

# **PUBLIC DISCLOSURE**

October 16, 2017

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Cape Cod Co-operative Bank  
Certificate Number: 26517

121 Main Street  
Yarmouth Port, MA 02675

Division of Banks  
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
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New York, New York 10118

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

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## INSTITUTION RATING

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

**The Lending Test is rated High Satisfactory by the Division and Satisfactory by the FDIC.** *Although the agencies agree on the Lending Test performance, the FDIC's rating matrix does not include a High Satisfactory rating.*

- The average net loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of home mortgage loans and small business loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area, particularly to low- and moderate-income geographies.
- The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints during the evaluation period; therefore, this factor did not affect the rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities throughout the assessment area.

## SCOPE OF EVALUATION

### ***General Information***

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated June 2, 2014, to the current evaluation dated October 16, 2017. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures established by the Federal Financial Institution Examination Council (FFIEC). These procedures include two tests: the Lending Test and the Community Development Test.

The Lending Test evaluates the bank's performance based on the loan to deposit ratio, assessment area concentration, geographic distribution, borrower profile, and response to CRA complaints. The Community Development Test considers the number and dollar amount of community development loans, qualified investments, and community development services, as well as the bank's responsiveness to the community development needs of the assessment area.

### ***Loan Products Reviewed***

Examiners determined the bank's major product lines are home mortgage and small business loans. Examiners emphasized performance by number over dollar volume because the number of loans better indicates the number of individuals and businesses that the bank serves. The evaluation gave significantly more weight to the bank's residential lending performance based on the number and dollar volume of loans originated during the evaluation period. Examiners did not consider small farm loans, consumer loans, and other loan types due to the low volume of originations and the small percentage of the loan portfolio that they represented.

Examiners evaluated home mortgage lending data from January 1, 2015, through December 31, 2016, as reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). Examiners compared the bank's 2015 lending performance with aggregate lending data for all HMDA-reporting lenders and assessment area demographics, as this is the most current year for which aggregate data is available. In 2015, the bank originated 663 home mortgage loans totaling \$193.5 million. In 2016, the bank originated 551 loans totaling \$171.8 million.

Examiners also analyzed small business lending for 2016. The CRA defines small business loans as commercial real estate and commercial and industrial loans with original balances of \$1 million or less. As an ISI, the bank is not required to report small business lending; however, the bank maintains accurate CRA data for small business loans. Examiners validated and used bank small business lending data. In 2016, the bank originated 68 small business loans totaling \$14.7 million. Examiners compared the bank's small business lending data to 2016 D&B demographic data.

The Community Development Test analyzed the bank's qualified community development loans, investments, and services from June 2, 2014, through October 16, 2017.

## DESCRIPTION OF INSTITUTION

### ***Background***

Cape Cod Co-operative Bank is a state-chartered bank headquartered in Yarmouth Port, Massachusetts that operates primarily in Barnstable County, Massachusetts. Coastal Affiliates, MHC owns the bank and is headquartered in Hyannis, Massachusetts. The FDIC and the Division assigned a Satisfactory rating for the prior CRA evaluation dated June 2, 2014, using ISI examination procedures. There are no financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment area.

### ***Operations***

The bank operates nine full-service branches located in East Dennis, East Harwich, Falmouth, Hyannis, Marston Mills, North Falmouth, Sandwich, West Barnstable, and Yarmouth Port. The bank also maintains two limited-service locations (Thirwood Place in South Yarmouth and Heatherwood at King's Way in Yarmouth Port), located in retirement communities, open only to residents and employees of the community. All branches are equipped with 24-hour automated teller machines (ATMs) that take deposits. As part of the SUM ATM program, the bank's customers have fee-free access to thousands of ATMs nationwide. The bank has not opened any branches since the last examination.

The bank offers credit for residential, commercial, and consumer purposes. Loan products include residential mortgage loans for one-to-four family dwelling units, home equity loans and lines of credit, home improvement loans, construction loans, consumer overdraft lines of credit, consumer credit cards, installment loans, commercial real estate loans, and unsecured and secured commercial loans.

