

# **PUBLIC DISCLOSURE**

August 14, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Cambridge Trust Company  
Certificate Number: 8152

1336 Massachusetts Avenue  
Cambridge, Massachusetts 02138

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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

# TABLE OF CONTENTS

Institution Rating	
Overall Rating.....	1
Performance Test Ratings Table .....	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Evaluation .....	3
Description of Institution .....	5
Description of Assessment Area.....	7
Conclusions on Performance Criteria .....	12
Appendix	
Scope of Evaluation .....	32
Division of Banks Fair Lending Policies and Procedures .....	33
Glossary .....	35

## INSTITUTION RATING

**INSTITUTION’S CRA RATING:** This institution is rated **Satisfactory** by the Division of Banks and the Federal Deposit Insurance Corporation. An institution in this group has a satisfactory record of helping meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory**	X	X	
Needs to Improve			
Substantial Noncompliance			

\*The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

\*\*FDIC Rules and Regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” rating for the three tests. As the Division of Banks does not have a “Low Satisfactory” rating, this jointly issued performance evaluation uses the term “Satisfactory” in lieu of the “Low Satisfactory” rating for the Lending, Investment, and Service Test ratings.

**The Lending Test is rated Satisfactory.**

- Lending reflects adequate responsiveness to assessment area credit needs.
- The bank originated an adequate percentage of loans in the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.

- The institution makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs.
- The institution made a relatively high number of community development loans.

**The Investment Test is rated Satisfactory.**

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and complex investments to support community development initiatives.

**The Service Test is rated High Satisfactory.**

- The bank's delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals and geographies.
- Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals
- The institution provides a relatively high level of community development services.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated April 8, 2014, to the current evaluation dated August 14, 2017. Examiners used the Interagency Large Institution Examination Procedures to evaluate Cambridge Trust Company's (CTC) CRA performance. These procedures include three tests: Lending Test, Investment Test, and Service Test.

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

- Lending Activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and flexible lending practices
- Community development loans

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

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. In addition, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, as they provide no material support for conclusions or ratings, they are not presented in this evaluation.

This evaluation presents information for 2015, the most recent year for which aggregate data is available, 2016, and year-to-date 2017 data for trends, for both Home Mortgage Disclosure Act (HMDA) and small business loans. Year-to-date 2017 data is from January 1, 2017 to July 31,

2017. This evaluation considered all home mortgage entries on the bank's 2015, 2016, and YTD 2017 HMDA Loan Application Registers (LARs). In 2015, the bank reported 333 originated loans totaling \$199.6 million. In 2016, the bank reported 364 originated loans totaling \$214.1 million. Lastly, in year-to-date 2017, the bank reported 137 originated loans totaling \$80.4 million.

The evaluation also considered all small business loans reported on the bank's CRA Loan Register in 2015, 2016 and YTD 2017. A small business loan has an original loan amount of \$1 million or less and is secured by either nonfarm nonresidential properties or is classified as a commercial and industrial loan. In 2015, the bank reported 98 originated loans totaling \$32.1 million. In 2016, the bank reported 91 originated loans totaling \$20.0 million. Lastly, year-to-date 2017, the bank reported 41 originated loans totaling \$23.4 million.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans. The number of loans is a better indicator of the number of individuals and businesses served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the bank's assessment area.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of April 8, 2014 through the current evaluation date of August 14, 2017.

## **DESCRIPTION OF INSTITUTION**

### **Background**

CTC is headquartered in Cambridge, Massachusetts (MA) and operates in the eastern part of Massachusetts in Middlesex, Norfolk, and Suffolk Counties. The bank is a wholly owned subsidiary of Cambridge Bancorp. CTC has three subsidiaries including CTC Security Corporation, CTC Security Corporation III, and Cambridge Trust Company of New Hampshire, Inc. The CTC Security Corporation and the CTC Security Corporation III hold and acquire securities for the bank. Cambridge Trust Company of New Hampshire provides wealth management services in New Hampshire (NH) for the bank.

The institution received a “Satisfactory” rating from the Division and FDIC during its prior joint evaluation using Interagency Large Institution Examination Procedures.

### **Operations**

Including the main branch in Cambridge, the bank operates 11 full-service brick and mortar branches throughout the assessment area and 5 limited-service trust branches. The bank’s branches are in Boston (2), Belmont, Cambridge (5), Concord, Lexington, and Weston, MA. The limited service trust offices providing wealth management services are located in Boston, MA, and in Concord, Manchester, Peterborough, and Portsmouth, NH. The bank has one stand-alone ATM located in Cambridge, MA.

CTC emphasizes residential lending, but offers a variety of products and services, including home mortgage, commercial, and consumer loans. Consumer lending products include home equity lines of credit, personal lines of credit, and automobile loans. Consumer deposit services include a variety of checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. The bank also offers a Cambridge Trust Visa credit card. Business lending includes commercial real estate loans, construction loans, term loans, small business association (SBA) loans, and standby letters of credit. In addition to consumer and commercial products, the bank offers investment management services through the Wealth Management Department. Services include investment management, fiduciary and planning services, and estate settlement. Alternative banking services include online bill pay, mobile banking deposit, business online banking and bill pay, business mobile banking and deposits, and automated teller machines (ATMs). Since the last examination, the bank closed the Lincoln, MA branch located in an upper-income census tract. Lastly, there have been no mergers or acquisitions since the previous examination.

### **Ability and Capacity**

As of June 30, 2017, the bank had total assets of \$1.9 billion, which included total loans of \$1.3 billion or 70.1 percent of total assets. The bank’s net loan-to-deposit ratio, as of the same date, was 81.1 percent. The bank’s assets increased .27 percent from \$1.5 billion to their current level.

CTC is primarily a residential lender. Loans secured by 1-4 family residential properties

represent 48.6 percent of the portfolio. Loans secured by multi-family residences make up an additional 15.3 percent of the loan portfolio. Collectively, loans secured by non-farm non-residential properties and commercial and industrial loans represent 30.3 percent of the loan portfolio. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/17</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	33,922	2.6
Secured by Farmland	0	0.0
1-4 Family Residential	646,358	48.6
Multi-family (5 or more) Residential	203,589	15.3
Secured by Non-farm Non-Residential	345,003	26.0
<b>Total Real Estate Loans</b>	<b>1,228,872</b>	<b>92.5</b>
Commercial and Industrial	57,190	4.3
Agricultural	0	0.0
Consumer	41,358	3.1
Other	1,477	0.1
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>1,328,897</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## 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. CTC designated a single assessment area, which meets the technical requirements of the regulation. The bank does not have branches outside of the Boston-Cambridge-Newton, MA-New Hampshire (NH) Metropolitan Statistical Area (MSA) (14460). Therefore, separate assessment area analyses are not required for this evaluation. Examiners analyzed and conducted a full scope review of the bank’s performance within the assessment area.

