

PUBLIC DISCLOSURE

May 15, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Needham Bank
Certificate Number: 26483

1063 Great Plain Avenue
Needham, Massachusetts 02492

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

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

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INSTITUTION RATING

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

An institution in this group has a reasonable record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The following table indicates the performance level of the bank with respect to the Lending, Investment, and Service Tests.

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

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

The Lending Test is rated Satisfactory.

- The lending activity reflects adequate responsiveness to the assessment area’s credit needs.
- A high percentage of loans are made in the institution’s assessment area.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes.
- The bank makes use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank has made a relatively high level of community development loans.

The Investment Test is rated Satisfactory.

- The institution has an adequate level of qualified community development investments and grants.

- The institution exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

Large Bank CRA examination procedures were used to evaluate Needham Bank's CRA performance. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investments, and Services. The CRA evaluation considered activity from February 23, 2015, through May 15, 2017.

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area; (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the volume of community development lending; and (6) the use of innovative or flexible lending practices.

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The Investment Test is evaluated pursuant to the (1) dollar amount of qualified investments; (2) the innovativeness or complexity of qualified investments; (3) the responsiveness of qualified investments to credit and community development needs; and (4) the degree to which the qualified investments are not routinely provided by private investors.

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area through community development and retail services. The Service Test is evaluated pursuant to (1) the institution's record of helping to meet the needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services; and (2) the extent and innovativeness of its community development services.

The bank does not have any affiliates; therefore, this evaluation does not include lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. The bank did not originate small farm loans during the evaluation period. Consumer lending represents 0.2 percent of the loan portfolio. Neither of these loan products were considered during this evaluation.

The analysis of loans includes residential mortgages and small business loans originated between January 1, 2015, and December 31, 2016 within the assessment area. As reflected by the March

31, 2017 call report, residential mortgage loans represent 72.2 percent of the bank's total loans, while non-farm, non-residential properties and commercial and industrial loans make up 12.6 percent of total loans. Since residential mortgage lending is the bank's primary product line, it received more weight when arriving at Lending Test conclusions and ratings. Residential mortgage loan data is derived from the bank's Loan Application Registers (LARs) maintained in accordance with the Home Mortgage Disclosure Act (HMDA). Information concerning small business loans was derived from the bank's CRA Loan Registers.

The performance evaluation analyzed information derived from the 2015 and 2016 HMDA LARs and Small Business Loan Registers. In total, the bank recorded 1,885 applications on the HMDA LARs and 120 originations and purchases on the Small Business Loan Registers.

For the Lending Test, bank management provided data on community development loans and innovative and flexible loan programs since the prior CRA evaluation dated February 23, 2015. Examiners considered the same timeframe for all investments and services for the respective tests.

Residential mortgage and small business lending information was compared to demographic data and 2015 aggregate data. Demographic information was primarily obtained from the 2010 United States Census. Business demographic information was obtained from Dun & Bradstreet (D&B).

DESCRIPTION OF INSTITUTION

Background

Needham Bank is a state-chartered, co-operative mutual bank headquartered in Needham, Massachusetts primarily operating in the Metro-West region of Boston. The institution received a Satisfactory rating during its previous Performance Evaluation, dated February 23, 2015, based on Interagency Intermediate Small Institution Examination Procedures. There are no significant financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

Operations

The bank's main branch is located at 1063 Great Plain Avenue, Needham, Massachusetts. Additionally, the bank operates eight other full-service branches in its assessment area. These branches are in the following cities and towns: Ashland, Dedham, Dover, Medfield, Millis, Natick, Wellesley, and Westwood. Since the last examination, the bank opened its Ashland and Millis branches in 2015 and its Natick branch in 2016.

All full service-branches have automated teller machines (ATM). The bank also has one remote 24-hour ATM located at the Beth Israel Deaconess Hospital in Needham. All ATMs take deposits.

The institution offers a variety of personal and business deposit and lending products. Deposit products include checking, savings, money market accounts, individual retirement accounts, and certificates of deposit. The institution offers loan products including home mortgages, personal loans, jumbo loans, home equity lines of credit, business loans, and commercial loans. Needham Bank primarily focuses on residential lending. The bank provides alternative delivery systems such as online and mobile banking, electronic bill pay, and mobile check deposits.

Ability and Capacity

As of March 31, 2017, the bank had total assets of \$2.0 billion and total deposits of \$1.5 billion. Total loans were \$1.7 billion and represented approximately 85.0 percent of total assets. Since the last CRA evaluation, the bank's assets have increased by 15.9 percent; total loans have increased by 18.2 percent; and deposits have increased by 33.9 percent. This growth is attributed to a generally strong banking environment and economy.