The bank's deposit product offerings include personal and business checking accounts, statement savings and money market accounts, Christmas and vacation club accounts, certificates of deposit, and individual retirement accounts. Additionally, the bank offers alternative delivery systems, such as online banking.

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

The June 30, 2017 Call Report data reflects total assets of \$903.7 million, total loans of \$791.0 million, and total deposits of \$763.6 million. The loan portfolio composition remains relatively unchanged since the last examination, with a concentration in residential real estate lending. The breakdown of the bank's loan portfolio is detailed below.

<b>Loan Portfolio Distribution as of 6/30/2017</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	44,176	5.6
Secured by Farmland	-	-
1-4 Family Residential	553,295	70.0
Multi-family (5 or more) Residential	7,221	0.9
Commercial Real Estate	145,600	18.4
<b>Total Real Estate Loans</b>	<b>750,292</b>	<b>94.9</b>
Commercial and Industrial	39,912	5.0
Agricultural	-	-
Consumer	930	0.1
Other	-	-
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>791,134</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Cape Cod Co-operative Bank designated a single contiguous assessment area that includes 45 census tracts, all of which are located in the Barnstable Town, MA Metropolitan Statistical Area (MSA) (12700). The assessment area consists of the following eight cities and towns located in Barnstable County: Barnstable, Bourne, Dennis, Falmouth, Harwich, Mashpee, Sandwich, and Yarmouth. The Town of Barnstable consists of seven smaller villages: Barnstable Village, Centerville, Cotuit, Hyannis, Marston Mills, Osterville, and West Barnstable.

### ***Economic and Demographic Data***

The bank's assessment area consists of 45 census tracts that reflect the following income designations according to 2010 U.S. Census data.

- 1 low-income tract
- 6 moderate-income tracts
- 34 middle-income tracts
- 4 upper-income tracts

The one low-income census tract is located in Hyannis, and the six moderate-income census tracts are located in Bourne, Dennis, Hyannis (2), and Yarmouth (2). 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)	45	2.2	13.3	75.6	8.9	0.0
Population by Geography	181,402	1.7	10.6	76.1	11.6	0.0
Housing Units by Geography	121,124	1.7	12.5	77.0	8.9	0.0
Owner-Occupied Units by Geography	65,069	0.4	8.6	80.0	11.0	0.0
Occupied Rental Units by Geography	15,728	8.5	24.8	61.2	5.4	0.0
Vacant Units by Geography	40,327	1.0	13.9	78.2	6.9	0.0
Businesses by Geography	15,975	9.7	9.7	69.3	11.3	0.0
Farms by Geography	604	2.3	7.8	79.0	10.9	0.0
Family Distribution by Income Level	51,824	19.0	18.1	24.1	38.7	0.0
Household Distribution by Income Level	80,797	22.4	17.6	19.3	40.7	0.0
Median Family Income MSA - 12700 Barnstable Town, MA MSA		\$75,056	Median Housing Value			\$397,934
			Median Gross Rent			\$1,110
			Families Below Poverty Level			5.4%
<i>Source: 2010 U.S. Census and 2016 D&amp;B Data Due to rounding, totals may not equal 100.0</i>						

The FFIEC median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for Barnstable County are presented in the following table.

<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>Barnstable Town, MA MSA Median Family Income (12700)</b>				
2015 (\$80,300)	<\$40,150	\$40,150 to <\$64,240	\$64,240 to <\$96,360	≥\$96,360
2016 (\$77,100)	<\$38,550	\$38,550 to <\$61,680	\$61,680 to <\$92,520	≥\$92,520
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

The assessment area has a total population of 181,402 individuals residing in 51,824 families. Of total families in the area, 19.0 percent are low-income, 18.1 percent are moderate-income, 24.1 percent are middle-income, and 38.7 percent are upper-income. These figures include 5.4 percent of families that are below the poverty level. This poverty rate typically indicates a reduced ability for low-income families to secure a mortgage loan, thereby reducing residential lending opportunities for low-income borrowers, especially considering the cost of housing. Per the Warren Group Report, the median sales price for a single family home in Barnstable County was \$332,000 in 2015 and \$344,750 in 2016.