### Economic and Demographic Data

The assessment area includes 173 census tracts located in Middlesex, Norfolk, and Suffolk Counties in MA.

<b>Assessment Area Cities and Towns</b>	
<b>Middlesex County</b>	
Arlington	Belmont
Cambridge	Concord
Lexington	Lincoln
Newton	Somerville
Waltham	Watertown
Wayland	Weston
<b>Norfolk County</b>	
Brookline	
<b>Suffolk County</b>	
Boston*	

\* The assessment area contains the following neighborhoods in the city of Boston: Allston/ Brighton, Back Bay, Beacon Hill, Downtown, the South End, and the West End.

The cities and towns in Middlesex County are in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764). The towns in Norfolk and Suffolk Counties are in the Boston, MA MD (14454). Both MDs are part of the greater Boston-Cambridge-Newton, MA-NH MSA. Although the bank offers wealth management services in New Hampshire, the bank does not accept deposits or maintain any full-service branches in the state.

The 173 census tracts reflect the following income designations according to the 2010 U.S. Census:

- 12 low-income tracts,
- 32 moderate-income tracts,
- 52 middle-income tracts,
- 75 upper-income tracts, and
- 2 census tracts with no income designation.

The low- and moderate-income census tracts are concentrated in the Boston neighborhoods of Cambridge and Somerville. The census tracts with no income designation are the Boston Commons and the Charles River.

The following table illustrates select demographic characteristics of the assessment area.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	173	6.9	18.5	30.1	43.4	1.2
Population by Geography	716,274	6.7	18.1	30.8	44.5	0.0
Housing Units by Geography	317,006	6.0	18.2	32.3	43.6	0.0
Owner-Occupied Units by Geography	139,494	2.7	10.4	29.8	57.2	0.0
Occupied Rental Units by Geography	155,931	8.9	25.4	34.5	31.1	0.0
Vacant Units by Geography	21,581	6.5	15.9	31.9	45.7	0.0
Businesses by Geography	74,240	5.3	11.4	21.5	61.8	0.0
Farms by Geography	686	3.5	10.3	30.0	56.1	0.0
Family Distribution by Income Level	146,443	20.6	13.8	16.5	49.1	0.0
Household Distribution by Income Level	295,425	25.5	13.5	15.9	45.0	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,800	Median Housing Value			\$561,027
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$98,600	Median Gross Rent			\$1,410
			Families Below Poverty Level			6.3%
<i>Source: 2010 U.S. Census, 2016 D&amp;B Data, and 2016 FFIEC- Estimated Median Family Income            Due to rounding, totals may not equal 100.0            (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

In 2017, the census tracts income designations were updated based on 2015 American Community Survey (ACS) U.S. Census data. The 173 census tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 6 low-income tracts,
- 30 moderate-income tracts,
- 48 middle-income tracts,
- 85 upper-income tracts, and
- 4 census tracts with no income designation.

The bank's YTD 2017 lending data is compared to the updated demographic information.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates 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
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
<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
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the owner-occupied housing units, 2.7 and 10.4 percent respectively are in low- and moderate-income census tracts, respectively. U.S. Bureau of Labor and Statistics indicated that as of June 2017, the Massachusetts seasonally adjusted unemployment rate was 4.3 percent. The Massachusetts unemployment rate decreased throughout the evaluation period, from a high of 5.2 percent in June 2014.

According to the 2016 D&B data, there were 74,240 businesses in the assessment area. Gross annual revenues (GARs) for these businesses are as follows:

- 81.5 percent have \$1 million or less
- 8.6 percent have more than \$1 million
- 9.9 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Business demographics indicate that the majority of businesses in the assessment area are small businesses with four or fewer employees. Specifically, 69.0 percent have four or fewer employees, and 87.0 percent operate from a single location. Service industries represent the largest portion of businesses at 53.9 percent; followed by finance, insurance, and real estate at 13.4 percent; retail trade at 10.6 percent; and non-classifiable establishments at 8.6 percent.

## **Competition**

The assessment area is highly competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2016, 53 financial institutions operated 355 full-service branches within the assessment area. The Deposit Market Share data includes the city of Boston and the assessment area only includes certain Boston neighborhoods. Of these institutions, CTC ranked 15<sup>th</sup> with a 0.8 percent deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2015, 436 lenders reported 22,006 originated or purchased residential mortgage loans. CTC ranked 25<sup>th</sup> out of this group of lenders, with a 1.0 percent market share. The 3 most prominent home mortgage lenders accounted for 19.9 percent of the total market share.

There is also a high level of competition for small business loans among several banks, credit unions, credit card companies, and other non-depository lenders in the assessment area. In 2015, 153 lenders reported 63,450 small business loans originated or purchased in Middlesex, Norfolk, and Suffolk Counties. CTC ranked 37<sup>th</sup> out of this group of lenders, with a 0.1 percent market share. The 3 most prominent lenders accounted for 51.6 percent of total market share.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the community's credit and community development needs. This information helps determine whether local financial institutions are responsive to the assessment area needs. It also highlights what credit and community development opportunities are available.

Examiners relied on recently completed community contacts in Boston and in the surrounding cities and towns. These organizations included two community development organizations, a neighborhood development corporation, and a community action agency. These contacts all cited a significant need for affordable housing and opportunities for financial institutions to provide financing for new multi-family developments with affordable housing units. Additionally, certain contacts cited a need for economic development. One contact stated that providing community services would best serve the low- and moderate-income communities. The contact also stated a credit need for small business loans to help support the economic development of the more underserved communities.

Additionally, the community contacts expressed a need for community services. The contact stated that many low-income families have to choose between paying rent and utility bills and feeding their families. Organizations such as food pantries, after-school programs, and other community service organizations help families make ends meet and save money for future expenses. Overall, the contacts indicated that financial institutions have been responsive to the area's credit and community development needs.

