

PUBLIC DISCLOSURE

December 18, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HarborOne Bank
Certificate Number: 59070

770 Oak Street
Brockton, Massachusetts 02301

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

TABLE OF CONTENTS

Institution Rating	
Overall Rating	1
Performance Test Ratings Table	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Evaluation	3
Description of Institution	5
Description of Assessment Area.....	7
Conclusions on Performance Criteria	12
Discriminatory or Other Illegal Credit Practices Review	32
Appendix	
A – Fair Lending Policies and Procedures (Division of Banks).....	33
B – Loss of Affordable Housing (Division of Banks)	35
C – Scope of Evaluation Table	36
Glossary	37

INSTITUTION’S CRA RATING

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

The following table indicates the performance level of HarborOne Bank with respect to the Lending, Investment, and Service Tests.

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

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

*** FDIC rules and regulations stipulate use of a “high satisfactory” and “low satisfactory” rating for the three tests. This jointly issued public evaluation uses the term “satisfactory” in lieu of “low satisfactory” for the Lending, Investment, and Service Test ratings, as the Division does not have a “low Satisfactory” rating.*

The Lending Test is rated Outstanding.

- The lending activity reflects good responsiveness to the assessment area’s credit needs.
- A high percentage of the home mortgage and small business loans were originated within the assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects excellent penetration among borrowers of different income levels and businesses of different sizes.
- The bank makes extensive use of innovative and flexible lending programs to serve the assessment area’s credit needs during the evaluation period.
- The bank is a leader in making community development loans.

The Investment Test is rated Outstanding.

- The bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits excellent responsiveness to credit and community economic development needs.
- The bank makes extensive use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- Delivery systems are readily accessible to all portions of the assessment area.
- Business hours and services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals.
- The bank is a leader in providing community development services.

SCOPE OF EVALUATION

General Information

This performance evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated August 25, 2014, to the current evaluation dated December 18, 2017. Examiners used the Large Institution CRA Examination Procedures to evaluate HarborOne Bank's performance. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investment and Service.

The Lending Test evaluated the bank's performance using the following criteria:

- the volume of lending activity
- the proportion of lending within the assessment area
- the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area
- the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes
- the number and dollar amount of community development loans
- the use of innovative and/or flexible lending practices

The Investment Test evaluated the bank's performance using the following criteria:

- the dollar amount of qualified investments
- the innovativeness or complexity of qualified investments
- the responsiveness of qualified investments to credit and community development needs
- the degree to which the qualified investments are not routinely provided by private investors

The Service Test evaluated the bank's performance using the following criteria:

- the distribution of the bank's branches among geographies of different income levels
- the record of opening and closing branches, particularly branches in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals
- the availability and effectiveness of alternate systems for delivering retail banking services
- the extent and innovativeness of the bank's community development services

Loan Products Reviewed

This evaluation focused on the bank's major product lines, which are home mortgage and small business lending. Examiners focused on these loan types based on the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Other

product lines such as small farm loans, consumer, and other loan types were not considered due to the small portion of the loan portfolio represented by these loan types. The bank's affiliate, Merrimack Mortgage Company, originates residential mortgages; however, this evaluation does not include analyses of the affiliate's lending activities.

Examiners evaluated originated and purchased loans originated from January 1, 2015, through December 31, 2016. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending.

Residential mortgage lending data was derived from the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). The bank made 710 HMDA loans totaling \$180.4 million in 2015 and 831 loans totaling \$275.6 million in 2016. The bank's lending was compared to demographic data, as well as 2015 and 2016 HMDA aggregate data. Aggregate data includes all originated and purchased loans within the assessment area made by HMDA-reporting institutions. The evaluation focused on 2016 performance as this is the most recent year for which aggregate data is available.

Small business lending data was derived from the bank's CRA loan registers (LRs). The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. In 2015, the bank originated 158 small business loans totaling \$20.8 million. In 2016, the bank originated 176 small business loans totaling \$35.2 million. The bank's performance was compared to D&B business demographic data, as well as 2015 and 2016 CRA aggregate data. CRA aggregate data includes all small business loans reported in the bank's assessment area.

For the Lending, Investment, and Service Tests, examiners reviewed all community development activities since the previous CRA evaluation dated August 25, 2014. Examiners also reviewed all innovative and flexible lending and retail products and services offered since the previous CRA evaluation.

DESCRIPTION OF INSTITUTION

Background

HarborOne Bank is a state-chartered cooperative bank. HarborOne Bancorp, Inc., a holding company, was established in June 2016 and is now the parent of HarborOne Bank. The bank's CRA performance was last evaluated by the Division and the FDIC on August 24, 2014, and was rated High Satisfactory by the Division and Satisfactory by the FDIC using Large Institution Examination Procedures.

Operations

HarborOne Bank maintains its corporate headquarters at 770 Oak Street Brockton, Massachusetts. The bank operates 14 full-service branches and two limited-service branches in Bristol, Norfolk, and Plymouth Counties. The full-service branches are located in Abington, Attleboro, Bridgewater, Brockton (4), Canton, Easton, Mansfield, Middleborough, Plymouth, Randolph, and Raynham. The two limited-service branches are located at the Sensata Business Center in Attleboro and at Brockton High School. The bank did not open or close and branches, and no merger or acquisition activities occurred since the prior evaluation.

The bank maintains 27 ATM locations, one at each branch and 11 at other locations. The bank also opened two loan production offices during the evaluation period, one in Providence, Rhode Island and one in Westford, Massachusetts. HarborOne Bank offers a variety of lending and deposit products for consumers and businesses. Alternative banking services include online and mobile banking with electronic bill pay.

Ability and Capacity

Assets totaled approximately \$2.6 billion as of September 30, 2017, and included total loans of \$2.2 billion and securities totaling \$214 million. Home mortgage loans comprise the largest portion of the portfolio at approximately 43 percent. The following table illustrates the current distribution of the bank's loan portfolio.

Loan Portfolio Distribution as of September 30, 2017		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	99,654	4.5
Secured by Farmland	260	0.0
Secured by 1-4 Family Residential Properties	870,607	39.2
Secured by Multi-family (5 or more) Residential properties	81,012	3.7
Secured by Non-farm Non-Residential Properties	527,084	23.8
Total Real Estate Loans	1,578,617	71.2
Commercial and Industrial Loans	97,244	4.4
Agricultural Production and Other Loans to Farmers	73	0.0
Consumer	538,935	24.3
Obligations of States and Political Subdivisions in the U.S.	2,771	0.1
Other Loans	1,024	0.0
Total Loans	2,218,664	100.0
<i>Source: Reports of Income and Condition (Call Reports)</i>		
<i>*Due to rounding, total may not equal 100.0 percent.</i>		

Examiners did not identify any 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 designate an assessment area within which its CRA performance will be evaluated. HarborOne Bank designated a single assessment area that includes portions of the Boston, MA Metropolitan Division (MD) and the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA). These two geographic areas are contiguous and are located within the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA). The bank's assessment area is composed of 49 cities and towns located in Bristol County, Norfolk County, and Plymouth County.

