

PUBLIC DISCLOSURE

June 22, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

South Shore Bank
Certificate Number: 90303

1530 Main Street
South Weymouth, Massachusetts 02190

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

INSTITUTION’S CRA RATING: This institution is rated Satisfactory.

An institution in this group has a reasonable 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 following table indicates the performance level of the bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE TESTS			
South Shore Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory			
Satisfactory**	X	X	
Needs to Improve			
Substantial Non-Compliance			

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

LENDING TEST

The Lending Test is rated “**Satisfactory**” based on the following factors:

The bank’s home mortgage and small business lending reflect adequate responsiveness to assessment area credit needs considering the size of the institution, loan portfolio composition, and high level of competition within the bank’s designated assessment area. The bank originated a majority of home mortgage and small business loans (62.2 percent) within the assessment area.

The geographic distribution of home mortgage and small business loans reflects a reasonable penetration throughout the assessment area, particularly in low- and moderate-income census tracts.

Given the product lines offered by South Shore Bank, the distribution of borrowers reflects adequate penetration among different income levels and businesses of different sizes.

The bank exhibits a reasonable record of serving the credit needs of the most economically disadvantaged area of its assessment area, low- and moderate- income individuals, and very small businesses, consistent with safe and sound banking practices.

The bank originated an adequate level of community development loans.

The bank makes use of innovative and/or flexible lending practices in order to serve assessment area credit needs.

The bank has an adequate record relative to fair lending policies and practices. The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the CRA rating.

There is no evidence of loans that show an undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

INVESTMENT TEST

The Investment Test is rated “**Satisfactory**” based on the following:

The bank has an adequate level of qualified community development investments and grants, particularly those that are not routinely provided by private investors.

During the evaluation period, the bank made an adequate level of overall qualified equity investments and charitable contributions totaling \$2.1 million. Qualified equity investments totaled \$1.7 million and qualified donations totaled \$410,475.

The bank’s investments and donations demonstrate an adequate level of responsiveness to credit and community development needs in the assessment area.

SERVICE TEST

The Service Test is rated “**Outstanding.**”

The bank’s service delivery systems are accessible to essentially all portions of the assessment area.

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

Services are tailored in a way that would not inconvenience the needs of the assessment area, particularly low- and moderate-income geographies and individuals. The bank maintains 14 full services branches in the assessment area. There are no branches in low-income geographies and one branch is located in a moderate-income geography. Delivery systems, such as online banking and mobile banking, are readily accessible to all portions of the assessment area.

The bank is a leader in providing community development services. Bank officers and staff members provide their financial expertise to help address community needs through their involvement in various community organizations.

SCOPE OF EVALUATION

Large Bank CRA examination procedures were used to evaluate the bank's CRA performance pursuant to three tests: Lending, Investments, and Services. The CRA evaluation considered activities from April 10, 2012 through June 22, 2015. Based on the volume and composition of residential and small business loans, opening of branches, and deposits, the bank's assessment area was reviewed using full-scope procedures.

The Lending Test focused on residential mortgages and small business loans originated from January 1, 2013 through December 31, 2014. Since residential mortgage lending represents the bank's primary product line, as reflected in both the March 31, 2015 Call Report data and recent lending activities, more weight is assigned to these loan products when arriving at Lending Test conclusions and ratings. Residential mortgages include home purchase, home improvement, and refinances that were originated or purchased during the period reviewed. Residential mortgage loan data is derived from the bank's Loan Application Registers (LARs) maintained in accordance with the Home Mortgage Disclosure Act (HMDA). The bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the bank's designated assessment area. The bank's home mortgage lending performance was also compared with demographic data.

Small business loans include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Information concerning small business loans was derived from the CRA Loan Registers (LRs) submitted annually by the bank to the Federal Financial Institutions Examination Council (FFIEC). The bank's small business lending activity performance is compared to the 2013 aggregate and 2013 and 2014 demographic data. Small farms loans and consumer loans were not analyzed as part of this evaluation as these loans do not constitute a substantial portion of the bank's loan portfolio or recent lending activity. Small business market share reports, due to limitations in the data, default to the county level; therefore, ranks assigned reflect all activity within the counties in which the bank designated at least a portion of its assessment area, unless otherwise noted.

Demographic information is from the 2010 U.S. Census unless otherwise noted. Financial data was derived from the March 31, 2015 Report of Condition and Income (Call Report).

In addition to the Lending Test, which includes an analysis of community development loans and innovative and flexible lending practices, qualified investments and services were also reviewed. These activities are evaluated from April 10, 2012 through June 22, 2015.

DESCRIPTION OF INSTITUTION

South Shore Bank is headquartered in South Weymouth, Massachusetts and operates in the eastern part of Massachusetts with 14 branches in the communities of Weymouth, Norwell, East Bridgewater, Stoughton, Quincy, Pembroke, and Hingham.

The bank offers its retail customers a variety of financial services. In terms of deposit services, consumers have the option of choosing from a variety of savings and checking accounts for personal or business use. In terms of credit services, the bank offers an assortment of secured and unsecured consumer and business loan products. Additionally, South Shore Bank offers a variety of home mortgage programs.