The bank is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the following table, approximately 65.4 percent of the loans are secured by residential one- to four-family properties, followed by construction and land development loans at 14.9 percent as well as loans secured by non-farm non-residential properties at 11.4 percent. The following table illustrates the current distribution of the bank's loan portfolio.

Loan Portfolio Distribution as of 03/31/2017		
Loan Category	\$(000s)	%
Construction and Land Development	246,975	14.9
Secured by Farmland	0	0.0
1-4 Family Residential	1,082,670	65.4
Multi-family (5 or more) Residential	113,340	6.8
Secured by Non-farm, Non-residential Properties	188,130	11.4
Total Real Estate Loans	1,631,115	98.5
Commercial and Industrial	20,411	1.2
Consumer	3,580	0.2
Other	166	0.1
Total Loans	1,655,272	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Needham Bank designated a single assessment area the Boston-Cambridge-Newton, MA-NH and Worcester MA-CT Metropolitan Statistical Areas (MSAs). The following sections discuss the demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area contains 26 cities and towns located in Norfolk, Middlesex, Suffolk, and Worcester Counties. The following cities and towns are in Norfolk County: Brookline, Dedham, Dover, Franklin, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Walpole, Wellesley, and Westwood. Middlesex County's cities and towns are: Ashland, Framingham, Holliston, Hopkinton, Natick, Newton, Sherborn, Waltham, Watertown, Wayland, and Weston. Suffolk County includes the entire city of Boston and Worcester County includes Milford.

Since the prior examination, the bank has expanded its assessment area to include the entire city of Boston. This expansion took place in April, 2017.

The bank's assessment area consists of 314 census tracts (CTs) that reflect the following income designations, according to the 2010 U.S. Census:

- 49 low-income tracts,
- 59 moderate-income tracts,
- 80 middle-income tracts,
- 114 upper-income tracts, and
- 12 N/A tracts

The following table provides additional demographic and economic information pertaining to the bank's assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	314	15.6	18.8	25.5	36.3	3.8
Population by Geography	1,286,795	13.7	18.9	27.6	39.7	0.1
Housing Units by Geography	530,568	12.6	19.6	28.8	38.9	0.0
Owner-Occupied Units by Geography	256,223	4.5	12.0	30.5	53.0	0.0
Occupied Rental Units by Geography	236,261	20.8	27.0	27.3	25.0	0.0
Vacant Units by Geography	38,084	15.8	25.3	27.6	31.3	0.0
Businesses by Geography	108,138	7.3	12.4	22.6	57.2	0.6
Farms by Geography	1,419	2.1	9.7	30.2	58.0	0.0
Family Distribution by Income Level	279,357	24.2	14.6	17.5	43.7	0.0
Household Distribution by Income Level	492,484	27.7	13.7	15.8	42.9	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$83,664	Median Housing Value			\$468,385
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$90,625	Median Gross Rent			\$1,224
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$77,128	Families Below Poverty Level			8.8%
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.						

According to 2016 D&B data, there are 108,138 businesses within the assessment area. Gross annual revenues (GARs) for these businesses are below:

- 81.9 percent have \$1 million or less
- 8.2 percent have more than \$1 million
- 9.9 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 51.0 percent; followed by finance, insurance and real estate (12.3 percent); and retail trade (11.7 percent). In addition, 69.7 percent of area businesses have four or fewer employees, 87.4 and percent operate from a single location.

The 2015 and 2016 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

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
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
Worcester, MA-CT MSA Median Family Income (49340)				
2015 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
<i>Source: FFIEC; Due to rounding, totals may not equal 100.0</i>				

According to the 2010 U.S. Census Data, the unemployment rate for the assessment area was 7.1 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of March 31, 2017, indicates that the unemployment rate was 3.6 percent for Massachusetts and 4.4 percent as of April 30, 2017 nationwide.

Competition

The bank operates in a competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2016, reveals that 66 financial institutions operate 455 branch offices throughout the assessment area, with the top five institutions accounting for 81.5 percent of total deposit market share. Needham Bank was ranked 14th with a deposit market share of 0.7 percent.

The bank faces strong competition from other financial institutions that originate loans within the assessment area. Among the more prominent lenders competing with Needham Bank are Brookline Bank, Dedham Institution for Savings, Middlesex Savings Bank, Wellesley Bank, Watertown Savings Bank, Village Bank as well as many large national banks including Bank of America, Citizens Bank and Santander Bank.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. This information allows examiners to determine whether local financial institutions are responsive to identified needs and opportunities. The contact may also help identify what credit and community development opportunities are available. Examiners contacted two representatives from organizations located in Waltham and Boston regions.