Listed below are the cities and towns in the bank's assessment area:

- **Bristol County (Providence-Warwick, RI-MA MSA (11 cities and towns) –** Attleboro, Berkley, Dighton, Easton, Mansfield, North Attleboro, Norton, Raynham, Rehoboth, Seekonk, and Taunton.
- **Norfolk County (Boston, MA MD) (13 cities and towns) –** Avon, Braintree, Canton, Cohasset, Foxboro, Holbrook, Milton, Plainville, Quincy, Randolph, Sharon, Stoughton, and Weymouth.
- **Plymouth County (Boston, MA MD) (25 cities and towns) –** Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Lakeville, Marshfield, Middleborough, Norwell, Pembroke, Plymouth, Plympton, Rochester, Rockland, Scituate, Wareham, West Bridgewater, and Whitman.

Economic and Demographic Data

The bank's assessment area consists of 213 census tracts that reflect the following income designations according to 2010 U.S. Census data.

- 9 low-income tracts
- 25 moderate-income tracts
- 109 middle-income tracts
- 69 upper-income tracts
- 1 tract with no income designation

The nine low-income census tracts are located in Bridgewater, Brockton, Quincy, and Taunton. The 25 moderate-income census tracts are located in Attleboro, Brockton, Holbrook, Quincy, Rockland, Stoughton, Taunton, Wareham, and Weymouth.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	213	4.2	11.7	51.2	32.4	0.5
Population by Geography	1,084,509	3.3	10.2	51.8	34.5	0.2
Housing Units by Geography	434,688	3.3	10.9	53.4	32.4	0.0
Owner-Occupied Units by Geography	297,483	1.3	8.0	53.5	37.2	0.0
Occupied Rental Units by Geography	106,864	8.4	17.8	52.9	20.9	0.0
Vacant Units by Geography	30,341	5.8	14.5	54.5	25.1	0.0
Businesses by Geography	72,095	2.7	7.4	52.5	37.3	0.0
Farms by Geography	1,747	0.8	4.6	55.5	39.1	0.0
Family Distribution by Income Level	277,199	17.4	16.4	22.0	44.2	0.0
Household Distribution by Income Level	404,347	20.8	14.0	17.9	47.3	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$83,664	Median Housing Value			\$378,904
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$70,496	Median Gross Rent			\$1,056
			Families Below Poverty Level			4.9%
<i>Source: 2010 U.S. Census and 2016 D&B Data Due to rounding, totals may not equal 100.0. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area has a total population of 1,084,509 individuals residing in 277,199 families. Of total family households in the area, 17.4 percent are low-income, 16.4 percent are moderate-income, 22.0 percent are middle-income, and 44.2 percent are upper-income. The low-income figure includes the 4.9 percent of families in the assessment area that are below the poverty level. The poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing residential lending opportunities for low-income borrowers, especially considering the cost of housing. The median sales price of a single family home varies throughout the area. Per data obtained from The Warren Group, the median sales price for a single family home in 2016 for Plymouth County was \$325,000; Norfolk County was \$445,000; and Bristol County \$275,000.

Of the 434,688 housing units in the assessment area, 297,483, or 68.4 percent, are owner-occupied. The demographic information table shows very low distributions of owner-occupied housing units in the low- and moderate-income tracts, which suggests that there are limited opportunities for lenders to make home mortgage loans in these geographies.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income levels were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for relevant metropolitan areas are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2015 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
2016 (\$73,100)	<\$36,550	\$36,550 to <\$58,480	\$58,480 to <\$87,720	≥\$87,720
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

Data from the U.S. Bureau of Labor Statistics indicates that the 2016 unemployment rates for the bank’s assessment area were 4.7 percent for Bristol County, 3.2 percent for Norfolk County, and 3.9 percent for Plymouth County. The rates for Plymouth County and Bristol County were both higher than the state’s unemployment rate of 3.7 percent.

According to 2016 D&B data, 72,095 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 bank’s lending to the distribution of businesses by gross annual revenue (GAR) level. Percentages of businesses in each GAR category in the assessment area are as follows:

- 83.8 percent have \$1 million or less
- 6.5 percent have more than \$1 million
- 9.7 percent did not report revenues

Service industries represent the largest portion of businesses at 46.3 percent, followed by retail trade at 13.5 percent and construction at 10.7 percent. In addition, 72.4 percent of businesses in the area employ four or fewer people, and 88.8 percent of businesses in the area operate from a single location. These particularly small businesses may use alternative financing, such as home-secured or credit card loans, to fund business operations. Brockton High School, Dunkin Donuts, Hormel Foods, the Town of Braintree, and Talbots represent the area’s largest employers.

Competition

According to FDIC Deposit Market Share Data as of June 30, 2017, there were 56 depository institutions operating 557 offices within the bank’s assessment area. HarborOne Bank ranked 5th with a deposit market share of 4.1 percent. The top four depository institutions in the area were Bank of America (18.4 percent), Citizens Bank (12.9 percent), Rockland Trust Company (9.8 percent), and Santander Bank (7.4 percent) earning a combined 48.5 percent market share.

The bank faces competition from other local financial institutions that originate loans within the assessment area. Competitors of the bank include Bristol County Savings Bank, Rockland Trust, and Eastern Bank, all of which maintain a strong presence in the assessment area.

Aggregate home mortgage lending data for 2016 show that 501 lenders originated 48,039 home mortgage loans within the bank's assessment area. The top three lenders were: Wells Fargo Bank, originating 2,595 loans with a 5.4 percent market share; Loan Depot.com LLC, originating 1,844 loans with a 3.8 percent market share; and Quicken Loans originating 1,792 loans with a 3.7 percent market share. HarborOne Bank ranked 21st, originating 617 loans with a market share of 1.3 percent.

Aggregate small business lending data also indicate a competitive environment. Within the three counties that comprise the bank's assessment area, 124 lenders originated 35,213 loans, and HarborOne Bank ranked 21st with 149 small business loans. The top three lenders, accounting for a combined 44.7 percent market share, were American Express, Bank of America, and Capital One Bank; all three are national banks with large credit card lending operations.

Community Contacts

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. Three community contacts were used as part of this evaluation.

Examiners contacted a non-profit organization in Brockton that develops and manages affordable housing, educates and assists homeowners and homebuyers, and helps homeowners repair and maintain their homes. The contact identified the lack of affordable housing as the biggest obstacle to homeownership. This lack of available affordable units, both for sale and for rent, has increased competition and contributes to increasing prices. In this regard, the contact specifically mentioned HarborOne Bank as responsive to area credit needs and helpful in meeting affordable housing goals. The contact also indicated that improvements to transportation and infrastructure would help overall economic conditions.

The second community contact, operating in the Swansea area, is an agency responsible for the administration of community planning and development programs. The goals of the agency are to provide decent and safe affordable housing, provide a suitable living environment, and expand economic opportunities. The contact stated that the community could prosper by addressing the homelessness and housing problems in the region. Foreclosures resulting from the most recent financial crisis and poor educational performance have increased the challenges facing the local economy. The contact also indicated that additional home ownership and financial literacy education is necessary to assist the area. There are a number of local institutions that address these educational needs directly.

The third community contact's mission is to enhance the position, image, and perception of Brockton as a desirable place to live and work by encouraging financial investment, business development, job creation, and job retention through economic development. The contact stated that a large portion of the workforce is unemployed because they lack basic job skills. There is also a need for increased financial support for small businesses. The contact also stated that local banks were active in providing time and expertise whenever they were needed, but the

contact suggested that local banks could create an economic development fund to assist the city in achieving its goals of reducing homelessness and spurring business development in the area.