As of March, 31, 2015, the bank had total assets of \$1.0 billion, net loans of \$720,825, and total deposits of \$705,810.

Table 1 - Loan Portfolio Distribution as of 3/31/2015		
Loan Category	\$(000s)	%
Construction and Land Development	30,991	4.3
Secured by Farmland	0	0.0
1-4 Family Residential	344,845	47.8
Multi-family (5 or more) Residential	88,572	12.3
Commercial Real Estate	228,601	31.7
Total Real Estate Loans	693,009	96.1
Commercial and Industrial	25,166	3.5
Agricultural	0	0.0
Consumer	2,650	0.4
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	720,825	100.0
<i>Source: Reports of Income and Condition</i>		

The bank is primarily a real estate lender with approximately 96.1 percent of the loan portfolio secured by residential and commercial real estate. The remainder of the portfolio consists of commercial and industrial obligations, consumer, and other type loans. Commercial and industrial loans are unsecured, or secured by assets other than real estate. The consumer loan portfolio is primarily comprised of new and used automobile loans and personal loans.

The bank's average net loan-to-deposit (LTD) ratio for the preceding 11 quarters (June 30, 2012, to March 31, 2015) was 101.9 percent. South Shore Bank consistently displayed a more than adequate loan funding level, primarily through loan and deposit growth.

The bank received a CRA rating of "Satisfactory" at the previous CRA evaluation conducted concurrently with the Federal Reserve Bank of Boston dated April 9, 2012. The preceding rating is indicative of a bank with an adequate record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The bank was evaluated utilizing Large Bank procedures. There are no

significant financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. South Shore Bank designated the following cities in its assessment area: Abington, Avon, Braintree, Bridgewater, Brockton, Canton, Carver, Cohasset, Duxbury, Easton, Halifax, Hanover, Hanson, Hingham, Holbrook, Hull, Kingston, Marshfield, Milton, Norwell, Pembroke, Plymouth, Quincy, Randolph, Rockland, Scituate, Sharon, Stoughton, Wareham, West Bridgewater, Weymouth, and Whitman. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 159 census tracts. These census tracts reflect the following income designations according to the 2010 U.S. Census:

- 7 low-income tracts,
- 21 moderate-income tracts,
- 85 middle-income tracts,
- 45 upper-income tracts, and
- 1 census tract with no income designation.

Table 2 – Demographic Information of the Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	159	4.4	13.2	53.5	28.3	0.6
Population by Geography	790,650	3.4	12.0	55.4	28.9	0.3
Housing Units by Geography	321,046	3.1	12.6	57.1	27.2	0.0
Owner-Occupied Units by	216,446	1.3	9.7	57.5	31.5	0.0
Occupied Rental Units by	81,126	7.9	19.6	55.9	16.6	0.0
Vacant Units by Geography	23,474	4.7	16.0	56.3	23.0	0.0
Businesses by Geography	58,930	2.1	8.6	56.0	33.3	0.0
Farms by Geography	1,203	0.6	5.3	62.8	31.3	0.0
Family Distribution by Income	200,430	18.4	16.8	22.5	42.3	0.0
Household Distribution by	297,572	3.0	12.4	57.0	27.4	0.0
Median Family Income		\$91,337	Median Housing Value			\$377,003
FFIEC-Estimated Median Family Income for 2014			Median Gross Rent			\$1,087
Boston – Quincy MD		\$87,200	Families Below Poverty Level			7.7%
Providence – Warwick-RI MD		\$72,200				

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

According to 2013 D&B data, there were 58,930 businesses. Gross annual revenues (GARs) for these businesses are below.

- 72.4 percent have \$1 million or less.
- 5.4 percent have more than \$1 million.
- 22.2 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 43.7 percent; followed by retail trade (12.5 percent); construction (10.0 percent); and finance, insurance, and real estate (8.5 percent). In addition, 65.3 percent of area businesses have four or fewer employees, and 91.0 percent operate from a single location.

The 2014 FFIEC-updated median family income level is 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. These categories are based on the 2014 FFIEC-updated median family incomes for the respective Metropolitan Areas.

Table 3 – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston-Quincy MD Median Family Income (\$00,000)				
2014 (\$87,200)	<\$43,600	\$43,600 to <\$69,760	\$69,760 to <\$104,640	≥\$104,640
Providence-Warwick-RI MD Median Family Income (\$00,000)				
2014 (\$72,200)	<\$36,100	\$36,100to <\$57,760	\$57,760 to <\$83,752	≥\$83,752
<i>Source: FFIEC 2014 FFIEC-Estimated Median Family Income data</i>				

There are 321,046 housing units. Of these, 67.4 percent are owner-occupied, 25.3 percent are occupied rental units, and 7.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2014 year-end unemployment rate was 5.3 percent statewide. However, the rate varied from 4.1 percent for Norfolk County to 5.5 percent for Plymouth County and 5.9 percent for Bristol County. Unemployment rates remained constant throughout the evaluation period.