The first organization provides affordable housing and community services to residents in Waltham and its surrounding communities. This organization's primary function is to purchase

and rehab houses and buildings into affordable housing units as a means to end the cycle of homelessness. The organization also offers homelessness prevention programs to the most vulnerable individuals and families in the area. The organization stated there is significant need for affordable housing in the Waltham area, especially as the price of homeownership continues to increase.

The second community contact provides a variety of services to low- and moderate-income residents, and small business owners in Boston. The contact noted a significant need for affordable housing and small business development. In addition to providing the community with affordable housing and first-time homebuyer services, the organization provides micro-loans to start up organizations and provides support for entrepreneurs in some of the more economically blighted areas of Boston. The contact stated that there is opportunity for local banks to become involved with the affordable housing and small business needs in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

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

Lending Activity

The bank’s lending activity reflects adequate responsiveness to the assessment area’s credit needs in its assessment area, taking into account the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area.

Needham Bank’s average net loan-to-deposit (LTD) ratio over the nine quarters since the prior CRA evaluation is 114.8 percent. The bank’s quarterly LTD ratio fluctuated over the period reaching a high of 118.9 percent as of September 30, 2015 and a low of 111.5 as of March 31, 2017. The quarterly LTD ratio generally decreased during the review period.

During the evaluation period, the bank sold 488 loans totaling \$181.7 million. These loans were not included in the LTD ratio calculated above.

Home Mortgage Loans

In 2015, the bank originated 603 home mortgage loans totaling \$437.8 million in the assessment area. Home purchase and home refinancing loans represented the primary focus of the bank’s home mortgage lending and comprised 58.9 percent and 22.2 percent, respectively, of the total number of loans. In 2016, the total number of home mortgage loan originations and purchases inside the assessment area decreased to 565 loans totaling \$360.4 million. The loan type focus remained generally stable.

Market share data for 2015 provides additional insight into the bank’s volume of home mortgage lending. The bank ranked 14th with a 1.4 percent market share among the 513 lenders that originated or purchased home mortgage loans in the bank’s assessment area. The top three lenders were JPMorgan Chase Bank with 8.0 percent market share, LoanDepot.com with 4.7 percent share, and Wells Fargo Bank at 4.5 percent.

Small Business Loans

In 2015, the bank originated 42 small business loans totaling \$8.0 million in the assessment area. Small business loans are originated for a variety of business purposes, such as working capital, business expansion, equipment purchases, and the purchase or refinancing of commercial real estate. Market share data for 2015 shows that the bank ranked 50th with a 0.1 percent market share among 159 reporting lenders.

In 2016, the number of small business loans surpassed the prior year's performance in both number and dollar amount. The bank originated 62 small business loans totaling \$8.8 million in the assessment area.

Assessment Area Concentration

Needham Bank made a majority of its total home mortgage and small business loans by number and dollar amount inside the assessment area. The following table illustrates the percentage of loans originated or purchased inside and outside of the assessment area.

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	74.6	205	25.4	808	437,783	78.2	122,004	21.8	559,787
2016	565	74.0	199	26.0	764	360,427	79.3	94,002	20.7	454,429
Subtotal	1,168	74.3	404	25.7	1,572	798,210	78.7	216,006	21.3	1,014,216
Small Business										
2015	42	82.4	9	17.6	51	7,983	70.2	3,394	29.8	11,377
2016	62	89.9	7	10.1	69	8,808	76.0	2,785	24.0	11,593
Subtotal	104	86.7	16	13.3	120	16,791	73.1	6,179	26.9	22,970
Total	1,272	75.2	420	24.8	1,692	815,001	78.6	222,185	21.4	1,037,186
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016; Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. In 2015, the bank's performance in low-income tracts was 2.7 percent lower than aggregate. For moderate-income tracts, the bank's lending was 7.8 percent lower than aggregate. In 2016, the bank's lending in low- and moderate-income tracts was lower than the percentage of owner-occupied housing units in those tracts.

While the bank's lending data is below the aggregate data, examiners noted that the bank expanded its assessment area in 2017 to include the entire city of Boston which added 48 low-income CTs and 44 moderate-income CTs to the assessment area. Prior to this assessment area expansion, the bank's assessment area included only 1 low-income CT and 15 moderate-income CTs. While the bank's increase in asset size and lending growth support the bank's expansion into Boston, the bank has not historically focused on serving this area. In addition, the bank does not have a branch located in the city of Boston.