All of the contacts were in agreement that local institutions address the community and economic development needs of the area. One contact specifically mentioned HarborOne Bank as a leading institution in addressing such needs, in some cases being directly responsive to concerns raised by the local organizations through their services and lending programs.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that community services remain the primary community development need for the assessment area. Homelessness, unemployment, and wellness gaps are all indicative of this root community development need. More credit options for affordable housing and small businesses may help alleviate these issues, along with expanded workforce training and financial education programs and increased resources for local health and wellness programs. Opportunities for financial institutions to get involved in these types of community development activities exist in Brockton, Taunton, Fall River, and New Bedford.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area by considering home mortgage, small business, and community development lending. HarborOne Bank (HarborOne) demonstrated outstanding performance under the Lending Test. The following sections address the bank's performance under each Lending Test factor.

Lending Activity

Lending Activity considers the volume of HarborOne's lending in relation to the bank's financial condition and resources. The bank's lending levels reflect good responsiveness to assessment area credit needs. HarborOne originated 603 home mortgage loans totaling \$144.3 million in 2015, and 617 home mortgage loans totaling \$166.8 million in 2016. For small business lending, the bank made 142 loans totaling \$13.5 million in 2015 and 128 loans totaling \$18.9 million in 2016.

During 2015, HarborOne attained a good market rank for HMDA lending inside the assessment area. The bank ranked 17th in home mortgage lending by loan volume among 475 HMDA lenders. The bank's market share was 1.5 percent by number and 1.2 percent by dollar volume. Among the higher ranked lenders were larger financial institutions and mortgage companies that operate on a regional or national basis. These include JPMorgan Chase Bank, Wells Fargo Bank, and Quicken Loans. HarborOne ranked 3rd among state-chartered institutions, after Rockland Trust and The Bank of Canton. In 2016, HarborOne ranked 21st among 501 lenders, with a similar market share by number (1.3 percent) and dollar amount (1.2 percent). Among state-chartered banks, HarborOne again ranked 3rd.

With regard to small business lending, HarborOne attained a reasonable market rank at the county level in 2015. The bank ranked 23rd out of 124 small business loan reporters with a market share of 0.4 percent by number and 1.1 percent by dollar volume. The highest ranked lenders for small business reporting were credit card companies, including American Express, Bank of America, and Capital One Bank. HarborOne was the 5th highest ranked state-chartered bank. In 2016, the bank ranked 27th out of 137 lenders, with similar market share by number (0.4 percent) and dollar amount (1.5 percent). The bank was again ranked 5th among state-chartered banks.

Assessment Area Concentration

The bank made a high percentage of home mortgage and small business loans, by number and dollar volume, within its assessment area. HarborOne originated 79.5 percent by number and 67.1 percent by dollar amount of its combined home mortgage and small business loans within the assessment area. The following table details lending inside and outside of the assessment area for each product type.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	603	84.9	107	15.1	710	144,271	80.0	36,105	20.0	180,376
2016	617	74.2	214	25.8	831	166,813	60.5	108,789	39.5	275,602
Subtotal	1,220	79.2	321	20.8	1,541	311,084	68.2	144,894	31.8	455,978
Small Business										
2015	142	89.9	16	10.1	158	13,466	64.9	7,296	35.1	20,762
2016	128	72.7	48	27.3	176	18,887	53.6	16,333	46.4	35,220
Subtotal	270	80.8	64	19.2	334	32,353	57.8	23,629	42.2	55,982
Total	1,490	79.5	385	20.5	1,875	343,437	67.1	168,523	32.9	511,960
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016 Bank Data Due to rounding, totals may not equal 100.0.</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects good penetration throughout the assessment area. Examiners focused on the percentage by number of loans originated in low- and moderate-income census tracts, comparisons to aggregate data, and trends over the two-year period.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. As detailed in the following table, the bank's lending within low- and moderate-income census tracts is higher than both the aggregate lending performance and the percentage of owner-occupied housing within these geographies.

In 2015, the bank originated 16 loans, or 2.7 percent, to borrowers in low-income census tracts. This is higher than both the 2015 aggregate of 1.4 percent and owner-occupied housing at 1.3 percent. In 2016, originations in low-income census tracts decreased to five loans or 0.8 percent, which is lower than both the aggregate (1.5 percent) and owner-occupied housing (1.3 percent). The decrease appears to be a result of the limited housing stock in low-income areas and increased competition from local lenders from 2015 to 2016. In 2016, the bank ranked 16th with 0.7 percent market share for loans in low-income census tracts.

In the moderate-income census tracts, the bank's 2015 lending was significantly higher than both the aggregate and owner-occupied housing. The bank originated 15.3 percent to borrowers in moderate-income census tracts versus the aggregate of 7.8 percent and owner-occupied housing at 8.0 percent. In 2016, originations in moderate-income census tracts increased slightly to 16.0 percent, which was significantly higher than the aggregate and owner-occupied housing percentages. Market share reports for 2016 show that the bank ranked 6th with a 2.7 percent market share in moderate-income census tracts. The bank is the highest-ranked local lender in moderate-income census tracts, exceeded only by national banks and mortgage lenders.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	1.3	1.4	16	2.7	3,190	2.2
2016	1.3	1.5	5	0.8	1,003	0.6
Moderate						
2015	8.0	7.8	92	15.3	14,352	9.9
2016	8.0	7.7	99	16.0	18,730	11.2
Middle						
2015	53.5	52.0	319	52.9	67,976	47.1
2016	53.5	52.4	326	52.8	85,849	51.5
Upper						
2015	37.2	38.7	176	29.2	58,753	40.7
2016	37.2	38.4	186	30.1	60,935	36.5
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	1	0.2	296	0.2
Totals						
2015	100.0	100.0	603	100.0	144,271	100.0
2016	100.0	100.0	617	100.0	166,813	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0.</i>						

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. Examiners focused on the comparison to aggregate data and took into consideration trends based on 2015 and 2016 lending. The following table shows that the bank's performance in low-income census tracts in 2015 is slightly higher than aggregate, at 2.8 percent compared to 2.3 percent. In 2016, the bank decreased its rate of lending in the low-income tracts to 2.3 percent, which is similar to both the aggregate (2.5 percent) and business demographics (2.7 percent) in the low-income tracts. Market share reports on a county level basis for 2016 show that HarborOne ranked 25th in lending in low-income census tracts. A mix of credit card companies, national banks, and local lenders ranked higher than HarborOne.

The bank's 2015 rate of lending in moderate-income areas is higher than both the aggregate and business demographics at 7.7 percent. In 2016, the bank significantly increased its rate of lending (20.3 percent) in moderate-income census tracts, ranking 22nd on a county level basis.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	2.6	2.3	4	2.8	841	6.2
2016	2.7	2.5	3	2.3	767	4.1
Moderate						
2015	7.5	7.0	11	7.7	1,331	9.9
2016	7.4	7.1	26	20.3	2,829	15.0
Middle						
2015	52.5	54.1	98	69.0	8,810	65.4
2016	52.5	53.9	71	55.5	11,534	61.1
Upper						
2015	37.4	36.6	29	20.4	2,484	18.4
2016	37.3	36.5	28	21.9	3,757	19.9
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	0.0	0	0.0	0	0.0
Totals						
2015	100.0	100.0	142	100.0	13,466	100.0
2016	100.0	100.0	128	100.0	18,887	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among individuals of different income levels and businesses of different sizes. Examiners focused primarily on the percentage, by number, of home mortgage loans extended to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income, is excellent.