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

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing represent a primary credit need for the assessment area. There has been an increase in multi-family developments in recent years, which need funding. These multi-family developments create more Section 8 housing. These developments are the only way many low- and moderate-income individuals can afford to live in certain parts of the assessment area. Additionally, examiners determined that community services for low- and moderate-income individuals represent a significant need in the assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

CTC's overall Lending Test performance is rated Satisfactory. Lending Activity, Geographic Distribution, and Borrower Profile performance primarily support this conclusion.

#### **Lending Activity**

This performance criterion considers the volume of CTC's lending in relation to its financial condition and resources. Lending levels reflect adequate responsiveness to assessment area credit needs. In 2015, 2016, and year-to-date 2017, CTC originated 834 home mortgage loans totaling approximately \$494.0 million. The bank also originated 230 small business loans totaling approximately \$75.5 million. Of these totals, the bank made 511 home mortgage loans, totaling \$322.6 million, and 167 small business loans, totaling approximately \$61.3 million, inside the assessment area.

In 2015, the bank ranked 25<sup>th</sup> out of 436 lenders that reported originating or purchasing at least one home mortgage loan in the assessment area. The bank's market share was 1.0 percent by number and 1.2 percent by dollar volume. Among the higher ranked lenders were larger financial institutions and mortgage companies that operate regionally or nationally, including JPMorgan Chase Bank, NA; Loandepot.com, LLC; Wells Fargo Bank, NA; and Guaranteed Rate INC. The bank ranked below six state-chartered financial institutions. Three of the state-chartered institutions ranked above CTC had assets exceeding \$3.1 billion in 2015.

In 2015, the bank ranked 37<sup>th</sup> out of 153 lenders that originated or purchased at least one small business loan in the counties in which the bank designated its assessment area. The bank's market share was 0.1 percent by number and 0.8 percent by dollar volume. The highest ranked small business lenders were credit card companies, including American Express, FSB; Bank of America, N.A.; Capital One Bank (USA), N.A.; Citibank, N.A.; and Chase Bank USA, NA. The bank ranked below 10 state-chartered financial institutions.

Market rank information for 2016 was not available as of the evaluation date.

#### **Assessment Area Concentration**

The bank made an adequate percentage of home mortgage and small business loans, by number and by 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)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	212	63.7	121	36.3	333	138,936	69.6	60,660	30.4	199,596
2016	221	60.7	143	39.3	364	132,598	61.9	81,464	38.1	214,062
2017	78	56.9	59	43.1	137	51,040	63.5	29,339	36.5	80,379
<b>Subtotal</b>	<b>511</b>	<b>61.3</b>	<b>323</b>	<b>38.7</b>	<b>834</b>	<b>322,574</b>	<b>65.3</b>	<b>171,463</b>	<b>34.7</b>	<b>494,037</b>
Small Business										
2015	66	67.3	32	32.7	98	21,075	65.6	11,073	34.4	32,148
2016	75	82.4	16	17.6	91	16,258	80.9	3,830	19.1	20,088
2017	26	63.4	15	36.6	41	23,953	94.4	1,428	5.6	25,381
<b>Subtotal</b>	<b>167</b>	<b>72.6</b>	<b>63</b>	<b>27.4</b>	<b>230</b>	<b>61,286</b>	<b>79.0</b>	<b>16,331</b>	<b>21.0</b>	<b>77,617</b>
<b>Total</b>	<b>678</b>	<b>63.7</b>	<b>386</b>	<b>36.3</b>	<b>1,064</b>	<b>383,860</b>	<b>67.1</b>	<b>187,794</b>	<b>32.9</b>	<b>571,654</b>
<i>Source: Evaluation Period: 1/1/2015 - 7/31/2017            Due to rounding, totals may not equal 100.0</i>										

## **Geographic Distribution**

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. The bank's adequate performance in home mortgage lending primarily supports this conclusion. Examiners focused on the percentage and number of home mortgage and small business loans in low- and moderate-income census tracts.

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

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. Examiners focused on the comparison to 2015 aggregate data and considered trends based on 2016 and YTD 2017 data and comparisons to demographic data. The following table shows that the bank's lending in low-income tracts in 2015 was slightly below aggregate, trailing by 0.9 percentage points. The bank's lending in low-income tracts increased, by number and overall percentage, in 2016. Lending in low-income census tracts for year-to-date 2017 increased by overall percentage compared to 2015. The overall percentage is comparable to 2016 performance. The bank's lending in low-income census tracts exceeded the percentage of owner-occupied housing units in the assessment area for each year. Lending in moderate-income census tracts in 2015 slightly exceeded aggregate, at 0.8 percentage points higher. The bank slightly increased lending in moderate-income tracts by number and percentage in 2016, but the overall percentage of loans in moderate-income census tracts decreased in YTD 2017. Lending in moderate-income census tracts exceeded the percentage of owner-occupied housing in moderate-income census tracts in the assessment area in 2015 and 2016. The bank's moderate-income census tract lending was comparable to demographics in YTD 2017.

Market share data further supported the bank's adequate performance. In 2015, the bank ranked 37<sup>th</sup> out of 177 lenders, in originating loans in low-income census tracts with a 0.8 percent market share. The bank ranked 23<sup>rd</sup> out of 255 lenders, with a 1.0 percent market share in moderate-income census tracts.

<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	2.7	4.2	7	3.3	3,040	2.2
2016	2.7	--	12	5.4	4,154	3.1
2017	1.2	--	4	5.1	625	1.2
<b>Moderate</b>						
2015	10.4	11.9	27	12.7	19,076	13.7
2016	10.4	--	29	13.1	12,640	9.5
2017	7.7	--	6	7.7	9,940	19.5
<b>Middle</b>						
2015	29.8	32.2	60	28.3	46,828	33.7
2016	29.8	--	53	24.0	30,668	23.1
2017	26.9	--	20	25.6	10,518	20.6
<b>Upper</b>						
2015	57.2	51.6	118	55.7	69,992	50.4
2016	57.2	--	127	57.5	85,136	64.2
2017	63.4	--	48	61.5	29,957	58.7
<b>Not Available</b>						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
2017	0.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>212</b>	<b>100.0</b>	<b>138,936</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>221</b>	<b>100.0</b>	<b>132,598</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>78</b>	<b>100.0</b>	<b>51,040</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data; 2015 ACS U.S. Census; 1/1/2015 - 7/31/2017 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 small business loans reflects good dispersion throughout the assessment area. Examiners focused on comparison to aggregate data. In 2015, the bank's performance in low-income census tracts exceeded aggregate by 6.2 percentage points.