According to the community contact, there is a high level of competition to lend in the Boston area. The contact explained that this is especially the case in low- and moderate-income CTs as in recent years, families have been priced out of the Boston area as property values have risen. This is reflected in the low level of owner-occupied housing in these tracts.

Market share data further shows the high level of competition in the area. In 2015, the bank ranked 27th in lending in low-income census tracts with a 0.7 percent market share. The bank ranked 36th in lending in moderate-income tracts with a 0.6 percent market share.

Prior to the assessment area expansion, the bank developed and implemented an innovative lending program designed to serve the low- and moderate-income communities inside its assessment area. This program offers discounted interest rates, low down payments, and no private mortgage insurance.

Examiners noted an increase in lending to low- and moderate-income CTs from 2015 to 2016.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	4.5	5.5	17	2.8	14,927	3.4
2016	4.5	--	18	3.2	13,474	3.7
Moderate						
2015	12.0	12.9	31	5.1	16,424	3.8
2016	12.0	--	37	6.5	21,121	5.9
Middle						
2015	30.5	30.3	130	21.6	71,460	16.3
2016	30.5	--	128	22.7	54,552	15.1
Upper						
2015	53.0	51.3	425	70.5	334,972	76.5
2016	53.0	--	382	67.6	271,280	75.3
Not Available						
2015	0.0	0.0	0	0.0	0	0.0
2016	0.0	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	603	100.0	437,783	100.0
2016	100.0	--	565	100.0	360,427	100.0
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The geographic distribution of small business loans is considered adequate. While in 2015, the bank made zero loans in low-income CTs and one loan in moderate-income census tracts, Examiners took into account the fact that the bank recently expanded its assessment area to include the City of Boston which includes the majority of low- and moderate-income CTs. The bank's assessment area expansion was largely driven its residential lending patterns.

There is a high level of competition for small business lending in Boston. In 2015, 105 lenders reported a small business loan origination with American Express Bank, FSB, Bank of America, NA, and Capital One, NA ranking in the top three. Examiners noted that many of the bank's competitors have had a much longer presence in Boston. Further, this is Needham Bank's first examination as a small business reporter. Examiners also noted the slight increase in small business lending in moderate-income CTs from 2015 to 2016.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	7.3	6.1	0	0.0	0	0.0
2016	7.4	--	0	0.0	0	0.0
Moderate						
2015	12.5	12.4	1	2.4	35	0.4
2016	12.4	--	3	4.8	960	10.9
Middle						
2015	22.7	24.9	8	19.0	883	11.1
2016	22.6	--	7	11.3	588	6.7
Upper						
2015	56.9	55.8	33	78.6	7,065	88.5
2016	57.2	--	52	83.9	7,260	82.4
Not Available						
2015	0.6	0.8	0	0.0	0	0.0
2016	0.6	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	42	100.0	7,983	100.0
2016	100.0	--	62	100.0	8,808	100.0

*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*

Borrower Characteristics

The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different sizes in the assessment area.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers reflects adequate penetration among retail customers of different income levels. Examiners focused on the comparison to aggregate and demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	24.2	2.3	4	0.7	449	0.1
2016	24.2	--	8	1.4	1,379	0.4
Moderate						
2015	14.6	9.9	28	4.6	6,176	1.4
2016	14.6	--	33	5.8	8,369	2.3
Middle						
2015	17.5	18.9	68	11.3	22,655	5.2
2016	17.5	--	66	11.7	21,549	6.0
Upper						
2015	43.7	50.4	367	60.9	260,159	59.4
2016	43.7	--	355	62.8	233,652	64.8
Not Available						
2015	0.0	18.5	136	22.6	148,344	33.9
2016	0.0	--	103	18.2	95,478	26.5
Totals						
2015	100.0	100.0	603	100.0	437,783	100.0
2016	100.0	--	565	100.0	360,427	100.0

Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

In 2015, the bank's home mortgage lending to low- and moderate-income borrowers performed below the aggregate data, and was lower than the percentage of low- and moderate income families. A low-income family in the assessment area, which is a family with an income of \$45,000 or lower in the Boston, MA MD, \$50,850 or lower in the Cambridge-Newton-Framingham MA MD and \$40,750 or lower in the Worcester MA-CT, MSA, would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$468,385 inside the assessment area. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the difference between bank performance of lending to low-income borrowers and the 24.2 percent

of families at this income level. The bank’s lending to moderate-income borrowers was 5.3 percent lower than the aggregate in 2015. According to the community contact, low- and moderate-income individuals in Boston are facing significant housing affordability issues which can affect the ability to attain home ownership. The contact also explained that the rental rates have increased in the Boston area as a result of the increase of the median housing value.