Competition

South Shore Bank operates in a highly competitive lending market. There are numerous financial institutions headquartered within the bank’s assessment area. The competition includes loan production offices, banks, mortgage companies, credit unions, and other entities offering home mortgage and small business loans in this market. Additionally, larger regional and national banks such as JPMorgan Chase Bank; Citibank, N.A.; Citizens Bank N.A.; Bank of America, N.A.; and TD BankNorth, N.A. have a presence within the Bank’s assessment area and contribute to the high level of competition for banking customers.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

The community contact was conducted with an organization that actively seeks to partner with parents, residents, community groups, service agencies, businesses and others who want to strengthen Brockton's families, neighborhoods, and community. The contact stated the need for financial literacy classes, general services integrated into the community, job training, and the importance of educating the community on the importance of saving and credit.

The contact stated that local institutions play a vital role in helping communities prosper and have done so by sponsoring or providing funding, grants and home consortiums as well as presenting financial literacy programs. Overall, the contacts were pleased with the responsiveness of local financial institutions in meeting credit needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that financial literacy is a primary need for the assessment area. This would indicate a need for financial education in the local school systems and also educational seminars for adults.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank is rated “Satisfactory” in the Lending Test. The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment areas (AA) by considering an institution's home mortgage, small business, and community development lending. The Lending Test considered the institution’s performance according to the following criteria.

- Lending activity
- Geographic distribution
- Borrower characteristics
- Community development lending
- Innovative or flexible lending practices
- Fair lending
- Loss of affordable housing

Lending Activity

South Shore Bank’s overall lending levels reflect adequate responsiveness to the credit needs of the assessment area. For home mortgage loans, South Shore Bank originated 294 loans totaling \$125.6 million in 2013 and 152 loans totaling \$70 million in 2014. The bank also extended \$3.3 million in community development loans, much of which supported affordable housing. For small business loans, the bank originated 146 loans totaling \$22.2 million in 2013 and 103 loans totaling \$15 million in 2014 within its AA.

Assessment Area Concentration

This performance criterion evaluates whether the bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending. The distribution of loans by number bears more weight on the bank’s rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

Based on a review of home loan and small business data, a majority (62.2 percent) of the bank’s lending activity occurs within the institution’s assessment area. Table 4 illustrates the bank’s record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4 - Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2013										
Home Purchase	60	45.8	71	54.2	131	19,281	29.5	46,001	70.5	65,282
Refinance	52	40.3	77	59.7	129	16,323	30.3	37,517	69.7	53,840
Home Improvement	24	70.6	10	29.4	34	3,434	52.3	3,127	47.7	6,561
Total	136	46.3	158	53.7	294	39,038	31.1	86,645	68.9	125,683
2014										
Home Purchase	29	34.5	55	65.5	84	12,153	33.2	24,494	66.8	36,647
Refinance	25	61.0	16	39.0	41	11,184	54.5	9,329	45.5	20,513
Home Improvement	19	70.4	8	29.6	27	1,598	12.4	11,276	87.6	12,874
Total	73	48.0	79	52.0	152	24,935	35.6	45,099	64.4	70,034
Total Home Loan	209	46.9	237	53.1	446	63,973	32.7	131,744	67.3	195,717
Small Business 2013	129	88.4	17	11.6	146	18,286	82.2	3,948	17.8	22,234
Small Business 2014	94	91.3	9	8.7	103	13,628	90.8	1,386	9.2	15,014
Total Small Business	223	89.6	26	10.4	249	31,914	85.7	5,334	14.3	37,248
Grand Total	432	62.2	263	37.8	695	95,887	41.2	137,078	58.8	232,965

Source: 2013 and 2014 HMDA LARs, 2013 and 2014 CRA LRs

Geographic Distribution

The geographic distribution of loans was reviewed to determine how well the bank is addressing the credit needs throughout the assessment area. This performance criteria focuses on the distribution of lending in the area's low- and moderate-income census tracts. Considering assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage and small business loans reflects reasonable penetration in the low- and moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion in the assessment area.

In 2013, South Shore Bank was comparable to the aggregate performance and percentage of owner-occupied housing units within lending to low-income census tracts. In lending to moderate-income census tracts, the bank was just below the aggregate and owner-occupied housing units within the assessment area.

Census Tract Income Level	2013 Aggregate Lending	2013 Bank Lending		Owner-Occupied Housing Units	2014 Bank Lending	
	%	#	%		#	%
Low	1.1	2	1.5	1.3	0	0.0
Moderate	7.6	9	6.6	9.7	6	8.2
Middle	54.4	74	54.4	57.5	28	38.4
Upper	36.9	51	37.5	31.5	39	53.4
Total	100.0	136	100.0	100.0	73	100.0

Source: 2013 Aggregate Data, 2013 and 2014 HMDA LARs, and 2010 U.S. Census Data

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the bank's assessment area. The following table shows that the bank's lending percentage in low-income census tracts was lower than the both the 2013 aggregate lending and business demographics. The bank's performance was consistent in 2014.