As noted in the table below, the bank originated 6.3 percent of its 2015 home mortgage loans to low-income borrowers, which is higher than the aggregate's 4.2 percent, but significantly lower than the percentage of families (17.4 percent). In 2016, the bank and the aggregate market decreased their percentages to 5.0 percent and 3.9 percent, respectively, while the percentage of families remained the same. In 2016, a low-income family in the assessment area, with an income of \$45,400 or less, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing values in the assessment area

of \$325,000 to \$445,000, as noted in the Description of the Assessment Area. Therefore, the demand and opportunity for lending to low-income families is limited.

Additionally, market share data further supports the bank's excellent performance in lending to low-income borrowers. In 2016, HarborOne ranked 13th with 1.7 percent market share in lending to low-income borrowers. The substantial majority of those ranking higher than the bank were larger, regional and national banks, as well as large mortgage companies.

The bank originated 21.9 percent of its 2015 home mortgage loans to moderate-income borrowers, which is above the aggregate data of 16.1 percent and families at 17.4 percent. The bank's lending to moderate-income borrowers slightly increased in 2016 to 22.7 percent, which is again higher than both the aggregate (15.2 percent) and the percentage of families (16.4 percent). Market share data for 2016 shows that that bank ranked 11th with a 1.9 percent market share in lending to moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	17.4	4.2	38	6.3	4,604	3.2
2016	17.4	3.9	31	5.0	4,014	2.4
Moderate						
2015	16.4	16.1	132	21.9	20,419	14.2
2016	16.4	15.2	140	22.7	24,634	14.8
Middle						
2015	22.0	22.8	199	33.0	40,031	27.7
2016	22.0	23.9	161	26.1	35,507	21.3
Upper						
2015	44.2	36.9	228	37.8	71,167	49.3
2016	44.2	42.1	281	45.5	88,180	52.9
Not Available						
2015	0.0	20.1	6	1.0	8,050	5.6
2016	0.0	14.9	4	0.6	14,478	8.7
Totals						
2015	100.0	100.0	603	100.0	144,271	100.0
2016	100.0	100.0	617	100.0	166,813	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 & 2016 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of loans reflects good penetration to businesses of different sizes. The following table shows that the bank originated 63.4 percent of 2015 small business loans to businesses with GARs of \$1 million or less. This is higher than the 47.0 percent aggregate lending rate to businesses with GARs of \$1 million or less. The bank's lending to small businesses decreased

slightly in 2016, and remains below the demographic percentage of small businesses. This performance is reasonable.

Market share data further supports the bank’s good performance. In 2016, the bank ranked 16th out of 137 lenders in lending to businesses with GAR of \$1 million or less on a county level basis, with a market share of 0.5 percent. The bank is the fourth highest-ranked local lender in the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	77.8	47.0	90	63.4	6,644	49.3
2016	83.8	44.4	81	63.3	7,782	41.2
>1,000,000						
2015	5.6	--	51	35.9	6,792	50.4
2016	6.4	--	47	36.7	11,105	58.8
Revenue Not Available						
2015	16.6	--	1	0.7	30	0.2
2016	9.7	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	142	100.0	13,466	100.0
2016	100.0	100.0	128	100.0	18,887	100.0
<i>Source: 2015 & 2016 D&B Data; 1/1/2015 - 12/31/2016 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

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.

HarborOne Bank makes extensive use of innovative and flexible lending practices designed to assist the area’s low- and moderate-income residents and small businesses. HarborOne does so through residential, commercial, and consumer products, increasing access to credit and providing opportunities for homeownership and entrepreneurship. These programs are directly responsive to the needs of the assessment area, and many are specifically designed to increase credit access for low- and moderate-income borrowers in the community.

Home Mortgage Loan Programs

First-Time Homebuyer (FTHB) Program: The bank established its own FTHB program for individuals who have not owned a principal residence within the past three years and wish to purchase a condominium or a single- or two-family primary residence in Massachusetts. The FTHB program offers discounted closing costs. The bank has originated 348 loans for first-time homebuyers during the evaluation period, totaling \$82.3 million.

ONECommunity Mortgage: HarborOne designed this portfolio loan product with expanded eligibility guidelines to meet the diverse needs of creditworthy low-income borrowers. High home prices in southeastern Massachusetts make affordability challenging for all income-level borrowers, particularly low-income borrowers. The ONECommunity mortgage was designed to help creditworthy borrowers making \$45,000 or less in annual income to purchase or refinance a single-family home in the Counties of Bristol, Norfolk, and Plymouth. This program allows for a low down payment, up to 100 percent financing, and no mortgage insurance, while allowing the borrower to take advantage of gifts and grants towards the transaction. The program has an 8-hour financial education requirement for both first-time buyers and refinance borrowers, made available through partnerships with the bank's community education outreach division, HarborOne U[®]. Since its launch in April 2017, HarborOne has originated four ONECommunity mortgages for a total of \$731,400. They also currently have additional applications in the pipeline totaling nearly \$4 million.

MassHousing Loans: HarborOne is a MassHousing-approved lender. Loan programs through MassHousing include features such as low down payments, competitive interest rates, reduced mortgage insurance premiums, special programs for veterans such as *Operation Welcome Home*, and higher debt-to-income ratios allowed for home mortgages in the cities of Attleboro, Brockton, Quincy and Taunton, all of which are in the bank's assessment area. These cities are all known as "Gateway Cities," a designation used in Massachusetts to describe mid-sized cities that were manufacturing centers for decades, but now face social and economic challenges. HarborOne originated 36 MassHousing loans in the period of 2015 through September 2017, totaling \$8.6 million.

Equity Builder: Through the Federal Home Loan Bank of Boston (FHLBB), the bank offers the Equity Builder Program (EBP). This program offers flexible terms, conditions, and underwriting guidelines to help serve the credit needs of low- and moderate-income homebuyers. The FHLBB offers its member banks grants to provide households with less than 80 percent of area median income with assistance in areas such as down payment, closing costs, and homebuyer counseling. The bank originated 10 loans utilizing the EBP during the evaluation period, totaling \$1,430,348.

FannieMae HomeReady: HomeReady is a product designed to serve creditworthy low- to moderate-income borrowers, whether a first-time homeowner or not, with expanded eligibility for financing homes in low-income communities. Flexible features of the program include financing up to 97 percent loan-to-value (LTV), allowable gifts and grants, cancellable mortgage insurance, rental units, boarder income and non-occupant borrowers. The bank began offering

this product in 2016. HarborOne was able to increase its lending to low- and moderate-income borrowers with 45 originations totaling \$9.9 million utilizing this product during the evaluation period.

Additionally, HarborOne worked with 62 residential mortgage borrowers to offer modifications on \$8.5 million in home loans held by the bank between August 2014 and September 2017. This program creates affordable and sustainable loan payments to help customers avoid foreclosure and retain homeownership.