Further, it should be noted that 22.6 percent of loans and 18.2 percent of loans were to borrowers with income unavailable in 2015 and 2016, respectively. The bank’s lending to borrowers with income designated as N/A can be attributed to the bank’s commercial lending business, as these loans were originated to non-natural entities such as LLCs.

It was noted that the bank’s lending to moderate-income borrowers slightly increased between 2015 and 2016.

Small Business Loans

The distribution of small business loans reflects adequate penetration of lending to businesses with GARs of \$1 million or less. In 2015, the bank originated 35.7 percent of small business loans to businesses with GARs less than or equal to \$1 million. This percentage is lower than the aggregate at 48.0 percent and lower than the percentage of businesses at 73.4 percent. In 2016, the bank slightly surpassed its 2015 performance by increasing its percentage of loans to businesses with GARs less than or equal to \$1 million by 4.6 percent. The bank’s efforts to serve the small business lending needs of its assessment area are presented in the following “Innovative and Flexible Lending” section.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2015	73.4	48.0	15	35.7	3,062	38.4
2016	81.9	--	25	40.3	2,098	23.8
>1,000,000						
2015	7.0	--	27	64.3	4,921	61.6
2016	8.2	--	37	59.7	6,710	76.2
Revenue Not Available						
2015	19.6	--	0	0.0	50	1.0
2016	9.9	--	0	0.0	0	0.0
Totals						
2015	100.0	100.0	42	100.0	7,983	100.0
2016	100.0	--	62	100.0	8,808	100.0

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

Community Development Lending

The bank made a relatively high level of community development loans. During the evaluation period, the bank originated 16 community development loans totaling \$24.5 million. This level of activity represents 1.2 percent of total assets and 1.5 percent of total loans as of the March 31, 2017 Call Report.

The bank's community development lending includes five loans totaling \$5.6 million that were originated outside the assessment area. Examiners considered these loans under the Community Development Lending criterion.

Community Development Loans													
Activity Year	Qualifying Category										Totals		
	Affordable Housing		Community Service		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization				
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	
2/23/15-12/31/15	8	11,670	0	0	0	0	0	0	0	0	0	8	11,670
2016	1	518	1	50	1	100	2	1,226	0	0	0	5	1,894
1/1/17-5/15/17	2	10,000	0	0	0	0	1	905	0	0	0	3	10,905
Total	11	22,188	1	50	1	100	3	2,131	0	0	0	16	24,469

Source: Bank Records.

Below are examples of the bank's community development loans:

- In 2016, the bank made a \$1.0 million EQ2 investment in a Boston based loan fund which provides loans to develop and preserve affordable housing, community healthcare facilities and commercial real estate in low- and moderate-income neighborhoods. The bank received CRA credit for a pro rata share of the community development loans originated by the loan fund since the bank's initial investment, which totaled \$2.1 million.
- In 2016, the bank partnered with other financial institutions to create a microloan fund that provides small dollar loans and technical support to small businesses located in the bank's assessment area. The bank originated a \$100,000 loan to the fund.
- In 2017, the bank provided \$5.0 million as part of a \$14.5 million participation loan to an organization that provides housing and human services to low- and moderate-income individuals in the bank's assessment area.
- In 2017, the bank originated a \$5.0 million loan to a public non-profit organization that develops affordable housing, provides technical assistance to communities regarding affordable housing, and offers specialized loan products to low-income first time homebuyers. The loan proceeds were used to help finance the organization's affordable rental developments.

Innovative and Flexible Lending

The bank makes use of innovative and flexible lending programs to assist in meeting the credit needs of its assessment area. The following highlights the various innovative and flexible loan programs that the bank continues to offer.

Home Mortgage Loans

Needham Bank Community Loan Program (CLP) – The Needham Bank CLP offers discounted mortgage interest rates, lower down payment of 5 percent and no private mortgage insurance (PMI) to LMI borrowers and those purchasing in LMI CTs. Needham Bank also pays for all closing costs except for escrow and owner’s title insurance. This program was developed by the bank internally and implemented in 2016. During the evaluation period the bank has originated six loans totaling \$1.3 inside of the assessment area.