Additionally, the bank increased lending in low-income census tracts in 2016 by number and overall percentage of loans. Lending in low-income census tracts decreased slightly in year-to-date 2017. Lastly, lending in low-income census tracts significantly exceeded the percentage of businesses operating in those areas in 2015 and 2016.

In 2015, the bank's level of lending in moderate-income census tracts fell below aggregate by 3.6 percentage points. The bank slightly increased lending, by number and overall percentage of loans, in 2016. The overall percentage of the bank's lending in moderate-income tracts significantly increased in YTD 2017. Lending in moderate-income census tracts was slightly below the percentage of businesses in moderate-income census tracts in 2015 and 2016. The 2017 demographic data is not yet available for comparison purposes.

Market share data further supported the bank's good performance. In 2015, the bank ranked 25<sup>th</sup> out of 153 lenders, in originating loans in low-income census tracts, with a 0.3 market share. In 2016, the bank ranked 40<sup>th</sup> out of 153 lenders, with a 0.1 percent market share, in originating loans in moderate-income census tracts.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	5.4	5.9	8	12.1	5,372	25.5
2016	5.3	--	10	13.3	2,255	13.9
2017	--	--	3	11.5	109	0.5
Moderate						
2015	11.4	12.7	6	9.1	505	2.4
2016	11.4	--	8	10.7	1,400	8.6
2017	--	--	5	19.2	17,334	72.4
Middle						
2015	21.7	24.6	19	28.8	9,887	46.9
2016	21.5	--	17	22.7	3,270	20.1
2017	--	--	7	26.9	2,008	8.4
Upper						
2015	61.5	56.8	33	50.0	5,311	25.2
2016	61.8	--	40	53.3	9,333	57.4
2017	--	--	11	42.3	4,502	18.8
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>21,075</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>75</b>	<b>100.0</b>	<b>16,258</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>26</b>	<b>100.0</b>	<b>23,953</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 7/31/2017 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's adequate performance of home mortgage lending primarily supports this conclusion. Examiners focused on the percentage and number of home mortgage loans to low- and moderate-income borrowers and the percentage and number of small business loans to businesses with GARs of \$1 million or less.

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

The distribution of home loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration among retail customers of different income levels. Examiners focused on comparison to aggregate in 2015, but considered trends based on 2016 and YTD 2017 data and comparisons to demographic data.

In 2015, the bank's performance of lending to low-income borrowers, at 0.9 percent, was below aggregate data of 1.6 percent. It is important to note, a low-income family in the assessment area, with an average income of less than \$50,850, would not likely qualify for a mortgage under the conventional underwriting standards, especially considering the median housing value of \$561,027. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the difference between the bank's performance to low-income families and the 20.6 percent of families of this income level. Lending to low-income borrowers increased by number and overall percentage in 2016. For YTD 2017, lending to low-income borrowers exceeded the total loans made to low-income borrowers in 2015 and 2016. The overall percentage of loans made to low-income borrowers significantly increased in YTD 2017.

The bank's performance of lending to moderate-income borrowers in 2015, at 9.9 percent, was above the aggregate of 7.5 percent. Lending was less than the percent of moderate-families in the assessment area. Given the assessment area's median housing value and that a moderate-income borrower earns an annual income of \$81,360 or less, these factors also present challenges for moderate-income borrowers. Lending to moderate-income borrowers decreased in 2016 by number and overall percentage. The overall percentage of YTD 2017 lending to moderate-income borrowers decreased compared to 2015 lending, but increased from the bank's 2016 lending performance.

Market share data further supported the bank's adequate performance under this criterion. In 2015, the bank ranked 44<sup>th</sup> in lending to low-income borrowers, out of 99 lenders, with a 0.6 percent market share. The bank ranked 20<sup>th</sup> out of 201 lenders, in lending to moderate-income borrowers, with a 1.3 percent market share.

<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	20.6	1.6	2	0.9	244	0.2
2016	20.6	--	6	2.7	980	0.7
2017	19.7	--	9	11.5	1,236	2.4
<b>Moderate</b>						
2015	13.8	7.5	21	9.9	4,362	3.1
2016	13.8	--	15	6.8	3,352	2.5
2017	12.8	--	6	7.7	1,838	3.6
<b>Middle</b>						
2015	16.5	15.8	22	10.4	7,155	5.1
2016	16.5	--	35	15.8	9,290	7.0
2017	16.3	--	7	9.0	1,911	3.7
<b>Upper</b>						
2015	49.1	57.3	130	61.3	78,846	56.7
2016	49.1	--	140	63.3	77,517	58.5
2017	51.2	--	46	59.0	32,248	63.2
<b>Not Available</b>						
2015	0.0	17.8	37	17.5	48,329	34.8
2016	0.0	--	25	11.3	41,459	31.3
2017	0.0	--	10	12.8	13,807	27.1
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>212</b>	<b>100.0</b>	<b>138,936</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>221</b>	<b>100.0</b>	<b>132,598</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>78</b>	<b>100.0</b>	<b>51,040</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data; 2015 ACS U.S. Census; 1/1/2015 - 7/31/2017 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 small business loans reflects adequate penetration to small businesses. In 2015, lending to business with GARs of \$1 million or less was slightly higher than aggregate performance, at 1.3 percentage higher. In 2016, the number of loans made to businesses with GARs of \$1 million or less increased by number and overall percentage and decreased by overall percentage in YTD 2017. The bank's lending to small businesses fell significantly below the demographics in both 2015 and 2016. Market share data further supports the bank's adequate performance. In 2015, the bank ranked 25<sup>th</sup> out of 153 lenders in originating loans to businesses with GARs of \$1 million or less, with a market share of 0.2 percent.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2015	72.5	48.7	33	50.0	5,075	24.1
2016	81.5	--	43	57.3	8,628	53.1
2017	--	--	11	42.3	19,599	81.8
<b>&gt;\$1,000,000</b>						
2015	7.2	--	30	45.5	8,596	40.8
2016	8.6	--	32	42.7	7,630	46.9
2017	--	--	15	57.7	4,354	18.2
<b>Revenue Not Available</b>						
2015	20.4	--	3	4.5	7,404	35.1
2016	9.9	--	0	0.0	0	0.0
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>	<b>21,075</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>75</b>	<b>100.0</b>	<b>16,258</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>26</b>	<b>100.0</b>	<b>23,953</b>	<b>100.0</b>
<i>Source: 2015 &amp; 2016 D&amp;B Data; 1/1/2015 - 7/31/2017 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### **Community Development Lending**

CTC made a relatively high number of community development loans. The bank originated 23 community development loans, totaling approximately \$66.6 million, during the evaluation period. This is an increase from the previous examination, when the bank originated 18 community development loans. The total dollar amount of community development loans also significantly increased from the previous examination, when the bank originated community

development loans totaled \$5.2 million. The current level of activity represents 3.9 percent of average total assets and 5.7 percent of average total loans since the prior CRA evaluation.