The bank originated nine small business loans in moderate-income census tracts in 2013. This performance is in line with the 2013 aggregate.

Census Tract Income Level	2013 Aggregate	2013 Businesses	2013 Bank Data		2014 Businesses	2014 Bank Data	
	%	(% of #)	#	%	(% of #)	#	%
Low	3.5	2.2	1	0.8	2.1	1	1.1
Moderate	6.1	8.5	9	6.9	8.6	8	8.5
Middle	43.8	56.3	78	60.5	56.0	56	59.6
Upper	45.5	33.0	41	31.8	33.3	29	30.8
N/A	1.1	0.0	0	0.0	0.0	0	0.0
Total	100.0	100.0	129	100.0	100.0	94	100.0

Source: 2013 Aggregate Data, 2013 and 2014 D&B Data, and 2013 and 2014 CRA LRs

Borrower Characteristics

This performance criterion evaluates the distribution of the bank’s residential and small business loans based on borrower characteristics. Analyses were conducted of the bank’s residential mortgage loans inside the assessment area based on borrower income and the bank’s small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of \$1 million or less. Based on the review of the HMDA LARs and the CRA Small Business Loan Register, the bank has achieved a reasonable penetration of loans among individuals of different income levels and businesses of different revenue sizes.

Home Mortgage Loans

As reflected in Table 7, the bank’s distribution of loans to low-income borrowers, at 5.1 percent, is slightly below the aggregate of 5.6 percent. It is noted that lending to low-income borrowers was significantly lower than the percentage of low-income families (18.3 percent) in the area. However, for a significant portion of these low-income families qualifying for home mortgage loans is difficult given the current economic environment. According to the 2010 U.S. Census, 5.1 percent of all families and 7.9 percent of all households in the assessment area are below poverty level and would have difficulty qualifying for home financing.

In 2013, the bank originated 18.4 percent of total loans to moderate-income borrowers, which was higher than both the aggregate at 17.6 percent and percentage of moderate-income families at 16.9 percent.

The 2014 residential lending activity reflects an increase in originations to low- and moderate-income borrowers. The bank’s overall performance increased for low-income borrowers (6.8 percent) as well as moderate-income borrowers (20.6 percent).

Table 7 - Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	2013 Aggregate Lending	2013 Bank Lending		% of Total Families	2014 Bank Lending	
	%	#	%		#	%
Low	5.6	7	5.1	18.3	5	6.8
Moderate	17.6	25	18.4	16.9	15	20.6
Middle	24.4	33	24.3	22.5	14	19.2
Upper	39.3	61	44.9	42.3	34	46.6
N/A	13.1	10	7.3	0.0	5	6.8
Total	100.0	136	100.0	100.0	73	100.0

Source: 2013 Aggregate Data, 2013 and 2014 HMDA LARs, and 2010 U.S. Census Data

Small Business Loans

The distribution of small business loans in the assessment area reflects a reasonable distribution of lending to business with GARs of \$1 million or less. The following table shows that 78.3 percent of loans were originated to businesses with gross annual revenues of \$1 million or less in 2013, exceeding aggregate lending. In 2014, the bank originated 52.2 percent of small business loans to businesses with revenues less than or equal to \$1 million

Table 8 - Distribution of Small Business Loans by Revenues							
Gross Annual Revenue \$(000s)	2013 Aggregate %	2013 Businesses (% of #)	2013 Bank Data		2014 Businesses (% of #)	2014 Bank Data	
			#	%		#	%
≤ \$1,000	44.5	73.3	101	78.3	72.4	49	52.2
>\$1,000	55.5	5.0	28	21.7	5.4	40	42.5
Not Reported	0.0	21.7	0	0.0	22.2	5	5.3
Total	100.0	100.0	129	100.0	100.0	94	100.0
<i>Source: 2013 Aggregate Data, 2013 and 2014 D&B Data, and 2013 and 2014 CRA LRs</i>							

Community Development Lending

The bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

For the purpose of this evaluation, a community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The bank has made an adequate level of community development loans. During the evaluation period, the bank originated four community development loans totaling \$3.3 million inside their assessment area, representing 0.3 percent of total assets and 2.2 percent of net loans as of March 31, 2015. All of the bank's community development loans had the creation of affordable housing as the primary purpose. The loans went toward construction, purchasing, refinancing, and home improvement of affordable housing units.

Listed below are the qualified community development loans made during South Shore Bank's evaluation period:

- In 2012, the bank originated a \$3 million line of credit to a local residential development company for the construction of a 117-unit 40B condominium development in North Easton, of which \$750,000 qualified as a community development. The project falls under the State of Massachusetts 40B program which supports affordable housing

developments by using flexible rules if at least 20-25 percent of the units have long-term affordability. Thirty of the 117 units are considered affordable housing.