Of the 121,124 housing units, 65,069 or 53.7 percent are owner-occupied, and the median housing value in 2010 for the assessment area was \$397,934. Additionally, there are 15,728, or 13.0 percent of rental units with a median gross rent of \$1,110. The large percentage of vacant units (33.3 percent) is mainly due to the fact that many properties are second homes, owned primarily for seasonal purposes. The demographic information table shows lower than expected distributions of owner-occupied housing units in the low- and moderate-income tracts when compared to the population percentage in these tracts. The low percentage of owner-occupied units in low- and moderate-income tracts limits opportunities to make home mortgage loans in these geographies.

Data from the U.S. Bureau of Labor Statistics indicates that the annual unemployment rate for 2015 for the bank’s assessment area is higher, at 6.2 percent, than the statewide rate of 4.4 percent. In 2016, the unemployment rate decreased for both the County (4.7 percent) and the state (3.1 percent).

According to 2016 D&B data, 15,975 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the distribution of businesses by gross annual revenue (GAR) level. GAR data for businesses in the assessment area is estimated below.

- 85.7 percent have \$1 million or less.
- 5.0 percent have more than \$1 million.
- 9.3 percent did not report revenues.



Service industries represent the largest portion of businesses at 47.4 percent, followed by retail trade at 14.6 percent, and construction at 11.4 percent. In addition, 74.4 percent of businesses in the area employ four or fewer people, and 89.4 percent of businesses in the area operate from a single location. A majority of the restaurants, hotels, galleries, and other small businesses operate from April to late October. These particular small businesses may use alternative financing, such as home-secured or credit card loans to fund business operations. Included among the largest employers in the assessment area are: Cape Cod Hospital; Cape Cod Community College; Nantucket Airlines; Barnstable High School; Dialogic, Inc.; and Cape Cod Times.

### ***Competition***

According to FDIC Deposit Market Share Data as of June 30, 2017, there were 10 depository institutions operating 105 offices within the bank's assessment area. Cape Cod Cooperative Bank ranked 5th with a deposit market share of 10.0 percent. The top three depository institutions in the area according to market share were The Cape Cod Five Cents Savings Bank (29.9 percent); TDBank, NA (14.6 percent); and Bank of America, NA (11.3 percent).

The bank faces strong competition from other larger financial institutions that originate loans within the assessment area. Bank competitors include Cape Cod Five Cents Savings Bank, Eastern Bank, TDBank, NA and Quicken Loans.

Aggregate home mortgage lending data for 2015 shows that 381 lenders originated 8,204 home mortgage loans within the assessment area. Cape Cod Cooperative Bank ranked second with 526 loans and a market share of 6.4 percent. Cape Cod Five Cents Savings Bank ranked first with 1,152 loans and a 14.0 percent market share, and Wells Fargo Bank, NA ranked third with 318 loans and a 3.9 percent market share. Quicken Loans followed these banks, originating 287 loans with a 3.5 percent market share.

### ***Community Contact***

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

Examiners contacted a non-profit organization that develops affordable housing opportunities and provides community housing programs for seniors, families and individuals; provides emergency shelter and homelessness prevention; and provides homebuyer and homeowner education and counseling. The contact indicated the primary obstacles to homeownership include: a lack of affordable year-round housing, both rental and purchase; a need for more living-wage job opportunities; and the area's unusually high cost of construction. The contact stated that mortgage rate buy-down options to improve monthly affordability were critical to low- and moderate-income borrowers and for partnerships in developing more affordable housing. Overall, the contact credited local financial institutions with responding to lending and community development needs of the community.

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

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the assessment area. There is a shortage of living-wage jobs, an increased need for affordable housing inventory, and an increased need for community and housing-related services for low- and moderate-income individuals. As stated by the community contact, the unique seasonal resort nature of the area presents challenges to successfully addressing these needs.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Cape Cod Co-operative Bank demonstrated good performance under the Lending Test. The bank’s geographic distribution and borrower profile performance provide primary support for this conclusion.

