unsecured interest-free HEAT Loan up to \$25,000 with terms up to 7 years for the installation of energy efficient improvements. To be eligible for the program, borrowers must own a 1 to 4 family home and have been approved by Mass Save after completing the Mass Save Home Energy Assessment.

The Credit Union offers an interest-free Credit Builder Loan. This loan program assists borrowers who wish to improve their credit rating. During this review period, the Credit Union originated 49 Credit Builder Loans to LMI borrowers totaling \$23,550.

The Credit Union partners with the Harvard Union of Clerical and Technical Workers (HUCTW) and offers three interest-free loan types to help its members with rental housing transition costs, moving expenses, and emergency hardships. During this review period, the Credit Union originated 368 of these loans to LMI borrowers totaling \$816,357.

Qualified Investments

The Credit Union made \$223,281 in charitable donations to organizations within the community from 2012 through 2017. Of this amount, approximately 54 donations totaling \$127,855 were considered qualified and met the definition of community development. Since the last examination, qualified donations increased slightly. In the last examination, \$117,285 were considered qualified for CRA purposes. Below is a list of some of the organizations that benefited from these donations.

Homeowners Options for Massachusetts Elders (H.O.M.E.)

A charitable nonprofit agency, H.O.M.E. is dedicated to protecting the equity of LMI elder homeowners. The organization assists LMI elder homeowners and is recognized as a national leader in providing senior foreclosure prevention assistance and provides statewide in-home counseling services.

Cambridge Housing Assistance Fund (CHAF)

The Cambridge Housing Assistance Fund is a community coalition committed to preventing and ending homelessness in Cambridge. Contributions to the organization aid in raising funds to assist the homeless and near homeless with the startup costs of securing permanent housing. Since its inception, CHAF has assisted over 2,000 households.

Cambridge Family & Children's Service (CFCS)

Cambridge Family and Children's Service (CFCS) is one of the oldest human services agencies in Greater Boston. CFCS programs include foster and group care, adoption, developmental disabilities, and family support, serving more than 1,500 individuals annually in over 100 cities and towns throughout Massachusetts. CFCS provides a range of highly focused in-home services to aid in resolving conflicts and promote a safe and stable home life.

Cambridge Healthcare Alliance (CHA)

CHA's mission is to improve the health of its communities in Somerville and Cambridge. The organization provides affordable and accessible healthcare services to homeless men, women, and children.

Food for Free (FFF)

Food for Free is a local meal program for those who cannot access traditional food programs. The FFF also holds educational programs on issues of poverty, nutrition, and food policy because they understand that hunger is not an issue that can be addressed by emergency assistance alone.

Community Hope Initiative (CHI)

Community Hope is a nonprofit organization that provides housing and essential services to individuals recovering from mental illness. Community Hope is the leading nonprofit saving veterans and veteran families from homelessness. The organization provides emergency housing, transitional housing, permanent supportive housing, homelessness prevention and rapid re-housing.

Community Development Services

Financial Literacy Programs and Educational Seminars

Credit Union employees facilitated numerous seminars for high school, college, and graduate students, in addition to individuals seeking information on how to purchase homes.

A portion of the Credit Union's programs are dedicated to students seeking assistance on how to manage their finances and budget while in school. The Credit Union hosted seminars on advising prospective and current students on how to secure and manage student loans.

The Credit Union sponsored financial literacy programs and seminars on a range of topics such as understanding tax basics, planning for retirement, and advice on how to recover from poor financial decisions. In addition to its financial literacy courses, the Credit Union facilitated first-time homebuyer sessions. These sessions cover how to manage the entire mortgage process.

FAIR LENDING POLICIES AND PROCEDURES

The Credit Union's fair lending practices were reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Overall, the institution has a satisfactory record of developing and implementing fair lending policies and practices.

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 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 104 Mount Auburn Street in Cambridge, Massachusetts."

- 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.