Commercial Loan Programs

Success for Small Business (SSB) Loan: This in-house product is linked to the SSB curriculum at HarborOne U[®]. An entrepreneur or current small business owner can obtain start-up funding through a \$5,000 line of credit with flexible underwriting. After one year of successfully handling the credit line, the loan amount may increase to \$10,000. During the evaluation period, the bank originated 17 SSB loans totaling \$100,000.

FHLBB Jobs New England Program Loans: A program subsidized by the FHLBB, member banks are provided with funds to extend credit to small businesses with a focus on job creation. Consequently, the loans provided by HarborOne through this program have a discounted rate. Since the program was established in 2016, the bank has extended six loans totaling \$911,300.

The SBA 7A Program: This program is designed to help small businesses with business start-up expenses or expansion. HarborOne funds the loan, and the SBA provides a loan guarantee of 75 to 90 percent of the total loan amount, depending on how the proceeds are used. These SBA loans offer smaller down payments, flexible terms, and guarantees. During the evaluation period, the bank originated 91 loans totaling \$7.7 million through this program.

The SBA 504 CDC Program: This program is designed to provide financing for the purchase of fixed assets such as real estate, buildings, and machinery. The program works by distributing the loan among three parties: the business owner (10 percent), the financial institution (50 percent), and the SBA (40 percent). The bank originated five SBA 504 loans totaling \$9.1 million during the evaluation period.

Consumer Loan Programs

Money Smart Line of Credit: The bank offers this program in conjunction with the financial education series at HarborOne U[®]. After completing the educational course, a graduate can be approved for a \$500 line of credit, even in cases of challenging or minimal credit history. A year later, if the borrower has handled the credit account responsibly, the line may increase to \$1,000. The bank originated 32 Money Smart lines of credit totaling \$16,000 during the evaluation period; borrowers are primarily low- and moderate-income individuals.

Secured VISA: This is a product designed to help customers start or re-establish their credit history. The bank offers a VISA credit card secured with a savings account for as little as \$300.

The bank issued 1,052 Secured Visa credit cards totaling \$471,687, predominately to benefit low- and moderate-income customers.

Additionally, the bank has created two consumer loan programs for the benefit of the local community. The bank provides unsecured personal loans to help new Americans cover the cost of the U.S. citizenship application to be used in conjunction with HarborOne U's® Citizenship Preparation course. Just recently, the bank began developing a micro-lending program in coordination with the Society of St. Vincent de Paul (SVDP) to provide emergency credit to families in need. While the bank has not originated any loans under these programs during the evaluation period, both programs exhibit the bank's willingness to extend credit in innovative and responsive ways.

Community Development Lending

HarborOne'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.

The bank is a leader in community development loans. During the evaluation period, HarborOne originated or renewed 35 community development loans totaling approximately \$120.1 million. This represents a significant increase since the last evaluation. Of the total, the bank originated 18 community development loans for \$27.4 million that directly benefit the assessment area. As the bank has pursued and originated a number of loans inside of the assessment area, they have expanded their scope to look for additional opportunities outside the assessment area and originated an additional 17 community development loans totaling \$92.6 million that impact a broader statewide and regional area. The total dollar amount of community development loans originated during the evaluation period represents approximately 5.5 percent of HarborOne's total loans. Refer to the table below for a summary of the bank's community development lending activities.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
8/25/2014-12/31/2014	1	1,211	5	10,150	0	0	0	0	0	0	6	11,361
2015	1	438	3	2,117	1	10,000	0	0	0	0	5	13,916
2016	2	4,907	4	2,202	4	35,350	0	0	0	0	10	42,459
YTD 2017	7	10,338	1	1,220	6	44,123	0	0	0	0	14	53,681
Total	11	16,894	13	15,689	11	87,472	0	0	0	0	35	120,056

Source: Bank Records

The following are notable examples of the bank's community development loans originated during the evaluation period.

- The bank has maintained a relationship with a hospital located in Brockton. The hospital is designated by the U.S. Health Resources & Services Administration as a Disproportionate Share Hospital, which means that it serves a significantly disproportionate number of low-income patients and receives payments from the Centers for Medicaid and Medicare Services to cover the costs of providing care to uninsured patients. Between 2014 and 2016, the bank participated in several commercial loans to the hospital totaling \$12.5 million.
- The bank provided two loans to a local homeless shelter in Brockton. The purpose of the loans was to support the construction of a new 23-unit building that will help address the needs of the homeless. The two loans, originated in 2015 and 2017, total \$2.3 million.
- The bank originated a loan in 2016 to construct an 81-unit multi-family property in Mansfield, Massachusetts. The property was a 40B project, and 13 of the 81 units were designated as affordable. The total amount of the loan was \$15 million, and the qualified community development loan portion was \$2.4 million.
- In 2017, HarborOne participated in a 100-unit residential condominium development project in Richmond, Rhode Island. While the town of Richmond requires that only 25 units be priced below \$265,000 to be considered affordable, the target price of all 100 units falls well below that amount. HarborOne's participation in this project amounts to \$5 million.
- In 2017, the bank originated a loan to assist in the construction of a hotel in Warwick, Rhode Island. The project is part of an overall redevelopment plan in the City of Warwick, and the construction of the hotel is expected to create 26 permanent jobs. The loan amount was \$15.5 million.

INVESTMENT TEST

The bank is rated Outstanding under the Investment Test. The bank has an excellent level of qualified community development investments, grants, and donations, often in a leadership position, particularly those that are not routinely provided by private investors.

Investment Activity

During the evaluation period, qualified investments and donations totaled \$21.3 million, which represents 0.8 percent of the bank's total assets and 8.4 percent of total investments as of September 30, 2017. The \$21.3 million in qualified investments and donations represents a significant increase since the last evaluation period, when qualified investments consisted solely of \$959,928 in donations. The following sections provide details of the bank's qualified investments.

Equity Investments

The bank made \$15.4 million in qualified equity investments since the last evaluation, as described below.

- **Small Business Investment Companies (SBIC)** – During the evaluation period, the bank purchased four SBIC investments totaling \$14.4 million. The funds from the bonds help to finance small businesses through loans with low interest rates. The rates are set according to the cost of funds to the Federal government.
- **MB Capital Fund IV, Mezzanine Capital Fund** – MB Capital Fund is a limited partnership managed by the Massachusetts Business Development Corporation (MBDC). MBDC provides supplemental financing and financial services to growing companies throughout the regional area. The objective of the partnership is to provide capital to established small businesses in need of capital growth. In 2017, the bank invested \$1 million in this fund.

Initial Funding of HarborOne Foundation

The bank created the HarborOne Foundation (Foundation) in 2016, funding it with a combination of \$963,626 in cash and 385,450 shares of bank stock with a price of \$10 per share at the time of the bank's partial initial public offering in 2016, for a total investment of \$4.8 million. The mission of the Foundation is "to strengthen and empower individuals and families by investing in highly effective non-profit organizations that are creating positive and lasting change in local communities where we live and work." The Foundation's investment focus is on education that fuels economic success, safe and affordable housing, and basic human services for low- and moderate-income individuals.

Charitable Contributions

The bank makes charitable contributions or donations directly through the bank and through the Foundation. The bank made qualified donations throughout the evaluation period, while the Foundation began making donations in 2017. The total amount of qualified CRA donations, made by the bank and the Foundation between August 25, 2014 and December 18, 2017, was \$1.1 million. The following table illustrates bank and Foundation activity by year.