### Loan-to-Deposit Ratio

The bank’s average net LTD ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net LTD ratio, calculated from Call Report data, averaged 108.0 percent over the past 13 calendar quarters from June 30, 2014, to June 30, 2017. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The ratio ranged from a low of 100.5 percent as of September 30, 2016, to a high of 118.3 percent as of March 31, 2015, and has trended slightly downward during the evaluation period. The bank had a large bulk sale of loans toward the end of July 2016, which impacted the September 2016 figure.

During this time period, net loans have increased 25.8 percent, deposits have increased 37.6 percent, and assets have increased 21.2 percent. The bank sold 809 loans totaling \$206.2 million to numerous organizations on the secondary market, which allows recycling of funds to originate additional loans. The vast majority of these loans were sold to the Federal Home Loan Bank.

Examiners selected comparable institutions based on their asset size and geographic location. The bank maintained a high LTD ratio that was similar to or exceeded comparable institutions’ ratios, as detailed in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank Name</b>	<b>Total Assets as of June 30, 2017 \$(000s)</b>	<b>Average Net LTD Ratio from 6/30/14 – 6/30/2017 (%)</b>
<b>Cape Cod Cooperative Bank</b>	<b>903,745</b>	<b>108.0</b>
Martha’s Vineyard Savings Bank	826,274	105.1
Seamens Bank	352,573	74.4
<i>Source: Consolidated Reports of Condition and Income</i>		

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table details the bank’s home mortgage and small business lending activity inside and outside of the assessment area in 2015 and 2016.

<b>Lending Inside and Outside of the Assessment Area</b>											
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>	
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>		
Home Mortgage											
2015	526	79.3	137	20.7	663	146,744	75.8	46,745	24.2	193,489	
2016	447	81.1	104	18.9	551	133,338	77.6	38,456	22.4	171,794	
<b>Subtotal</b>	<b>973</b>	<b>80.1</b>	<b>241</b>	<b>19.9</b>	<b>1,214</b>	<b>280,082</b>	<b>76.7</b>	<b>85,201</b>	<b>23.3</b>	<b>365,283</b>	
Small Business											
2016	58	85.3	10	14.7	68	12,737	86.5	1,994	13.5	14,731	
<b>Total</b>	<b>1,031</b>	<b>80.4</b>	<b>251</b>	<b>19.6</b>	<b>1,282</b>	<b>292,819</b>	<b>77.1</b>	<b>87,195</b>	<b>22.9</b>	<b>380,014</b>	
<i>Source: Bank 2015 and 2016 HMDA Data and 2016 Small Business Bank Records. Evaluation Period: 1/1/2015 – 12/31/2016.</i>											

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflect excellent dispersion throughout the assessment area. Examiners emphasized the percentage by number of home mortgage and small business loans in low- and moderate-income geographies.

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

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area, particularly in the low- and moderate-income census tracts. The one low-income census tract is located in an industrial commercial business area, resulting in limited housing opportunities. As detailed in the following table, the bank’s lending in both low- and moderate-income census tracts exceeded both the aggregate lending performance and owner-occupied housing units.

In 2015, the bank originated seven, or 1.3 percent of, loans to borrowers in the low-income census tract, exceeding both the aggregate (0.7 percent) and owner-occupied housing (0.4 percent). The bank’s lending in the moderate-income tracts (11.8 percent) again exceeded both the aggregate (9.6 percent) and owner-occupied housing (8.6 percent). In 2016, originations in both low- and moderate-income tracts decreased to 0.9 percent and 6.3 percent, respectively. Per discussions with bank management, the decrease was due to limited inventories, changes in market conditions, and affordability concerns.

Market share data shows that 22 lenders originated 57 loans in the low-income census tract. Cape Cod Cooperative Bank ranked first with a 12.3 percent market share. Cape Cod Five Cents Saving Bank; Wells Fargo Bank, NA; and Eastern Bank all tied for second originating three loans with a market share of 5.3 percent. In the moderate-income tracts, 153 lenders originated 786 loans, and Cape Cod Cooperative Bank ranked second with a 7.9 percent market share. Cape Cod Five Cents Savings Bank ranked first, originating 87 loans with an 11.1 percent market share, followed by Wells Fargo Bank, NA, originating 34 loans with a 4.3 percent market share. Market share data further supports the bank’s excellent performance.