As examiners determined that the bank met the assessment area’s overall needs, they counted community development loans made outside the assessment area. The majority of community development loans made outside the assessment area were in the Boston neighborhoods immediately outside the assessment area. Specifically, the bank made a number of affordable housing loans in Dorchester, Roxbury, and Mattapan. These neighborhoods maintain high concentrations of low- and moderate-income census tracts and the most affordable housing options for low- and moderate-income borrowers in the Boston area. Of the total community development loans, 16 loans, totaling \$48.5 million were inside the assessment area. The other 7 community development loans, totaling \$18.2 million, were outside the assessment area.

The community contacts stated that affordable housing and community services are the greatest needs in the assessment area. The bank originated a majority of community development loans for these purposes. Additionally, the majority of the bank’s affordable housing loans were for buildings in which all the units are for low-income individuals.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2014	2	9,997	2	10,800	0	0	0	0	0	0	4	20,797
2015	3	7,900	1	1,075	0	0	0	0	0	0	4	8,975
2016	5	7,495	6	9,850	0	0	0	0	0	0	11	17,345
YTD 2017	1	1,000	2	1,800	1	16,700	0	0	0	0	4	19,500
<b>Total</b>	<b>11</b>	<b>26,392</b>	<b>11</b>	<b>23,525</b>	<b>1</b>	<b>16,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>23</b>	<b>66,617</b>

*Source: Bank Records*

The following originations represent a sample of community development loans made to organizations and corporations that benefit towns inside the assessment area and the surrounding neighborhoods:

- In 2014, the bank increased a line of credit by \$350,000 to a non-profit that provides educational and therapeutic services to children throughout Massachusetts. Families have no out-of-pocket expenses. The majority of clients qualify for Medicaid and Mass Health. The bank increased the line of credit by \$1.2 million in 2016.
- In 2014, the bank participated in 2 loans for the renovation and rehabilitation of 83 low-income housing units in Dorchester, Mattapan, and Roxbury. The bank’s participation totaled approximately \$10.0 million.
- In 2015, the bank made 2 loans for the construction of 20 affordable housing units for low- and moderate-income individuals in Kendall Square in Cambridge, MA. The 2 loans totaled \$4.9 million.

- In 2015, the bank made a \$15.0 million loan for the construction of a 40B residential housing development in Brookline, MA. Of the units, 20 percent are for affordable housing for low- and moderate-income individuals. The bank received credit for \$3.0 million of the loan.
- In 2016, the bank participated in 3 loans for the rehabilitation of 64 affordable housing units for low- and moderate-income individuals in Salem, MA. The bank's participation totaled \$5.3 million.
- In 2016, the bank extended a \$250,000 line of credit and a \$405,000 refinance to a family self-help center. The organization provides homeless shelters for families and stabilization services to support families in finding permanent housing. The organization also owns a number of affordable housing properties to help families remain self-sufficient.
- In 2016, the bank extended two loans to an organization that provides home care to seniors throughout Massachusetts. The program has income restrictions and the majority of participants are low-income. The 2016 loans totaled \$5.7 million. Additionally, the bank extended 2 additional loans to this organization that totaled \$1.0 million. Business assets secured these loans.
- In 2017, the bank refinanced a \$1.8 million loan to an affordable housing organization. The refinanced loan was for 83 affordable housing units for low- and moderate-income individuals in Roxbury.
- In 2017, the bank made a \$16.7 million commercial construction loan for the renovation of a hotel in Brighton, MA. The hotel is in a moderate-income census tract. The renovation will create approximately 18 to 22 low- and moderate- income employment opportunities for concierge, maintenance, and housekeeping positions.

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. Programs involve government-related subsidies and guarantees. The bank originated 38 innovative and flexible loans, totaling \$23.9 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the bank made \$4.3 million through affordable housing programs and \$19.6 million through small business lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2014		2015		2016		2017		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Good Neighbor Mortgage	0	0	0	0	0	0	2	256	2	256
Massachusetts Housing Finance Agency (Mass Housing) Lender Paid Mortgage Insurance	0	0	0	0	1	195	0	0	1	195
MassHousing Mortgages	0	0	0	0	1	250	0	0	1	250
MassHousing No Mortgage Insurance	0	0	1	288	1	350	0	0	2	638
Federal Home Loan Bank of Boston (FHLB) Equity Builder Program	0	0	0	0	0	0	0	0	0	0
Home Possible	0	0	0	0	0	0	0	0	0	0
Massachusetts Housing Partnership (MHP) ONE Mortgage Program	0	0	0	0	11	1,831	7	1,126	6	2,957
<b>Sub-Total Residential Loans</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>288</b>	<b>14</b>	<b>2,626</b>	<b>9</b>	<b>1,382</b>	<b>12</b>	<b>4,296</b>
SBA 7/7A	3	944	0	0	0	0	0	0	3	944
SBA Express	1	50	0	0	1	350	0	0	2	400
SBA 504	0	0	0	0	0	0	0	0	0	0
Massachusetts Capital Access Program (MassCap)	5	510	0	0	6	801	3	210	14	1,521
The Innovation Banking Group	0	0	0	0	5	13,500	2	3,250	7	16,750
<b>Sub-Total Commercial Loans</b>	<b>9</b>	<b>1,504</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>14,651</b>	<b>5</b>	<b>3,460</b>	<b>26</b>	<b>19,615</b>
<b>Totals</b>	<b>9</b>	<b>1,504</b>	<b>1</b>	<b>288</b>	<b>26</b>	<b>17,277</b>	<b>14</b>	<b>4,842</b>	<b>38</b>	<b>23,911</b>

Source: Bank Records

The following highlights the various innovative and flexible loan programs the bank offers.