Qualified Donations					
	2014*	2015	2016	2017**	Total
HarborOne Bank	96,068	213,253	331,167	242,665	883,153
The HarborOne Foundation	-	-	-	224,500	224,500
Total Donations	96,068	213,253	331,167	467,165	1,107,653
<i>Source: Bank Records</i>					
<i>*August 25, 2014 through December 31, 2014. **January 1, 2017 through December 18, 2017.</i>					

The vast majority of donations went to organizations that provide community services to low- and moderate-income individuals and families, at-risk youth, the elderly, and veterans. Additional donations went to organizations that support affordable housing, as well as small business and economic development initiatives. The table below illustrates the number and dollar amount of qualified donations by HarborOne Bank and the HarborOne Foundation by community development category.

Qualified Donations												
Activity Year	Community Development Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
2014*	1	500	36	95,568	0	0	0	0	0	0	37	96,068
2015	7	8,525	116	200,984	2	3,744	0	0	0	0	125	213,253
2016	8	37,600	115	264,734	6	28,833	0	0	0	0	129	331,167
2017 Bank**	6	4,135	61	221,197	6	17,333	0	0	0	0	73	242,665
2017 Foundation**	7	105,000	13	119,500	0	0	0	0	0	0	20	224,500
Total	29	155,760	341	901,983	14	49,910	0	0	0	0	384	1,107,653
<i>Source: Bank Records</i>												
<i>*From August 25, 2014 through December 31, 2014. **From January 1, 2017 through December 18, 2017.</i>												

The following are details of notable qualified donations made during the evaluation period.

Harvest for Hunger – In 2015, HarborOne launched Harvest for Hunger, a program aimed at raising awareness and supporting area food programs in response to the growing issue of food insecurity in the underserved populations of the region. Since its inception, the bank contributed \$52,000 to this initiative to support 14 local food programs throughout the bank’s assessment area. One contribution of \$2,500 went to the Taunton Boys & Girls Club to provide nutritious breakfasts to over 50 low-income children. In 2016, the bank donated \$9,000 to Attleboro’s Hebron Food Pantry for the purchase of a freezer that allows the pantry to store donations from the Greater Boston Food Bank. Another donation of \$2,500 went to Interfaith Social Services in Quincy to assist in purchasing fresh fruits and vegetables for their low- and moderate-income clients.

Father Bill’s and Mainspring – The bank donated \$15,000 during the evaluation period to this nonprofit organization that provides emergency and permanent housing to people who are struggling with, or are at the risk for, homelessness throughout southeastern Massachusetts. They also help people obtain job skills as they work towards becoming self-sufficient. In 2015, 2016, and 2017, the bank donated \$5,000 as part of a long-term commitment to support the development of permanent housing for formerly homeless adults. The Foundation also donated \$25,000 to Father Bill’s and Mainspring in 2017 to help 50 homeless individuals acquire job skills in an effort to obtain stable employment and housing. The organization partners with local businesses and municipalities that provide clients with on-the-job training in office cleaning, graffiti removal, apartment renovations, and landscaping.

Quincy Community Action Program (QCAP) – The bank donated \$1,000 to this organization in 2016. The organization is a nonprofit located in Quincy dedicated to reducing poverty by providing education and support programs to area residents. The Foundation also made a \$10,000 donation in 2017 to the QCAP REACH Center to support their efforts to provide financial education to low-income residents of Quincy and surrounding towns.

Habitat for Humanity Affiliates: Plymouth, Old Colony, and South Shore – The bank provided \$54,000 in donations over the evaluation period to these Habitat for Humanity affiliates to support their efforts to construct housing for low- and moderate-income families and individuals who would not otherwise be eligible for homeownership.

Business Assistance Center at MetroSouth Chamber of Commerce (BAC) – The bank provided over \$18,000 in donations to BAC, a joint venture between the MetroSouth Chamber of Commerce, the U.S. Small Business Administration (SBA), the Service Corps of Retired Executives (SCORE), the Massachusetts Small Business Development Center Network, and several other financial institutions. The BAC is located in Brockton, and the bank provides funding annually to support their work helping businesses in the region. They provide onsite and remote resources including workspace, technology tools, business related software, skill instruction, and business advising. The bank also provided funding for various small business forums hosted by the MetroSouth Chamber of Commerce to help stimulate economic growth in the region.

South East Economic Development Corp (SEED) – The bank provided \$19,000 to this SBA-certified nonprofit located in Taunton. SEED provides financing ranging from \$1,000 to \$5.5 million for small businesses in Massachusetts and Rhode Island. They also administer a small business technical assistance program. The bank’s donations were used to support SEED’s ongoing microbusiness lending efforts and for other organizational support.

In-Kind Donations

In addition to qualified monetary donations, HarborOne provides free office space at the Brockton HarborOne U[®] location to two organizations. The estimated rent values are not included in the total investment figures, but they are noted here to highlight the quantitative value of these activities that support community development initiatives within the assessment area.

The bank allows NeighborWorks of Southern Massachusetts (NeighborWorks), a certified community development corporation (CDC), exclusive use of office space and as-needed space for meetings and classes in their Brockton HarborOne U[®] location. The office space serves as one of NeighborWorks’ primary locations, and staff members are onsite on a daily basis. The mission of NeighborWorks is to create housing opportunities by educating and assisting first-time homebuyers in their purchase of a home; developing affordable housing for those in need; and extending home rehabilitation loans. Based on an analysis of market rents, the value of the bank’s contribution of this free office space to NeighborWorks during the evaluation period is estimated at \$98,183.

In 2015, the bank also granted a free three-year lease for office and meeting space in its Brockton HarborOne U[®] location to Stonehill College’s Downtown Center for Community Engagement (DCCE). The DCCE mission is to be a hub for community development, nonprofit resource sharing, and civic engagement for students, faculty, and staff of Stonehill College as well as the broader community of Brockton and surrounding communities. Activities that have taken place at the DCCE include coordination of a community garden network that increases food access, coalition building for youth development opportunities, adult alternative education courses, professional development and capacity building for local nonprofits serving the Brockton area, and service learning and cultivation for area middle and high school students. The market value of this space over the evaluation period is estimated at \$94,859.

Responsiveness to Credit and Community Development Needs

The institution exhibits excellent responsiveness to credit and community economic development needs. As noted previously, the community contacts identified community development services and affordable housing as the primary needs for low- and moderate-income individuals in the assessment area. The bank made a significant majority of its donations to organizations that provide community services to these individuals. The bank also made significant donations, including in-kind donations, to small business development organizations. These community development organizations help increase the number of small businesses in the assessment area, which creates economic, income, and job growth.

Innovativeness or Complexity of Qualified Investments

HarborOne makes significant use of innovative and complex investments to support community development initiatives. The bank invested in a number of Small Business Investment and Development Companies. These companies create innovative lending products for small businesses, which are typically unable to obtain traditional bank financing. Many of these companies focus on making loans to start-ups that may not have the collateral to qualify for bank loans and working with the companies until they are able to obtain more traditional financing. Additionally, the recent \$1 million investment in the MBDC provides supplemental financing and financial services to growing companies throughout the regional area. The objective of the partnership is to provide capital to established small businesses in need of capital growth.