<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	0.4	0.7	7	1.3	1,051	0.7
2016	0.4	--	4	0.9	985	0.7
<b>Moderate</b>						
2015	8.6	9.6	62	11.8	14,232	9.7
2016	8.6	--	28	6.3	7,151	5.4
<b>Middle</b>						
2015	80.0	78.1	409	77.8	117,769	80.3
2016	80.0	--	374	83.7	114,483	85.9
<b>Upper</b>						
2015	11.0	11.6	48	9.1	13,692	9.3
2016	11.0	--	41	9.2	10,719	8.0
<b>Not Available</b>						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>146,744</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>447</b>	<b>100.0</b>	<b>133,338</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding up, totals may not equal 100.0.</i>						

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

The geographic distribution of small business loans reflects good dispersion throughout the assessment area. The following table shows the distribution of small business loans compared to the percentage of businesses located in each tract income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Bank Data 2016</b>			
		<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	9.7	7	12.1	1,820	14.2
Moderate	9.7	4	6.9	250	2.0
Middle	69.3	43	74.1	9,929	78.0
Upper	11.3	4	6.9	738	5.8
<b>Totals</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>12,737</b>	<b>100.0</b>
<i>Source: 2016 D&amp;B Data, 2016 Small Business Bank Records</i>					

## **Borrower Profile**

The distribution of borrowers reflects good penetration among borrowers of different income levels and businesses of different sizes. Examiners emphasized the bank's record of home mortgage lending to low- and moderate-income borrowers and small business lending to businesses with GARs of \$1 million or less.

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

The distribution of home mortgage loans to borrowers of different income levels is good. As noted in the table below, in 2015, the bank originated 29, or 5.5 percent of, loans to low-income borrowers, which is higher than the aggregate of 4.4 percent. In 2016, the bank originated 17 loans to low-income borrowers, or 3.8 percent, which is slightly lower than 2015. Low-income families may have difficulty qualifying for home mortgage loans as the average income for a low-income family in Barnstable County is less than \$38,550. In addition, 5.4 percent of all families in the assessment area fall below the poverty level. Market share data further supports the bank's good performance. In 2015, the bank ranked second for low-income borrowers with a market share of 8.1 percent. Cape Cod Five Cents Savings Bank ranked first with a 16.8 percent market share, and Bank of America, NA ranked third with a 4.8 percent market share.

In 2015, the bank originated 90, or 17.1 percent of, loans to moderate-income borrowers. This exceeds the aggregate of 15.4 percent but is below the percentage of families at 18.1 percent. The bank's lending to these borrowers decreased in 2016 to 14.5 percent. Market share data shows Cape Cod Cooperative Bank ranked second with a 7.1 percent market share. For moderate-income borrowers, Cape Cod Five Cents Savings Bank was again ranked first with a market share of 15.2 percent. Quicken Loans ranked third with a market share of 5.1 percent.

The bank offers a Low-Moderate Income Adjustable Rate Mortgage loan program that is a need-based program for low- to moderate-income borrowers who generally do not qualify for conventional financing. During the evaluation period, the bank originated 24 such loans totaling \$4.9 million. The bank partners with MassHousing to provide flexible loans to low- and moderate-income borrowers. MassHousing is a non-profit, public agency that supports the creation, preservation, and long-term viability of affordable homeownership and rental housing opportunities. The organization helps Massachusetts residents with modest incomes who are under-served by conventional housing markets. During the evaluation period, the bank originated 21 loans totaling \$5.2 million. This is an indication of the bank's commitment to meeting the credit needs of low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	19.0	4.4	29	5.5	3,510	2.4
2016	19.0	--	17	3.8	2,592	1.9
Moderate						
2015	18.1	15.4	90	17.1	17,451	11.9
2016	18.1	--	65	14.5	13,808	10.4
Middle						
2015	24.1	19.3	118	22.4	28,957	19.7
2016	24.1	--	104	23.3	24,805	18.6
Upper						
2015	38.7	46.7	286	54.4	94,837	64.6
2016	38.7	--	256	57.3	90,036	67.5
Not Available						
2015	0.0	14.2	3	0.6	1,989	1.4
2016	0.0	--	5	1.1	2,097	1.6
<b>Totals</b>						
<b>2015</b>	<b>100.0</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>146,744</b>	<b>100.0</b>
<b>2016</b>	<b>100.0</b>	<b>--</b>	<b>447</b>	<b>100.0</b>	<b>133,338</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