First Time Homebuyer Program (FTHB) - This program is offered to potential first-time homebuyers who may not be eligible for traditional home purchase loan products. The program offers reduced closing costs and no private mortgage insurance. During the evaluation period, the bank originated 49 FTHB loans totaling \$23.6 million.

MassHousing – MassHousing is a quasi-public state agency whose mission is to increase the Commonwealth’s supply of affordable housing. Needham Bank originates loans through the MassHousing PMI program. The bank originated eight loans totaling \$2.2 million over the evaluation period.

Small Business Loans

Federal Home Loan Bank (FHLB) Jobs for New England Program- The Federal Home Loan Bank’s Jobs for New England Program was designed to create jobs and economic activity throughout the region. The program is open to all FHLB members and features interest rate subsidies for zero percent advances and one to ten year terms for borrowers. The bank has made one loan inside the assessment area for \$100,000 and one loan outside of the assessment area for \$70,000.

Massachusetts Capital Access Program (CAP) – The bank provided five Massachusetts CAP loans totaling \$265,000 inside the assessment area and one loan totaling \$8,500 outside of the assessment area during the evaluation period. The Massachusetts CAP program is designed to assist small businesses obtain loans for numerous business purposes including start-up costs, equipment purchases, expansion, real estate acquisition and working capital lines of credit.

Small Business Administration (SBA) Loans- The SBA provides financial assistance in the form of loan guaranties, smaller down payments, and flexible terms. The bank originated two SBA 504 loans inside the assessment area totaling \$1.5 million over the evaluation period. The 504 program provides small businesses with long-term, fixed-rate financing for major fixed assets such as land and buildings.

Fair Lending

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

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

Minority Application Flow

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

The bank's residential lending in 2015 was compared to the 2015 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

According to the 2010 U.S. Census data, the bank's assessment area had a population of 1,286,795 individuals, of which 35.4 percent are minorities. The assessment area's minority and ethnic population consists of 0.2 percent American Indian, 8.2 percent Asian/Pacific Islander, 12.2 percent Black, 11.3 percent Hispanic, and 3.5 percent other.

In 2015, the bank received 731 HMDA reportable loan applications within its assessment area. Of these applications, 55 or 7.5 percent were received from racial minority applicants. This is below the aggregate's performance of 13.7 percent of applications received from minorities. In 2015, the bank received nine applications or 1.2 percent from Hispanic or Latino applicants. This performance was slightly below the aggregate's performance of 3.3 percent.

In 2016, the bank received 6.5 percent of applications from racial minorities and 0.8 percent of applications from Hispanic or Latino applicants.

Considering the recent expansion of the bank's assessment area to include the majority-minority CTs of the City of Boston, the bank's minority application flow, when compared to the aggregate's lending performance levels and assessment area demographic, is considered adequate.

Minority Application Flow					
RACE	Bank 2015		2015 Aggregate Data	Bank 2016	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.1	0.1	0	0.0
Asian	40	5.5	7.1	24	3.6
Black/ African American	4	0.5	4.4	7	1.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	10	1.4	1.9	13	1.9
Total Minority	55	7.5	13.7	44	6.5
White	456	62.4	61.2	422	62.9
Race Not Available	220	30.1	25.1	205	30.6
Total	731	100.0	100.0	671	100.0
ETHNICITY					
Hispanic or Latino	9	1.2	3.3	5	0.8
Not Hispanic or Latino	480	65.7	70.9	445	66.3
Joint (Hisp/Lat /Not Hisp/Lat)	5	0.7	1.0	12	1.8
Ethnicity Not Available	237	32.4	24.8	209	31.1
Total	731	100.0	100.0	671	100.0
<i>Source: Bank HMDA LAR Data 2015 - 2016, HMDA Aggregate Data 2015</i>					

Loss of Affordable Housing

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

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

Response to CRA Complaints

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

INVESTMENT TEST

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

Investment Activity

Needham Bank has an adequate level of qualified development investments and grants; qualified investments reflect adequate responsiveness to credit and community economic development needs. The bank's qualified investments total \$8.9 million, which includes \$8.5 million in equity investments and \$421,090 in grants and donations.

Equity Investments

Qualified equity investments include the original value of new investments of \$2.2 million, and the current book value of prior period investments of \$6.3 million. Below is a summary of the bank's equity investments.

Massachusetts Housing Investment Corporation (MHIC) - In 2015, the bank invested \$1.0 million in the MHIC's Massachusetts Housing Equity Fund. The Fund invests in projects that rehabilitate or construct affordable housing in low- and moderate-income neighborhoods in the bank's assessment area.