SERVICE TEST

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

Accessibility of Delivery Systems

HarborOne has an effective system for delivering retail banking and community development services throughout the assessment area. The bank's service delivery systems, including branches and ATMs, are readily accessible to all portions of its assessment area. The bank maintains 14 full-service branches and 2 limited-service branches. One limited-service branch is located at the Sensata Business Center in Attleboro, and the other is at Brockton High School. The high school branch is run by students and HarborOne staff and has been in continuous operation for 35 years.

All full-service branches have ATMs and drive-up windows. Most offer extended hours at least one night a week, and all are open on Saturdays. The bank maintains 11 additional stand-alone ATMs throughout the assessment area, six of which take deposits. Two of the full-service branches and three ATMs are located in low-income census tracts, while two other full-service branches and five ATMs are located in moderate-income census tracts.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	9	4.2	35,734	3.3	2	12.5	3	11.1
Moderate	25	11.7	110,343	10.2	2	12.5	5	18.5
Middle	109	51.2	562,107	51.8	9	56.3	14	51.9
Upper	69	32.4	374,262	34.5	3	18.8	5	18.5
NA	1	0.5	2,063	0.2	0	0.0	0	0.0
Totals	213	100.0	1,084,509	100.0	16	100.0	27	100.0

*Source: 2010 U.S. Census and Bank Data
Due to rounding, totals may not equal 100.0*

Customers can also access their accounts through 24-hour telephone banking, online banking, mobile banking, and the Call Center, which is open from Monday through Friday from 8:00 a.m. to 8:00 p.m. and Saturday from 8:00 a.m. to 2:00 p.m.

The bank also offers a “Bank at Work” program to employees of companies with 10 or more employees. The program currently serves more than 340 companies, many of which employ low- and moderate-income individuals, minorities, and immigrants throughout the bank’s assessment area. Benefits of the program include free retirement planning, loan discounts, free notary services, 24-hour loan line, free online banking, free bill payment, and financial education classes.

Two HarborOne Bank employees actively visit approximately 200 of the participating companies to deliver packets of information for employees, attend benefits fairs, and participate in new employee orientations. They also meet with employees to open accounts by appointment at client company locations. These activities help make the bank’s retail services more accessible to the employees of the participating companies.

Changes in Branch Locations

HarborOne did not open or close any branches during the evaluation period; therefore, there was no adverse effect on the accessibility of its delivery systems to low- and moderate-income geographies or individuals in the assessment area. The bank maintains a Branch Opening Policy and a Branch Closing Policy that outline factors the bank considers when deciding to open or close a branch office.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in such a way that inconveniences any portion of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are convenient and comparable to other institutions, and bank services are more than sufficient to meet the needs of the assessment area. All full-service branches offer drive-up teller windows, most have extended hours at least one night a week, and all are open on Saturdays. The “Bank at Work” program described previously also received positive consideration under this factor.

Community Development Services

The bank is a leader in providing community development services, particularly free financial education and related services to low- and moderate-income individuals and small businesses. Additionally, bank officers have taken leadership roles within community organizations that provide significant support to the neediest areas of the assessment area.

Financial Education and Support

HarborOne provides extensive assistance and financial education geared towards youth, adults, and small businesses through HarborOne U[®]. The current HarborOne U[®] structure includes two campuses, one in Brockton and one in Mansfield. The Brockton location was formerly known as the Multi-Cultural Banking Center (MBC), which the bank created in 2007 as a formal educational community outreach program to provide financial and other services to the un- and under-banked and bring them into mainstream banking. The Mansfield campus of HarborOne U[®] was established inside the bank’s Mansfield branch in 2010 to help expand the efforts of the MBC. The Mansfield campus offers classes, events, and meetings that support small business development as well as financial education, personal enrichment, and various life stage programs. In late 2014, the bank renamed the MBC to “HarborOne U[®], Brockton Campus” to more closely align the two centers. Nearly all courses and workshops offered by HarborOne U[®] are free of charge. The Mansfield campus also houses a Small Business Information Center, which offers free workspace, internet access, and a resource library.

Notable examples of HarborOne U[®] programs are provided below.

- **Success for Small Business (SSB)** – During the evaluation period, the bank presented 88 classes that provided financial education to small business owners. Topics focused on healthy business planning, bookkeeping and tax planning, financial management, business credit, and cash flow. The program benefitted 331 participants since it first launched in 2015. The program benefits those within a broad regional area, including the assessment area.
- **Other Small Business Financial Education** – In addition to the SSB program, HarborOne provides financial education and instruction to assist local small businesses on a variety of topics including Quickbooks, marketing, sales, and social media. Such education assists local small businesses be successful and helps foster economic development within the assessment area.

HarborOne U[®] also provides financial education to adults at their Brockton Campus in collaboration with NeighborWorks of Southern Massachusetts. The courses offered help individuals overcome challenges and discover how to develop a plan to achieve personal financial goals. In 2015, the Massachusetts State Treasurer commended the bank for its unique community partnership with NeighborWorks in promoting financial literacy. The two programs offered are described below.

- **Financial Success** – This program provides financial education to individuals about creating budgets, the importance of setting goals, and understanding credit reports. HarborOne offers these classes in several languages including Haitian Creole and Portuguese.
- **Financial Power** – This program provides individuals education related to financial goals with one-on-one coaching. Topics include savings, credit improvement, and how to better utilize financial services. This program is also offered in multiple languages.

In addition to the on-site education and support provided by HarborOne U[®] at HarborOne facilities, the bank provides financial education and training throughout the assessment area, both in schools and for clients of various local nonprofit organizations. This education and training includes courses in foreign languages, in low- and moderate-income geographies, to youth and adults, and to nonprofits who serve the needs of low- and moderate-income communities.

During the evaluation period, HarborOne’s employees have provided financial education classes at off-site locations to over 7,294 students, totaling 784 hours, on 274 occasions. Notable examples of this financial education provided in schools and for organizations throughout the assessment area are provided below.

- **Personal Finance for Adults** – HarborOne staff provides basic personal finance programs to adult clients of area nonprofit organizations including The Adult Learning Center, Brockton Area Multi-Services, The Brockton Area Workforce Investment Board, Catholic Charities, the Cape Verdean Association, Haitian Community Partnerships, Community Connections, Massasoit Community College – Gateway to College, Old Colony YMCA, and Training Resources of America. The curriculum incorporates the FDIC’s MoneySmart financial education program and uses videos and activities to reinforce the lessons.
- **Youth and Teen Financial Education** – Bank staff teach various programs to students in pre-school through college. They teach the Massachusetts State Treasurer’s “Savings Makes Cents” program in local elementary schools, summer camps, and after school programs. The bank has also partnered with Self Help, Inc. to create a program for pre-school children called “Piggy Bankers,” which helps teach the importance of earning, saving, and spending money wisely through stories and fun activities. For older children, the bank teaches the following additional programs.
 - **Banking Basics** – This program teaches teenage students about bank accounts, debit cards, check writing, and what you need to open an account.

- **Credit Wise** – This program provides financial education about credit to young adults from the responsible use of credit, to credit scores and credit reports.
- **Millionaire Game** – This program is geared towards young adults and includes an interactive “Game Show” that tests students on financial education lessons in a fun way.
- **Credit for Life Fair** – The bank has been instrumental in implementing this widely successful financial literacy program for high school students on the basics of personal finance since 2001. The program is an interactive fair where each student is given a scenario that provides them with net income and a blank budget sheet. Then they must visit various booths to decide what lifestyle choices their budget allows.