- In 2013, the bank extended two loans, (a revolving construction line of credit for \$1.6 million and a \$1.8 million construction loan) for the development of 32 residential condominium units, of which eight or 25 percent are “affordable housing” units in Hingham and Norwell. The Bank received credit for \$412,500 and \$467,688, respectively, based on the percentage of units that are set aside as affordable housing.
- In 2014, the bank originated a \$4.5 million loan which included a refinance for 39 rental units in Weymouth, of which 19 of the 39 units are rented to housing programs such as South Shore Housing, Quincy Housing and Weymouth Housing Authorities with \$1.7 million qualified as affordable housing units.

Innovative and Flexible Lending Practices

The institution’s innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs. The bank offers a first-time homebuyer mortgage loan program tailored to assist low- and moderate-income individuals in pursuing or maintaining home ownership. Additionally, the bank offers Small Business Administration (SBA) loans to better meet the credit needs of the area’s small businesses. Loans originated under these programs were reported on the bank’s HMDA LARs and CRA Small Business Loan Registers. The programs are described here in order to highlight the innovative and/or flexible underwriting standards employed in the origination of loans for low- and moderate-income people and to businesses of different sizes.

Detailed below are some of the bank’s qualifying loan programs.

U.S. Small Business Administration (SBA) Loan Programs

The bank offers loan programs through the SBA, including the SBA 504 and the SBA 7A. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. SBA 504 loans provide growing businesses with long-term, fixed rate financing for major fixed assets, such as land and buildings. SBA 7A loans provide eligible borrowers funds for starting, acquiring and expanding a small business. During the evaluation period, the bank originated 9 SBA 504 loans totaling \$4.8 million and 129 SBA 7A loans totaling \$8 million.

Mass Housing Loan Program

Mass Housing is an independent public authority that provides financing for the construction and preservation of affordable rental housing, and for affordable first and second mortgages for homebuyers and homeowners. During the CRA evaluation period, the bank originated 27 first

mortgage loans totaling \$6.2 million. Of these Mass Housing loans, 13 loans totaling \$2.4 million were originated to low- and moderate-income borrowers.

Mass Housing Second Mortgage Program Loans

This loan program provides affordable second mortgage loans to help people remove lead paint, upgrade septic systems or make general improvements that will keep the home well-maintained. During the examination period, the bank originated 5 loans totaling \$99,198 to low- and moderate-income borrowers.

Buy Brockton-Quincy Mortgage Program

In a joint effort with Mass Housing, the bank offers a mortgage program through Cambridge Mortgage Group. It is a 30-year fixed rate for loan purchases in Quincy or Brockton; 3.5 percent; 3.597 percent APR*; only three percent down payment required; MassHousing mortgage insurance required if down payment is less than 20 percent; up to \$1,500 closing cost credit for loan purchases in Quincy or Brockton; and homebuyer counseling required for all first-time homebuyers regardless of loan-to-value, and landlord counseling required for all 2-4 unit purchases. The Bank has not made any loans under this program.

Abandoned Housing Initiative

In 2014, the bank created a loan program for a non-profit organization that works with the Attorney General's Office (AGO) on blighted properties abandoned by their owners in residential areas in the bank's assessment area. The AGO will contact the property owner to fix the repairs. If the property owner is unable to complete the necessary repairs, then the AGO turns over the property to organizations or "receivers" to complete the necessary repairs. The loan proceeds are then used to complete the renovations. The owner of the property may reimburse the "receivers" for the cost of the repairs and clear the lien. If the owner cannot or will not pay the costs, then the "receiver" can foreclose on that lien and the property is sold at auction to the highest bidder. During the evaluation period the bank originated one loan totaling \$100,000. The loan was fixed at four percent for two years, payment due upon maturity including principal, interest, and any applicable fees.

USDA Rural Housing

This loan program is geared towards homebuyers who live in rural areas and have little or no money to put down. The program offers flexible, common sense underwriting guidelines, relaxed credit requirements, no private mortgage insurance options, the ability to finance closing costs in the loan amount, lenient seller concessions, and rates that are comparable to, if not better than, conventional fixed rate mortgage programs. The bank made one loan totaling \$254,000 during the review period

Fair Lending

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

Minority Application Flow

The bank's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics. The bank's minority application flow, when compared to the aggregate's performance levels and the assessment area demographics, is adequate.

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 797,826 individuals, of which 20.6 percent are minorities. The assessment area's minority and ethnic population is 7.8 percent Black/African American, 5.3 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 3.3 percent Hispanic or Latino, and 4.0 percent other.

For 2013, the bank received 153 HMDA reportable loan applications from within its assessment area. Of these applications, 5 or 3.3 percent were received from minority applicants, of which 4 or 80.0 percent resulted in originations. The aggregate received 55,790 HMDA reportable loan applications, of which 6,074 or 10.8 percent were received from minority applicants and 3,971 or 7.1 percent were originated. For the same time period, the bank also received 1 or 0.7 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 1 or 100.0 percent were originated versus the aggregate that received 1,302 applications or 2.3 percent, of which 835 or 64.1 percent were originated.