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

The distribution of 2016 small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows that the bank originated 29 loans, or 50.0 percent of the bank's small business loans by number, to such businesses. These numbers are less than the percentage of businesses, 85.7 percent, in this category. Heavy competition mitigates the bank's level of lending to small businesses. Furthermore, business lending is also the bank's secondary product.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	Bank Data 2016			
		#	%	\$(000s)	%
≤ \$1,000,000	85.7	29	50.0	5,877	46.1
> \$1,000,000	5.0	29	50.0	6,860	53.9
Revenue Not Available	9.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>58</b>	<b>100.0</b>	<b>12,737</b>	<b>100.0</b>
<i>Source: 2016 D&amp;B Data, 2016 Small Business Bank Records. * Due to rounding, totals may not equal 100.0 percent.</i>					

**Response to Complaints**

The bank did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not impact the CRA rating.

**COMMUNITY DEVELOPMENT TEST**

Cape Cod Cooperative Bank’s community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area.

**Community Development Loans**

During the evaluation period, the bank originated 27 community development loans totaling \$10.7 million. Community development lending represents 1.4 percent of loans and 1.2 percent of total assets. The majority of the bank’s community development loans promoted an increase of affordable housing units within the assessment area through various new construction and renovation projects. During the previous evaluation, the bank originated 14 loans totaling \$6.4 million. Excluding qualified Small Business Administration (SBA) loans, the following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Lending</b>												
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Neighborhood Stabilization</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
6/3/14 - 12/31/14	1	300	1	5	-	-	-	-	-	-	2	305
2015	1	1,426	2	18	3	1,486	-	-	-	-	6	2,930
2016	1	368	1	86	-	-	-	-	-	-	2	454
YTD 2017	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>2,094</b>	<b>4</b>	<b>109</b>	<b>3</b>	<b>1,486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>3,689</b>

*Source: Bank Records*

In addition to the ten community development loans listed in the above table, the bank originated 16 SBA 504 loans totaling \$7.0 million and 1 SBA Express loan totaling \$80,000 since the prior evaluation. All qualified SBA loans supported economic development. This lending activity is broken down further in the following table.



<b>SBA Community Development Lending</b>						
<b>Activity Year</b>	<b>SBA 504</b>		<b>SBA Express</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
6/3/14 -12/31/14	1	540	-	-	<b>1</b>	<b>540</b>
2015	-	-	-	-	-	-
2016	13	6,130	-	-	<b>13</b>	<b>6,130</b>
YTD 2017	2	302	1	80	<b>3</b>	<b>382</b>
<b>Total</b>	<b>16</b>	<b>6,972</b>	<b>1</b>	<b>80</b>	<b>17</b>	<b>7,052</b>
<i>Source: Bank Records</i>						

Below are notable examples of the bank's community development loans.

- In 2015, the bank originated a \$500,000 loan for the expansion of a local fish hatchery in a moderate-income census tract in Yarmouth. The expansion increased the business's production and created more permanent positions within the business.
- In 2015, the bank originated a \$985,000 loan for the expansion of another local fish hatchery. This loan includes \$323,000 of SBA 504 funds. This expansion also created additional permanent positions within the business.
- In 2015, the bank originated an \$8.3 million loan, of which approximately \$1.4 million qualified as community development. The purpose of the loan was for construction of residential and commercial buildings. The project includes 12 affordable housing units.
- In 2016, the bank originated a loan for \$86,000 to a family services organization to replace old school buses. The organization provides comprehensive child development and family support services to low- and moderate-income families of the Cape and Islands.
- In 2016, the bank originated an SBA 504 loan totaling \$510,000 to a local alternative energy company for the expansion of the business. Permanent positions were created as a result of the expansion.
- In 2017, the Bank originated an SBA 504 loan totaling \$302,000 to a local business for the acquisition of real estate and business assets. Permanent positions were created as a result of the expansion.