Mortgage-Backed Securities - The bank invests in mortgage-backed securities secured by one-to-four family residential mortgages to low- and moderate-income borrowers in the bank's assessment area. During the current evaluation period, the bank invested \$1.2 million in one Federal National Mortgage Association (Fannie Mae) mortgage-backed security. The bank continues to hold six mortgage-backed securities with a current book value \$6.3 million from prior periods.

Charitable Contributions

During the evaluation period, the bank made 108 qualified donations totaling \$421,090. Of the total donations, 75.2 percent by dollar amount went to organizations whose efforts support community development services to low- and moderate-income individuals. It should be noted that the following table includes donations and grants that benefitted the regional or statewide area that includes the bank’s assessment area.

Qualified Donations and Grants						
Activity Year	Qualifying Category				Totals	
	Affordable Housing		Community Service		#	\$
	#	\$	#	\$		
2/23/15-12/31/15	7	37,500	31	122,340	38	159,840
2016	11	43,500	40	156,250	51	199,750
1/1/17-5/15/17	5	23,500	14	38,000	19	61,500
Total	23	104,500	85	316,590	108	421,090

Source: Bank Records.

Below are examples of organizations that received qualified charitable contributions and grants from the bank.

South Middlesex Opportunity Council (SMOC) - An antipoverty agency headquartered in Framingham, SMOC provides services to low- and moderate-income individuals and families that include: behavioral health services; economic development, education, employment and workforce development services; energy and financial assistance; family and nutrition services; and housing.

Family Promise MetroWest - This organization provides transitional shelter, meals, career development, and case management services to homeless families seeking permanent housing.

Horizons at Dedham Country Day School – an academic summer enrichment program that serves low-income Boston and Dedham students. The goal of the program is to close the opportunity and achievement gaps by helping students improve academic performance and develop life skills.

Massachusetts Affordable Housing Alliance (MAHA)- Based in Boston, this organization’s mission is to support affordable homeownership for low- and moderate-income individuals. MAHA partners with banks to develop affordable loan products, offers homebuyer and homeowner education programs, and promotes and advocates for affordable housing initiatives.

MetroWest Collaborative Development- This organization develops affordable housing, supports small business, and advocates for community development in the MetroWest region.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. Primary community needs include affordable housing and community services for low- and moderate-income individuals. The bank's qualified investments heavily focus on community service needs to the community. The bank also funds qualified investments and grants for affordable housing, within the assessment area.

Community Development Initiatives

The institution occasionally uses innovative and/or complex investments to support community development initiatives. In addition to mortgage backed securities, the bank invests in the Massachusetts Housing Investment Corporation that promotes the development of affordable housing in the assessment area. Additionally, the remaining qualified investments are donations, which many banks also routinely provide.

SERVICE TEST

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

Accessibility of Delivery Systems

As of the start of the examination, the bank’s retail bank branches were reasonably accessible to all portions of the assessment area. The bank operates nine full-service branches, including the main office located in Needham, MA. While there are no branches located in low- or moderate-income census tracts, Needham Bank’s branches are adequately accessible to the Boston neighborhoods of West Roxbury, Hyde Park, and Roslindale (Dedham and Westwood branches) as well as the low- and moderate-income census tracts in the City of Framingham (Ashland and Natick branches). As previously mentioned in the “Description of the Institution,” the bank offers a wide range of online banking services.

It is noted, since the assessment area was very recently expanded to include the low- and moderate-income tracts contained in the City of Boston, it is not expected that the bank would have had a branch presence in these tracts during the evaluation period. The following table illustrates the distribution of the bank’s branches.

Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	49	15.6	175,749	13.7	0	0.0
Moderate	59	18.8	243,793	18.9	0	0.0
Middle	80	25.5	354,803	27.6	1	11.1
Upper	114	36.3	510,821	39.7	8	88.9
NA	12	3.8	1,629	0.1	0	0.0
Total	314	100.0	1,286,795	100.0	9	100.0
<i>Source: 2010 U.S. Census and Bank Records</i>						

Each full-service branch has a 24-hour ATM. The bank also operates one remote 24-hour deposit taking ATM at the Beth Israel Deaconess Hospital in Needham, an upper-income CT.

Alternate delivery systems include free electronic banking services such as online banking and bill pay services, mobile banking, and telephone banking. The bank also reimburses all transaction fees incurred to its customers from using other financial institutions’ ATMs.

The bank employs a number of bilingual employees to serve the community. Second languages spoken include, but are not limited to, Afrikaans, Albanian, American Sign Language, Arabic, Cantonese, Creole, French, Greek, Hindi, Indian, Italian, Mandarin, Portuguese, Russian, Spanish, and Ukrainian.