For 2014, the bank received 82 HMDA reportable loan applications from within its assessment area. Of these applications, 6 or 7.3 percent were received from minority applicants, of which 4 or 66.7 percent resulted in originations. For the same time period, the bank also received 3 or 3.6 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 3 or 100.0 percent were originated.

Table 9 – Minority Application Flow					
RACE	2013 Bank		2013 Aggregate Data	2014 Bank	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	4	2.6	5.0	3	3.7
Black/ African American	0	0.0	4.6	3	3.7
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	1	0.7	1.0	0	0.0
Total Minority	5	3.3	10.8	6	7.3
White	138	90.2	67.3	67	81.7
Race Not Available	10	6.5	21.9	9	11.0
Total	153	100.0	100.0	82	100.0
ETHNICITY					
Hispanic or Latino	1	0.7	1.6	1	1.2
Not Hispanic or Latino	142	92.8	75.9	69	84.2
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.7	2	2.4
Ethnicity Not Available	10	6.5	21.8	10	12.2
Total	153	100.0	100.0	82	100.0
<i>Source: 2010 U.S. Census Data, 2013 and 2014 HMDA LARs and 2013 HMDA Aggregate Data</i>					

Loss of Affordable Housing

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

South Shore Bank's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and lending to low- and moderate-income borrowers has assisted low- and moderate-income individuals to remain in their neighborhoods.

Response to CRA Complaints

A review of the Division records, as well as the Public File maintained by the bank pursuant to the Community Reinvestment Act, disclosed no complaints relating to the bank's CRA performance.

INVESTMENT TEST

The bank is rated Satisfactory in the Investment Test. The Investment Test evaluates the bank's record of helping to meet the credit needs of the assessment area by using qualified investments that benefit the assessment area or a broader statewide or regional area that includes the assessment area. The regulation defines a qualified investment as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

During the evaluation period, the bank's qualified equity investments and charitable contributions totaled \$2.1 million. Qualified Equity investments totaled \$1.7 million and qualified donations totaled \$410,475. This is an increase of 23.8% percent from the previous evaluation, at which qualified investments totaled \$1.6 million. The increase is primarily due to an increase in the number of qualified charitable donations.

Equity Investments

The bank has two qualified equity investments that total \$1.7 million, which represents .17 percent of the bank's total assets of \$1.0 billion as of March 31, 2015. These investment were made during the examination period.

Wells Fargo Securities – Wells Fargo offers CRA targeted securities. These securities are backed by residential mortgages and all are located in low-or moderate income areas or originated to low-or moderate-income borrowers. South Shore Bank has six mortgage-backed securities with a current balance of \$1.3 Million. The investments are securitized by loans that benefited low-and moderate-income borrowers and geographies.

BCA Mezzanine Fund II L.P. – The BCA Mezzanine Fund II is small business investment company (SBIC) fund specializing in mezzanine, senior and subordinated debt and equity investments in the United States, with a focus on Northeast companies. During the examination period, the fund closed on 7 investments and one investment is considered CRA qualified. The investment has a total commitment to CRA for \$422,982.

Charitable Contributions

The bank's grants and donations are made through the bank and also the South Shore Bank Charitable Foundation.

During the evaluation, overall donations totaled \$741,432 between April 10, 2012 and June 22, 2015, of which 143 were considered CRA qualified totaling \$410,475 and constitute 55.4 percent of the total grants made during this period.

The bank provided 91 donations totaling \$165,275. An additional 52 donations totaling \$245,200 were provided by the South Shore Charitable Foundation, established by the bank as a means of providing additional financial support to the local community.

The donations provided by both the bank and the Charitable Foundation assist a variety of services to low- and moderate-income individuals and families. These services include assistance with food, healthcare, education, affordable housing, and the economic development of low- and moderate-income communities. The table below details the bank and Charitable Foundation's community development donations by purpose and year.

Table 11 - Community Development Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
4/10/12-12/31/2012	9	20,000	23	59,455	0	0	0	0	0	0	32	79,455
2013	16	42,050	38	104,710	0	0	0	0	0	0	54	146,760
2014	11	41,600	33	96,335	0	0	0	0	0	0	44	137,935
1/1/2015-5/4/2015	4	20,500	9	25,825	0	0	0	0	0	0	13	46,325
Total	40	124,150	103	286,325	0	0	0	0	0	0	143	410,475

Source: Bank Record 4/10/2012 through 5/4/2015

As indicated in the table above, the vast majority of donations were targeted toward organizations that provide community services to low- and moderate-income individuals and families. The following points illustrate an example of organizations to which the bank made qualified donations during the evaluation period.

NeighborWorks of Southern Massachusetts – NeighborWorks’ mission is to assist with affordable housing. This is accomplished by developing and managing affordable housing, educating and assisting homeowners and homebuyers, and helping homeowners repair and maintain their homes. The bank’s contribution assists the organization with affordable housing initiatives.