### **Qualified Investments**

Cape Cod Co-operative Bank made 40 qualified investments totaling \$571,640 during the evaluation period. This total amount includes qualified equity investments of \$514,888 and donations of \$56,753. The dollar amount of equity investments equates to 0.1 percent of total assets (\$903.7 million) and 1.0 percent of securities (\$59.5 million). The \$571,640 in qualified

investments and donations represents a small decrease since the last evaluation period, when qualified investments totaled \$611,140.

**Federal National Mortgage Association (FNMA) Mortgage Backed Securities**

During the prior evaluation, the bank purchased two pools of FNMA mortgage backed securities totaling \$500,000. As of June 30, 2017, the book value was \$514,888. Both pools are backed by mortgages to low- and moderate-income borrowers located within the bank’s assessment area.

**Charitable Contributions**

Total qualified investments for this evaluation period include grants and donations that promote community development. Qualified grants and donations support initiatives and organizations that seek to provide affordable housing, support for the homeless, health care services, family counseling, and other community services to the area’s low- and moderate-income individuals. Qualified charitable contributions made between June 2, 2014, and October 16, 2017, total \$56,753, representing 84.4 percent of all donations. Refer to the table below for a breakdown of qualified community development grants and donations.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
6/3/14 - 12/31/14	7	6,850	4	7,450	1	1,100	-	-	-	-	12	15,400
2015	2	3,300	4	2,950	2	7,000	-	-	-	-	8	13,250
2016	2	3,000	8	10,415	-	-	-	-	-	-	10	13,415
YTD 2017	2	2,500	4	12,188	-	-	-	-	-	-	6	14,688
<b>Total</b>	<b>13</b>	<b>15,650</b>	<b>20</b>	<b>33,003</b>	<b>3</b>	<b>8,100</b>	-	-	-	-	<b>36</b>	<b>56,753</b>

*Source: Bank Records*

A number of the organizations that the bank made qualified grants and/or donations to are listed below.

- **Massachusetts Mortgage Bankers Foundation** – The organization’s mission is to support homebuyer and homeowner education as well as support affordable housing initiatives in Massachusetts.
- **Homeless Not Helpless** – Homeless Not Helpless’ mission is to educate and advocate for the needs of the homeless community. It helps homeless men and women by providing cooking facilities and shelters. The organization trains clients to deal with medical, psychological, spiritual, and addiction issues, as well as helping them to connect with available resources. The organization also helps clients find employment, obtain financial assistance, and learn occupational and life skills that will lead to independent living.

- **Lower Cape Outreach Council** – The organization provides emergency assistance in the form of food, clothing, and financial support. Additionally, the organization assists families with rent and mortgage payments.
- **Community Development Partnership** – This organization promotes environmental and economic sustainability by expanding opportunities for low- and moderate- income residents throughout the Cape.
- **Money Management International of Massachusetts** – The organization provides free financial education and counseling to low- and moderate-income individuals. The bank is an annual donor to this organization.

### Community Development Services

Officers and employees of the bank are involved in a number of community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers.

During the evaluation period, six bank employees provided financial expertise or technical assistance to ten different community development-related organizations within the assessment area. The following table illustrates the number of instances of community development services performed by the bank.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
6/3/14 -12/31/14	2	1	-	-	1	<b>4</b>
2015	5	2	3	-	-	<b>10</b>
2016	5	2	2	-	-	<b>9</b>
YTD 2017	5	7	2	-	-	<b>14</b>
<b>Total</b>	<b>17</b>	<b>12</b>	<b>7</b>	<b>-</b>	<b>1</b>	<b>37</b>

*Source: Bank Records*

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

- **Habitat for Humanity** – The organization provides affordable housing to low- and moderate- income individuals. Bank employees serve in a number of roles with the organization, including as credit analysts and underwriters.
- **Job Training and Employment Corp (JTEC)** – JTEC is a non-profit organization that manages a variety of funding streams that pay for workforce training and education. JTEC’s employment and training programs serve people who have serious barriers to employment, are low-income, and/or have lost their jobs and are receiving

unemployment benefits. They also assist with employment placement and on-the-job training. A member of the bank's Board of Director serves as a Director of the organization.