Changes in Branch Locations

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

The bank opened three full-service branches since the prior CRA evaluation. In 2015, the bank opened two branches, one located in an upper-income census tract (Ashland, MA) and one located in a middle-income census tract (Millis, MA). In 2016, the bank opened one branch in an upper-income census tract (Natick, MA).

Reasonableness of Business Hours and Services

Prior to the expansion of the bank’s assessment area, services and business hours did not vary in a way that inconvenienced portions of the assessment area, particularly to low- and moderate-income geographies or individuals. However, with the expansion of the assessment area to include a large number of low- and moderate-income CTs in the Ccity of Boston, the current distribution of branches and ATMs may inconvenience parts of the assessment area including low- and moderate-income geographies. However, as previously mentioned, it is not expected that the bank has a branch presence in Boston at the time of the examination.

All full-service branches offered consistent products and services. Branch hours are convenient and comparable to other institutions.

Community Development Services

The bank demonstrates adequate responsiveness to the needs and opportunities of the communities it serves, primarily through involvement on the boards of community development organizations and the provision of educational services and seminars.

During the evaluation period, bank management provided 28 instances of financial expertise or technical assistance to community development organizations. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services				
Activity Year	Affordable Housing	Community Services	Economic Development	Totals
	#	#	#	#
2/23/15-12/31/15	2	7	2	11
2016	2	11	4	17
Total	4	18	6	28
<i>Source: Bank Records</i>				

The following are examples of the bank's community development services.

Southwest Affordable Housing Partnership - This organization promotes affordable housing efforts to low- and moderate-income individuals throughout Norfolk County. A Needham Bank Board Member serves on the Board of Directors of this organization.

Ashland Emergency Fund. - This organization provides temporary, emergency financial support to Ashland families and citizens in need. The Ashland Emergency Fund assists struggling families and individuals with food, utilities, housing, and medical expenses.

Hale Reservation- The Hale Reservation is a non-profit educational organization that manages 1,137 acres of woodlands in Westwood and Dover. Each year, the Hale Reservation runs a summer day camp educational/recreational program that serves 4,400 children from 70 communities in the Greater Boston area, of which a majority are low- or moderate-income. The bank's Community Relations Manager is on the Fundraising Committee and a member of the bank's Board of Directors also serves on the Board of the Hale Reservation.

Needham Community Council. – This organization provides short term immediate assistance to underserved individuals and families in Needham through programs such as a food pantry, thrift shop, ESL tutoring, and a free medical equipment loan program. The majority of individuals served are low- and moderate-income. An Assistant Vice President of the bank serves as Treasurer of the organization.

Casa Myrna – Casa Myrna is Boston's largest provider of domestic violence awareness efforts and of shelter and supportive services to survivors. The organization serves low- and moderate-income survivors through residential programs, housing assistance and advocacy, financial literacy education and job readiness skill building, and community based advocacy. A member of the bank's Board of Directors also serves on the Board of this organization.

Educational Services and Seminars

Below are examples of the bank's educational services and seminars:

First Time Homebuyers (FTHB) Seminars - The bank partners with local non-profits to participate in FTHB seminars. These seminars provide potential prospects an overview of the mortgage process including income, down payment, credit requirements, credit issues, closing costs, income to debt ratios and the availability of the federal tax credit and other tax advantages of home ownership. During the evaluation period, bank employees have participated in FTHB seminars at organizations such as the South Middlesex Opportunity Council (SMOC), Waltham Alliance to Create Affordable Housing Community Development Corporation (WATCH CDC), and the Massachusetts Affordable Housing Alliance (MAHA).

Financial Literacy Classes for Students - Throughout the evaluation period, bank employees taught and participated in financial literacy classes and seminars to students attending local

schools including Needham, Millis, Westwood, Framingham, Keefe Regional Technical High Schools.

EverFi, Inc. – In 2014, the bank partnered with EverFi, Inc., an educational technology company that offers digital programs to teach, evaluate and certify students in critical life skills including financial literacy. During the evaluation period, Needham, Ashland, Westwood, Dover-Sherborn, Framingham, Medfield, Millis and Natick High Schools have offered this program to their students.

Other Services

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This State-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals. Needham Bank offers a completely free checking account.
- The bank participates in the Interest on Lawyer's Trust Accounts (IOLTA) program. Interest earned is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. Interest earned during the evaluation period totaled \$57,055.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (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.

Microropolitan 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.