Weymouth Food Pantry – The Weymouth Food Pantry is a neighbor-to-neighbor grassroots project aimed at ensuring food security for economically-distressed families in Weymouth, MA. The bank’s donation supports the food pantry and assisting those in need.

Brockton Redevelopment Authority – The agency is contracted by the City of Brockton and is tasked with community development and economic revitalization, specifically for the benefit of low- and moderate-income households and areas of the city. The bank’s donation assists the agency in carrying out its mission.

Unity Way – United Way chapters in the assessment area focus on identifying the needs of underserved groups and persons, including low- and moderate-income residents, and providing monetary assistance. The bank’s contribution benefited the United Way of Greater Plymouth and Massachusetts Bay.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community needs. The bank's qualified investments have community development purposes that benefited the entire assessment area and a statewide regional area. The bank made a majority of donations towards community development service type organizations that benefit low- and moderate- income individuals. The community contact indicated basic services to low- and moderate-income individuals are a need in the community. The level of donations to these types of organizations demonstrates the bank's responsiveness and willingness to support the community.

Community Development Initiatives

The bank makes an adequate level of investments to support community development initiatives. Investments promote affordable housing in the assessment area, community services, and economic development.

SERVICE TEST

The bank is rated “Outstanding” in the Service Test. The Service Test evaluates the bank’s record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the bank’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

Distribution of Branches

The bank’s service delivery systems, including full service branches and ATMs, are accessible to essentially all portions of the assessment area. Table 10 compares the distribution of branches and ATMs to the distribution of assessment area census tracts and population by census tract income levels.

The bank maintains 14 full service branches in the communities of Weymouth, Norwell, East Bridgewater, Stoughton, Quincy, Pembroke, and Hingham. All 14 branches have at least one automated teller machine. (ATM). The percentage of branches and ATMs located in moderate - income tracts is in line with the population and percentages of tracts of the moderate-income area.

Census Tract Income	% of Tracts	% of Population	Full- Service Branches		ATMs	
			#	%	#	%
Low	4.4	3.3	0	0.0	0	0.0
Moderate	13.0	11.9	1	7.2	1	7.2
Middle	54.0	55.8	8	57.1	8	57.1
Upper	28.0	28.7	5	35.7	5	35.7
NA	0.6	0.3	0	0.0	0	0.0
Total	100.0	100.0	14	100.0	14	100.0

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

Record of Opening and Closing Branches

To the extent changes have been made, the institution’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. During the evaluation period, South Shore Bank opened one branch - at 99 South Street in Hingham, MA on December 5, 2013, located in an upper-income census tract.

Retail Banking Services

The bank’s services, including business hours, do not vary in a way that inconvenience its assessment area, particularly in low- and moderate-income geographies or for low- and moderate-income individuals. Branch hours are convenient and comparable to other institutions. All 14 branches have 24-hour accessible Automated Teller Machines (ATMs). Both the

Hingham Branch and East Weymouth Branch (middle income tract) offer a Personal Teller Machine that is available from 7:00 a.m. - 7:00 p.m. Monday through Friday and 7:00 a.m. - 2:00 p.m. on Saturdays.

The bank provides a full array of personal banking services. South Shore Bank offers consumer deposit services such as statement savings accounts, passbook savings, reward savings accounts, certificates of deposits, and a number of personal checking accounts. In 2015, the bank updated its Student Checking account to increase access to students. The account was updated to change the age of account opening from 18 to 16 years of age. The product provides unlimited ATM access.

Consumer credit products include residential mortgages, home equity loans, lines of credit, and consumer loans. All applications for residential lending are submitted to the bank's subsidiary, Cambridge Mortgage Group.

The bank offers a wide range of financial products for businesses. These include a comprehensive package of financial services including business checking, business savings, and business money market accounts. Business services include online banking, mobile banking, cash management, and payroll services. Business credit products include commercial mortgage loans, business lines of credit, term loans, and Small Business Administration loans.

Alternative Delivery Systems

South Shore Bank offers its customers online banking and mobile banking services. The bank's website offers many resources to its customers. Customers can open a new deposit account, apply for a credit card, mortgage, home equity loan, car loan or personal loan online.

Community Development Services

The bank is a leader in providing community development services to community development organizations throughout the assessment area. In addition, personnel provide financial education through a variety of seminars and events. During the review period, there were over 100 organizations served. The following table provides the breakdown of employee involvement throughout the examination period. All of the services meet the definition of community development, relate to the provision of financial services as required by the CRA regulation, and are responsive to South Shore Bank's assessment area's community development needs.

Table 13 - Community Development Services						
Activity Year	Qualifying Category					Totals #
	Affordable Housing	Community Services*	Economic Development	Revitalization or Stabilization**	Neighborhood Stabilization Projects	
	#	#	#	#	#	
4/10/2012– 12/31/2012	12	17	1	0	0	31
2013	10	20	2	0	0	32
2014	15	13	1	0	0	29
2015	3	7	1	0	0	11
Total	40	57	5	0	0	103
<i>Internal Bank CD Services Records 4/10/2012- 5/4/2015</i>						

South Shore Habitat for Humanity – This non-profit organization assists low-income individuals and families with financing and building affordable homes in Southeastern Massachusetts. The organization also provides low-income individuals homeownership counseling and financial management education. The organization benefits the bank’s assessment area. An assistant vice president serves as a member of the Finance Committee.