#### First-Time Homebuyers Program

CTC offers the following First-Time Homebuyer loan programs and products in conjunction with MassHousing, the MHP Fund, and the FHLB.

- *MassHousing* – Programs and products provide affordable interest rates, mortgage payment protection, flexible underwriting, and low down payment options for first-time homebuyers. Programs are primarily geared to assist low- and moderate-income borrowers with income limits based on property location. Specific products the bank offers through MassHousing include MassHousing Mortgages, MassHousing with no Mortgage Insurance, and MassHousing Lender Paid Mortgage Insurance.
- *MHP*- Programs and products assist first-time homebuyers who would otherwise have difficulty qualifying for a mortgage. Household income for qualified applicants may not

exceed 100 percent of the median area income. The program offers 30-year fixed-rate mortgages for condominiums, and one-to-three family homes with a lower rate and more flexible loan-to-value criteria than standard mortgage offerings. Households with incomes of 80 percent or less of the median area income may qualify for an additional interest subsidy.

- *FHLB Equity Builder Program*- In 2016, the bank began offering this program. It is a regulated grant program offered annually by the Federal Home Loan Bank of Boston. It offers first-time homebuyers up to \$11,000 for down payment and closing costs. Borrowers must be low- or moderate-income and attend homebuyer education or counseling.

In addition to First-Time Homebuyer programs, the bank offers an in-house product and a Federal Home Loan Mortgage Corporation (Freddie Mac) product to assist low- and moderate-income borrowers.

- *Good Neighbor Mortgage*- The bank offers an in-house product for low-income borrowers. The program offers a low down payment, a high loan-to-value ratio, and a discounted fixed-rate with no borrower paid mortgage insurance. The product is for refinances and purchases.
- *Home Possible*- The bank started offering the Home Possible and Home Possible Advantage Program in 2017. The Freddie Mac program offers a low down payment to low- to moderate-income homebuyers.

### Small Business Lending Programs

The bank is a preferred SBA lender. The bank offers the following flexible small business loan programs in cooperation with the SBA and MassCAP.

- *SBA Express Loan Program* – This program provides a streamlined approval process enabling faster approval turnaround times and easy-to-use lines of credit. The program provides for revolving lines of credit or term loans up to \$350,000. The SBA guarantees 50 percent. This is the most widely used SBA program offered by CTC.
- *SBA 7a Loan Program* – This program provides for term loans up to \$5 million, with an SBA guaranty of 85 percent for loans \$150,000 or less and 75 percent for loans greater than \$150,000, with a \$3.75 million guaranty maximum. Borrowers benefit from long-term financing options, a fixed maturity, and no prepayment penalties for loans less than 15 years.
- *SBA 504 Loan Program* – Certified Development Companies (CDC) licensed by the SBA provide these loans. Maximum loan amounts range from \$5 to \$5.5 million depending on the business. The program's main benefit is the low down payment requirement (10-20 percent equity contribution) and flexibility in financing fees. The SBA-guaranteed portion includes a long-term fixed-rate and full amortization.
- *MassCAP* – This program is designed to help small businesses (with less than \$5 million in revenues) throughout Massachusetts obtain loans from participating banks. The

program enables banks to originate loans they might otherwise be unable to grant.

The Innovation Banking Group

During the evaluation period, the bank revamped this lending product initially created in 2014. This product provides financing for the working capital needs of start-up technology businesses. According to management, most financial institutions only accept credit requests over \$1 million for this type of loan. This program allows start-up technology companies to specifically allocate expensive investor funds for long-term strategic investments, utilizing the credit line for short-term working capital needs. According to management, no other local bank offers a similar product to address this credit need.

**INVESTMENT TEST**

The bank’s overall Investment Test performance is rated Satisfactory. The following sections discuss the bank’s performance under each criterion.

**Investment Activity**

CTC made an adequate level of qualified investments, grants, and donations totaling approximately \$5.5 million. This total includes qualified equity investments of approximately \$4.7 million and donations of \$830,123. This dollar amount of equity investments equates to 0.3 percent of average total assets and 1.1 percent of average investments since the last evaluation. Qualified investments represent an increase of approximately 146.9 percent since the last evaluation period. During the last evaluation, the bank had 2 equity investments totaling \$1.6 million and 320 grants totaling \$627,415.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000)
Prior Period	0	0	0	0	0	0	2	1,672	0	0	2	1,672
2014	1	1,000	0	0	0	0	0	0	0	0	1	1,000
2015	1	1,000	0	0	0	0	0	0	0	0	1	1,000
2016	1	1,000	0	0	0	0	0	0	0	0	1	1,000
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>3</b>	<b>3,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,672</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>4,672</b>
Qualified Grants & Donations	21	41	322	786	3	3	0	0	0	0	346	830
<b>Total</b>	<b>24</b>	<b>3,041</b>	<b>322</b>	<b>786</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>1,672</b>	<b>0</b>	<b>0</b>	<b>351</b>	<b>5,502</b>

Source: Bank Records

***Equity Investments***

Qualified equity investments include 3 new equity investments totaling \$3.0 million and 2 prior period equity investments with a total current book value of approximately \$1.7 million. The following are the bank's equity investments.

- *Massachusetts Housing Equity Fund*- This fund seeks to invest in low-income housing improvement projects in economically disadvantaged neighborhoods. The fund benefits a greater statewide area that includes the assessment area. The bank invested \$2.0 million during the current evaluation period.
- *Massachusetts Housing Investment Corporation (MHIC)*- This organization provides financing throughout all of New England for affordable housing and community development activities that serve low- income populations, distressed communities, and other community development needs not well served by conventional financing. The bank invested \$1.0 million during the current evaluation period.
- *Boston Community Loan Fund (BCLF)* - This fund provides loans to non-profit organizations, community development corporations, and local developers that build affordable housing and provide social and community services to underserved communities and low- and moderate-income neighborhoods. The bank invested in 2013 and the current book value is \$1.0 million.
- *Access Capital*- This fund invests in debt instruments that support affordable housing and community development activities for low- and moderate-income individuals and communities. The fund targets the assessment area. The bank purchased this investment in 2003 and the current book value is \$672,150.

### ***Charitable Contributions***

During the evaluation period, the total amount of qualified charitable contributions was \$830,123, representing 59.1 percent of total contributions. The following are examples of organizations that received qualified donations and grants.