The bank successfully secured \$2,500 in grants from the Massachusetts State Treasurer’s Office in 2015, 2016, and 2017 to help fund the program. During the evaluation period, this program was presented to over 1,000 students throughout the assessment area. It is estimated that this fair has been replicated to over 700 locations around the country. HarborOne staff recently helped organizers start similar fairs in the high schools of Attleboro, Blue Hills, Bridgewater-Raynham, Easton, Fall River, Foxboro, Hanover, North Attleboro, Quincy, Rockland, Plymouth, Sharon, and Weymouth. The bank has also hosted regional Fair Best Practices workshops where facilitators from around New England gather to share the results of their own fairs and discuss best practices.

Financial and Technical Support

In addition to financial education services, bank officers and staff participate on many boards and committees for local community service organizations, including those that provide housing loans and micro-loans for small businesses, often benefitting those who would not otherwise qualify for a loan. A substantial majority of these qualified community development services were for community service purposes, which community contacts identified as one of the greatest needs in the assessment area. The table below summarizes the bank’s community development services through financial and technical support, represented in hours, by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014*	40	253	85	0	0	378
2015	246	483	27	0	0	756
2016	246	483	27	0	0	747
2017**	43	541	18	0	0	602
Total	575	1,760	148	0	0	2,483

Source: Bank Records
 *August 25, 2014 through December 31, 2014.
 **January 1, 2017 through December 18, 2017.

The following are notable examples of these community development services:

- **Family Life Center (FLC)** – FLC is a supportive transitional housing program developed by the Old Colony YMCA for 13 families living in the City of Brockton. FLC works with families to provide comprehensive formal and informal community support to stabilize the family and enable them to remain together. the vice president business development is a Board Member.
- **Brockton 21st Century Corporation** – The goal of this corporation is to enhance the position, image and perception of Brockton as a desirable place to live and work by encouraging financial investment, business development, job creation and retention through economic development. The chief financial officer is a Board Member.
- **NeighborWorks of Southern Mass** – The mission of this organization is to create housing opportunities by educating and assisting first time home buyers to purchase their homes, developing affordable housing for those in need, and making home rehabilitation loans. A vice president is a Financial Services Advisory Member.
- **Massachusetts Workforce Development Board (MWDB)** – MWDB helps foster economic development by ensuring workers have the skills they need to fill the jobs businesses create with higher wages for workers. MWDB does so by advising the executive branch of the Commonwealth of Massachusetts on how to create and sustain the workforce needed to succeed. The senior vice president of human resources served as a Board Member.
- **Brockton Neighborhood Health Center (BNHC)** - BNHC is a nonprofit, multicultural, community health center. Incorporated in 1992, BNHC began providing services in 1994 in a mobile medical van operating out of a church parking lot. In 2007, BNHC constructed a new facility that doubled the health center’s capacity to serve low-income, diverse, medically underserved patients in Brockton and surrounding communities. The chief financial officer is on the Finance Committee and an assistant vice president branch manager is a Board member.

Other Services

In 2016, the bank’s CRA Officer assisted the FDIC in piloting two new modules of the “Money Smart for Small Business” curriculum. The bank developed a marketing campaign to attract low- and moderate-income and minority business owners to attend a series of classes at its Brockton HarborOne U[®] location to serve as a test market for the new curriculum. Following the initial pilot, HarborOne provided its own staff as instructors for the two new modules to help further test the materials while in use by actual industry professionals. The FDIC issued a letter of recognition to HarborOne for its support and efforts on this project.

The bank participates in the Interest on Lawyers’ Trust Accounts (IOLTA). Lawyers place large client deposits, such as escrow accounts, in interest bearing accounts, with the interest to be paid to the client. Deposits that would individually be too small or too short-term to generate interest are pooled into IOLTA accounts. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low- income clients.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners determined there is no evidence of discriminatory or other illegal credit practices. Therefore, this consideration did not impact the bank's 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 overall assessment areas contain a total population of 1,084,509 individuals of which 17.9 percent are minorities. The assessment area's minority and ethnic population is 6.4 percent Black/African American, 4.5 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 3.3 percent Hispanic or Latino, and 3.5 percent other.

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 2016. 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.

MINORITY APPLICATION FLOW					
RACE	Bank 2015		2016 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.1	0.2	1	0.1
Asian	6	0.6	4.4	12	1.3
Black/ African American	177	17.8	5.9	181	18.8
Hawaiian/Pacific Islander	0	0.0	0.1	3	0.3
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	15	1.5	1.2	14	1.5
Total Minority	199	20.0	11.9	211	22.0
White	714	71.7	68.4	694	72.2
Race Not Available	83	8.3	19.7	56	5.8
Total	996	100.0	100.0	961	100.0
ETHNICITY					
Hispanic or Latino	32	3.2	2.4	42	4.4
Not Hispanic or Latino	867	87.1	77.3	852	88.7
Joint (Hisp/Lat /Not Hisp/Lat)	12	1.2	0.9	11	1.1
Ethnicity Not Available	85	8.5	19.4	56	5.8
Total	996	100.0	100.0	961	100.0

Source: US Census 2010, HMDA LAR Data 2015 and 2016, HMDA Aggregate Data 2016

In 2015, the bank received 996 HMDA reportable loan applications from within its assessment area. Of these applications, 199 or 20.0 percent were received from minority applicants, of which 86 or 43.2 percent resulted in originations. For the same time period, the bank also received 44 or 4.4 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 18 or 40.9 percent were originated.

For 2016, the bank received 961 HMDA reportable loan applications from within its assessment area. The percentage of racial minority applicants increased to 22.0 percent, of which or 47.4 percent resulted in originations. The bank's performance far exceeded the aggregate minority application rate of 11.9 percent. Similarly, ethnic minority applications increased to 5.5 percent of all applications and 49.1 percent of these ethnic minority applications were originated. This also was above the aggregate minority application rate of 3.3 percent.

The bank's 2016 origination rates of minority applications (47.4 and 49.1 percent for racial and ethnic minority applicants) are lower than that of the aggregate (62.2 and 61.0 percent for racial and ethnic minority applicants). However, the bank has monitored their performance through extensive audits to ensure that the bank is underwriting all loans consistently and fairly. Additionally, the high minority application flow attained by the bank results overall in a higher percentage of the bank's originations being provided to racial and ethnic minorities, still far above that of the aggregate.

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is good for the aggregate lending and the demographics of the assessment area.

APPENDIX B

Loss of Affordable Housing – Massachusetts Division of Banks

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.

The 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.

APPENDIX C
SCOPE OF EVALUATION

SCOPE OF EVALUATION	
TIME PERIOD REVIEWED	August 25, 2014 – December 18, 2017
FINANCIAL INSTITUTION	HarborOne Bank
PRODUCTS REVIEWED	<ul style="list-style-type: none"> • Home mortgage loans originated in 2015 and 2016 reported on the bank's HMDA LARs. • Small business loans originated in 2015 and 2016.

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA)	Full-scope	1	213 Census Tracts

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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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;
- (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 Area (CBSA): 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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 770 Oak Street, Brockton, MA 02301.

[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.