South Shore Economic Development Corporation – The organization focuses on job creation by financing all types of small businesses in Massachusetts and Rhode Island. The organization makes loans ranging from a \$1,000 micro loan to a \$5.5 million SBA 504 loan and also administers a small business technical assistance program. A bank vice president serves on the Board of Directors.

Neighborhood Housing – This organization’s goal is to create housing opportunities by educating and assisting first time home buyers to purchase their own homes, developing affordable housing for those in need, and making home rehabilitation loans. A bank vice president serves on the Board of Directors.

South Shore Workforce Investment Board – The South Shore Workforce Investment Board is a non-profit corporation that is federally mandated to work with major corporations, small businesses, educational institutions, community-based organizations, and labor organizations to provide workforce development leadership throughout the region. The South Shore WIB links adults and youth in the South Shore region with career opportunities in emerging and critical industries. A senior vice president serves on the Board of Directors of this organization.

Brockton Housing Partnership – Brockton Housing Partnership is committed to enhancing the quality of life for low- and moderate-income individuals by providing safe and affordable housing, while helping families move forward toward economic and social independence. The bank’s CRA officer is a member and serves on the organization’s Board of Directors.

Quincy Community Action Program (QCAP) – QCAP is a leading nonprofit organization in the Greater Quincy area dedicated to reducing poverty and helping low-income people achieve self-sufficiency. A bank officer serves on the Policy Council for this organization.

Quincy 2000 Loan Pool – Quincy 2000 Collaborative is the economic development agency of the Quincy Chamber of Commerce. It is a private, non-profit economic development entity that unites Quincy's public and private sectors in a common economic development mission. Working together, business and government leaders promote Quincy's economic vitality and make the city an exceptional place to live, work, invest, and visit. Quincy 2000 Collaborative administers the Quincy 2000 Loan Pool. The Pool is funded by seven local banks, including South Shore Bank. The \$700,000 loan pool provides resources to start or expand a business in Quincy. Ranging from \$20,000 to \$200,000, loans can be used for machinery and equipment, inventory, working capital, leasehold improvements, and other start up or expansion expenses. Loaned on a term/installment basis, the program fills the gap for businesses that do not qualify for adequate conventional financing. The program serves all types of businesses – new or existing, service, retail, industrial or commercial – located in the City of Quincy. A bank vice president serves as vice president for the Quincy 2000 Loan Pool.

Financial Literacy Programs and Educational Seminars

Credit for Life Fair - Bank officers and employees participated in the Credit for Life Fair in Brockton by providing their financial expertise to educate students. This program is a financial education opportunity for high school students to learn the basics of personal finance. Students participate in an interactive fair where they are given a "salary" and must visit vendors to decide what lifestyle choices their budget allows. The bank participated in two Credit for Life Fairs at Brockton High School during the evaluation period. The fairs receive CRA consideration since they were conducted at Brockton schools, where 70 percent of the students qualify for free or reduced-cost school lunches.

Savings Makes Cents – Saving Makes Cents is a banking program for elementary school children, which focuses on the ABC's of money management. Local schools and banks work together to teach children basic monetary concepts, including how to open a savings account, the origin of money, and basic budgeting skills. Saving Makes Cents, partnering with over 170 financial institutions, is now in over 400 schools across the Commonwealth. The State Treasurer's office provides an educational curriculum, which is taught by classroom teachers and bank representatives. In addition, a bank representative works with the teacher to establish opportunities for students to open savings accounts and make deposits right at their school. Saving Makes Cents is an educational and fun program adaptable for children in grades 3 through 6. South Shore Bank participated in this Savings Makes Cents program at two schools in Weymouth. Bank staff provided their financial expertise to educate students.

Other Community Development Services

Resume Writing Workshop – South Shore Bank held a free Resume Building and Interview Workshop. The Workshop was designed for recent college graduates and job seekers. The Workshop was led by South Shore Bank human resources representatives, who provided

techniques and tips for interview etiquette and building a resume that will help attendees stand out in their job search.

Interest on Lawyers Trust Accounts (IOLTA) – The bank maintains Interest on Lawyers Trust Accounts (IOLTA), a funded program of Massachusetts, which provides legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. The goal of the program is to use the interest received for the improvement of the administration of justice and for civil and legal services for low-income clients.

Cristo Rey Internship Program – Cristo Rey is a school that provides an innovative work study program for students so they can afford an education. Currently, Cristo Rey is serving 7,500 students, 25 high schools, and is located in 21 states across the country. The local Boston school has 340 students and 120 local companies mentor students for the Cristo Rey work study program. South Shore Bank hosted 8 students from Cristo Rey for a nine-month internship program.

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 1530 Main Street, South Weymouth, Massachusetts 02118".

- 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.