- *Caritas Communities* - The organization provides low-income individuals with permanent housing in the Greater Boston area. Other services offered include emergency rental assistance, veterans-specific housing and services, and onsite supportive services.
- *Allston-Brighton Community Development Corporation (CDC)* - This CDC offers homebuyer education classes, develops and maintains affordable housing units for low- and moderate-income individuals, and fosters community engagement.
- *Just-A-Start Corporation* – Just-A-Start Corporation's mission is to build the housing security and economic stability of low- and moderate-income individuals in Cambridge and nearby communities. Just-A-Start Corporation creates and maintains affordable housing, provides housing resources and services, offers education and workforce training for youth and adults, and builds community engagement.

- *Heading Home* - This organization provides emergency and transitional/permanent housing to low-income homeless families and individuals. Other support services include financial literacy and job training.
- *United South End Settlements (USES)* – USES’s mission is to disrupt the cycle of poverty for children and their families residing in Boston. Programs offered include early childhood education, after school programs, summer camp, children’s art center, and workforce readiness.
- *Breakthrough Greater Boston* - This organization administers an academically intensive afterschool program that serves underserved middle school and high school students in the Boston area. The program’s goal is to increase the number of low-income students that graduate high school and pursue higher education.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits good responsiveness to credit and community development needs. As noted previously, affordable housing is the primary need for low- and moderate-income individuals in the assessment area. The new equity investments support the creation of affordable housing for low- and moderate-income individuals. Additionally, the bank provided a majority of grants and donations to organizations that provide social services to low- and moderate-income individuals in the assessment area.

### **Community Development Initiatives**

The institution occasionally uses innovative and/or complex investments to support community development initiatives. During the current evaluation period, the bank invested in various funds that support community development needs not well served by conventional financing.

### **SERVICE TEST**

CTC is rated High Satisfactory under the Service Test. The following sections address the bank’s performance under each criterion.

#### **Accessibility of Delivery Systems**

The bank’s retail branches are accessible to essentially all portions of the institution’s assessment area. To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals and geographies. Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and individuals

#### *Distribution of Branches*

The bank currently operates 11 full-service branches, including the main office in Cambridge. The bank’s branches are located in Belmont, Boston (2), Cambridge (5), Concord, Lexington,

and Weston. In addition to having full-service, deposit-taking ATMs at each branch, the bank operates one remote, non-deposit taking ATM in a middle-income census tract in Cambridge. The bank is a member of the SUM ATM network. Branches are open Monday through Saturday and all branches offer the bank’s various deposit products and consumer, residential and commercial loan products.

The following table illustrates the distribution of retail bank branches.

<b>Branch Distribution by Geography Income Level</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	12	6.9	48,189	6.7	2	18.2
Moderate	32	18.5	129,348	18.1	0	0.0
Middle	52	30.1	220,337	30.8	2	18.2
Upper	75	43.3	318,388	44.4	7	63.6
NA	2	1.2	12	0.0	0	0.0
<b>Total</b>	<b>173</b>	<b>100.0</b>	<b>716,274</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data and Bank Records*

Of the 11 bank branches, 2, or 18.2 percent operate in low-income census tracts. This is greater than the percentage of low-income tracts in the assessment area, at 6.9 percent and the population located in low-income tracts at 6.7 percent. Both branches are in Cambridge in Kendall Square and Cambridge University Park at MIT. The Kendall Square branch is also contiguous to three moderate-income tracts and one additional low-income tract. Similarly, the Cambridge University Park at MIT branch is contiguous to two moderate-income tracts and one additional low-income tract.

#### *Alternative Delivery Systems*

Online banking services are available through the bank’s website, [www.cambridgetrust.com](http://www.cambridgetrust.com). Customers can view account balances, review recent account activity, view and print electronic statements and cleared checks, and transfer funds between accounts. Free bill payment is also available for checking account customers.

The bank operates a 24/7 automated telephone banking system that allows customers to check account balances, review recent transactions, and transfer funds between accounts. The bank’s Customer Resource Center is open from 8:00 AM to 5:30 PM Monday through Friday to assist customers with inquiries about their accounts.

The bank offers a mobile banking application for customers to access their accounts with a smart phone. Customers can pay bills, deposit checks, monitor account balances, view recent transactions, and transfer funds between linked accounts. The bank’s mobile banking application is available for iPhone, iPad, and Android devices.

CTC employs 67 bilingual employees to serve the community. These employees speak 26 different languages, including Spanish, French, Hindi, Mandarin, and Russian.

### **Changes in Branch Locations**

To the extent the bank has made changes, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals and geographies.

In April 2016, the bank closed its branch located in an upper-income census tract in Lincoln, MA. The bank has not opened any new branches during the current evaluation period.

### **Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies or individuals. Although branch hours vary from location to location, no hours vary as to inconvenience a specific geography. Branch hours are reasonable and comparable to other institutions. Except for the Kendall Square branch in Cambridge, branches are open for limited hours on Saturday. ATM, mobile, and online banking are available 24 hours a day, 7 days a week. All retail branches offer the same products and services.

### **Community Development Services**

The bank provides a relatively high level of qualified community development services within its assessment area. A majority of the activities consisted of officers and employees serving on the boards of community development organizations. Further, a substantial majority of the services provided benefited community service organizations that serve low- and moderate-income individuals. The community contacts identified that community services are a primary need in the assessment area and that many families must choose between paying rent, utility bills, and food. The bank was particularly responsive to this need and employees provided assistance to organizations that provide food pantries, job training, and various other services that directly help low- and moderate-income individuals make ends meet.

During the evaluation period, employees provided 72 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.