- **Kelley Foundation, Inc.** – The Foundation's mission is to promote the health and welfare of Barnstable County residents. The Foundation provides grants for food, shelter, medical assistance, and extracurricular activity for under-served children. The bank's President serves as Trustee and President of the Foundation.
- **Town of Barnstable Affordable Housing and Economic Development Trust Fund** – The organization oversees investment of development mitigation fees into affordable housing projects and economic development in Barnstable. A Board Member serves on the Board of Directors and is responsible for determining how to employ mitigation funds.
- **Cape Cod Child Development Program** – The organization works to improve the quality of life for low- and moderate-income residents of Barnstable County through grants and activities that promote a year-round economy for the Cape. A bank officer serves as Chairman of the organization's Finance Committee.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

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

#### **MINORITY APPLICATION FLOW**

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

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 181,402 individuals of which 9.2 percent are minorities. The assessment area's minority and ethnic population is 1.9 percent Black/African American, 1.1 percent Asian, 0.6 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 2.2 percent Hispanic or Latino and 3.3 percent other.

In 2015, the bank received 641 HMDA reportable loan applications from within its assessment area. Of these applications, 13 or 2.0 percent were received from minority applicants, of which 11 or 84.6 percent resulted in originations. The aggregate received 11,357 HMDA reportable loan applications of which 349 or 3.1 percent were received from minority applicants and 200 or 57.3 percent were originated. For the same time period, the bank also received 23 or 3.6 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 16 or 69.6 percent were originated versus the aggregate that received 308 applications or 2.8 percent of which 184 or 59.7 percent were originated.

For 2016, the bank received 594 HMDA reportable loan applications from within its assessment area. Of these applications, 20 or 3.4 percent were received from minority applicants, of which 13 or 65.0 percent resulted in originations. For the same time period, the bank received 11 or 1.9 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 9 or 81.8 percent were originated.

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

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2015</b>		<b>2015 Aggregate Data</b>	<b>Bank 2016</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	1	0.2	0.6	6	1.0
Black/ African American	3	0.5	1.0	7	1.2
Hawaiian/Pacific Islander	0	0.0	0.0	0	0.0
2 or more Minority	0	0.0	0.1	1	0.2
Joint Race (White/Minority)	9	1.4	1.0	6	1.0
<b>Total Minority</b>	<b>13</b>	<b>2.0</b>	<b>3.1</b>	<b>20</b>	<b>3.4</b>
White	541	84.4	77.2	485	81.7
Race Not Available	87	13.6	19.8	89	15.0
<b>Total</b>	<b>641</b>	<b>100.0</b>	<b>100.0</b>	<b>594</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>12</b>	<b>1.9</b>	<b>1.7</b>	<b>8</b>	<b>1.4</b>
Not Hispanic or Latino	527	82.2	77.5	491	82.7
Joint (Hisp/Lat /Not Hisp/Lat)	<b>11</b>	<b>1.7</b>	<b>1.1</b>	<b>3</b>	<b>0.5</b>
Ethnicity Not Available	91	14.2	19.8	92	15.5
<b>Total</b>	<b>641</b>	<b>100.0</b>	<b>100.0</b>	<b>594</b>	<b>100.0</b>

Source: US Census 2010, HMDA Aggregate Data 2015, HMDA LAR Data 2015 and 2016 \*Due to rounding, totals may not equal 100.0 percent.

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

## 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 non-metropolitan 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 non-metropolitan 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.

**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 non-metropolitan 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:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (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:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan 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 non-metropolitan 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 Federal Deposit Insurance Corporation and the Massachusetts Division of Banks, at 490 Turnpike Street, Canton, MA 02021.

[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.