<b>Community Development Services</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>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2014	2	14	2	2	0	<b>20</b>
2015	2	15	1	2	0	<b>20</b>
2016	3	12	0	1	0	<b>16</b>

YTD 2017	3	12	0	1	0	16
<b>Total</b>	<b>10</b>	<b>23</b>	<b>3</b>	<b>6</b>	<b>0</b>	<b>72</b>
<i>Source: Bank Records</i>						

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

- *Cambridge Housing Assistance Fund*- By supplementing rental startup costs, this fund helps individuals and families who are homeless or on the verge of homelessness transition into stable housing. The President serves as the organization’s Benefit Chairperson. A senior vice president serves on the organization’s planning board.
- *Concord Carlisle Community Chest*- This non-profit organization supports agencies that offer a range of community services to low- and moderate-income individuals. These services include food pantries, domestic violence shelters, adult respite care, adoption services, substance abuse, and adolescent programs. A vice president serves on the Board of Overseers and is active in fundraising.
- *First Literacy*- This program helps low-income, minority, and immigrant adults gain sufficient literacy to enable them to obtain and maintain jobs. Since the program’s inception in 1988, it has helped over 27,000 individuals attain high school diplomas and improve their English skills. An executive vice president serves on the Board and as a financial advisor.
- *Mission of Deeds*- This organization provides beds and furniture to formerly homeless individuals transitioning from shelters to permanent housing. An executive vice president serves on the organization’s Board.
- *Work, Community, and Independence*- Located in Waltham, this organization provides residential services, clinical services, and job training and placement for individuals with intellectual and development disabilities. The majority of individuals served are low- or moderate-income. An assistant vice president serves as a Finance Committee Member and Treasurer.
- *Massachusetts Community and Banking Council*- Massachusetts financial institutions and community organizations meet and share information regarding the availability of credit and financial services in underserved communities. A senior vice president served on the organization’s Banking Services Committee.

**Education Services and Seminars**

Employees provided various educational services and seminars to a number of different programs, schools, and organizations. The locations and the individuals served, represent some of the lowest income areas and individuals within the assessment area. As mentioned previously, community contacts cited the need for community services, including financial education, to low- and moderate-income individuals. The bank’s services are particularly responsive to these needs in the assessment area.

- *Prospect Hill Academy Charter School-* In March 2016, a management team member delivered a program on basic banking, credit skills, and career planning to students at the Prospect Hill Academy Charter School located in Cambridge. A majority of students are low- or moderate-income.
- *Hurley K-8 School-* Personnel presented two financial literacy classes to students attending Hurley K-8 School located in Boston’s South End. A majority of students are eligible for free lunch.
- *Junior Achievement-* In 2014, personnel presented the “Skills to Achieve Program” to students of YouthBuild, a general education development (GED) program for low-income high school dropouts from Boston, Cambridge, and Chelsea. In 2015, personnel presented the program to students of Boston Day and Evening Academy. Topics covered included building credit, the job application process, and identity fraud protection.
- *Bridge to College Program-* Sponsored by the Cambridge Housing Authority, this program provides college-readiness counseling and classroom instruction to GED-holders. In April 2014, personnel presented a class on basic banking information to participants of the program. A majority of the students are low- and moderate-income individuals.
- *Carey Program-* CRA Team members delivered five financial literacy classes for the Carey Program, a transitional housing program for homeless individuals. Topics included financing options for college and post-secondary school education, credit, and savings and investing.
- *Boston Home Center-* The Boston Home Center offers training, financial help, and counseling to first-time homebuyers, counseling to help families avoid foreclosure, hosts affordable housing lotteries, and markets homes developed for income-eligible buyers. Personnel participated in the Center’s Meet the Lender session in February 2017 and the Spring Housing Expo in May 2017.
- *Compass Program-* This program assists women living in shelters in obtaining full time employment. In June 2015, an employee presented a series of classes on budgeting, financial recovery, credit, and banking to participants of the Compass Program.
- *One Hen Inc. -* This entrepreneurship training program for inner-city youth guides students through the process of starting a small business. Personnel presented a class in August 2015 on the loan application process and interest accrual. A majority of the students are low- and moderate-income.
- *First-Time Homebuyers-* Personnel presented several first-time homebuyers classes targeting low- and moderate-income individuals. Topics covered qualifying for a mortgage, pre-qualification versus pre-approval, documentation, various agency

programs, and application process. Three classes were held at the Allston-Brighton CDC and two classes were held with the Cambridge Community Development Department.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## APPENDIX A

### SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	April 8, 2014-August 14, 2017
<b>FINANCIAL INSTITUTION</b>	Cambridge Trust Company
<b>PRODUCTS REVIEWED:</b>	
<ul style="list-style-type: none"> <li>• Home mortgage loans originated in 2015, 2016, and YTD 2017 reported on the bank's HMDA LAR.</li> <li>• Small business loans originated in 2015, 2016, and YTD 2017 and reported on the bank's CRA LR.</li> </ul>	

List of AAs and Type of Evaluation			
Rated Area/ AA	Type of Evaluation	Branches Visited	Other Information
AA	Full-scope	None	173 Census Tracts

Rated Areas' Ratings	
Rated Area's Name	Overall Rated Area's Rating
AA	Satisfactory

## FAIR LENDING POLICIES AND PROCEDURES

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

## MINORITY APPLICATION FLOW

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

Examiners compared the bank's 2015 residential lending to 2015 aggregate lending performance. The 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 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	1	0.3	0.1	1	0.3
Asian	8	2.6	11.3	41	12.0
Black/ African American	4	1.3	1.1	4	1.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	13	4.2	2.6	9	2.6
<b>Total Minority</b>	<b>26</b>	<b>8.4</b>	<b>15.2</b>	<b>55</b>	<b>16.1</b>
White	183	59.2	58.5	171	49.8
Race Not Available	100	32.4	26.3	117	34.1
<b>Total</b>	<b>309</b>	<b>100.0</b>	<b>100.0</b>	<b>343</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	2	0.7	1.7	5	1.5
Not Hispanic or Latino	201	65.0	71.3	218	63.5
Joint (Hisp/Lat /Not Hisp/Lat)	6	1.9	1.1	3	0.9
Ethnicity Not Available	100	32.4	25.9	117	34.1
<b>Total</b>	<b>309</b>	<b>100.0</b>	<b>100.0</b>	<b>343</b>	<b>100.0</b>

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

According to the 2010 U.S. Census data, the bank's assessment area contained a total population of 716,274 individuals, of which 28.0 percent are minorities. The assessment area's minority and ethnic population consists of 5.2 percent Black/African American, 12.5 percent Asian/Pacific Islander, 0.1 percent American Indian, 7.1 percent Hispanic, and 3.1 percent Other Race.

In 2015, the bank received 309 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 8.4 percent from minority applicants. This is below the aggregate's performance of 15.2 percent of applications received from minorities. For the same year, the bank received 2.6 percent of applications from the Hispanic or Latino applicants which is slightly lower than the aggregate of 2.8 percent.

In 2016, the bank received 16.1 percent of applications from racial minorities. This was driven by a large increase of Asian applicants as compared to 2015. For 2016, the bank received 2.4 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 (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[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.