

PUBLIC DISCLOSURE

March 26, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Washington Savings Bank
Certificate Number: 90229

30 Middlesex Street
Lowell, Massachusetts 01852

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION 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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation.

The bank's performance with respect to the optional review of community development loans, investments, and services supports the overall rating.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 19, 2013, to the current evaluation dated March 26, 2018. The Massachusetts Division of Banks (“Division”) this evaluation concurrently with the Federal Reserve Bank of Boston using the Interagency Small Institution Examination procedures. The procedures encompass the Lending Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

Although not required under the Small Institution Examination procedures, examiners also reviewed the bank’s community development loans, investments, and services for CRA purposes at the request of bank management and pursuant to 209 CMR 46.61(6)(b)(2).

Loan Products Reviewed

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

This evaluation considered all home mortgage loans reported on the bank’s 2016 and 2017 Home Mortgage Disclosure Act (“HMDA”) Loan Application Registers (“LARs”). For 2016, the bank reported 137 HMDA-reportable loans totaling \$35.8 million. For 2017, the bank reported 140 HMDA-reportable loans totaling \$40.4 million. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. While number and dollar volume of loans are presented, examiners gave more weight to performance by number of loans because the number of loans is a better indicator of the number of individuals served.

Bank management provided data on community development loans, investments, and services since the prior CRA evaluation dated February 19, 2013.

DESCRIPTION OF INSTITUTION

Background

Washington Savings Bank is a mutually-owned savings bank headquartered at 30 Middlesex Street in Lowell, Massachusetts and operates primarily in the eastern part of Massachusetts and limited portions of southern New Hampshire. The bank received an “Outstanding” rating at its previous CRA evaluation conducted by the Division, dated February 19, 2013, based on Interagency Small Institution Examination Procedures.

Operations

In addition to its headquarters, the bank operates a full-service branch and loan center located at 100 Broadway Road in Dracut, Massachusetts. The branch is located in a middle-income census tract, while bank headquarters are located in low-income census tract. The bank is primarily a residential lender offering traditional community banking products, including home mortgage, commercial, consumer, and construction loans and lines of credit. Deposit services include checking, savings, money market accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, and mobile check deposit. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$219 million as of December 31, 2017, and included total loans of approximately \$177 million and total deposits of approximately \$173 million. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2017		
Loan Category	\$(000s)	%
Construction and Land Development	7,801	4.4
Secured by Farmland	1,689	0.9
1-4 Family Residential	128,612	72.5
Multi-family (5 or more) Residential	22,563	12.7
Commercial Real Estate	15,128	8.5
Total Real Estate Loans	175,793	99.0
Commercial and Industrial	1,221	0.7
Agricultural	109	0.1
Consumer	318	0.2
Other	42	0.0
Less: Unearned Income	0	0.0
Total Loans	177,483	100.0
<i>Source: Reports of Income and Condition</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

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. Washington Savings Bank designated its assessment area to include the municipalities of Chelmsford, Dracut, Dunstable, Lowell, Tewksbury, Tyngsboro, Westford, MA and Pelham, NH. But for Pelham, NH, all the municipalities are part of the Cambridge-Newton-Framingham, MA MD. Pelham, NH is part of the Manchester-Nashua, NH MSA. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 54 census tracts (“CTs”). These tracts reflect the following income designations according to the 2015 American Community Survey as documented by the U.S. Census Bureau:

- 12 low-income tracts,
- 11 moderate-income tracts,
- 21 middle-income tracts, and
- 10 upper income tracts.

Examiners noted that the census tract income designations have changed since the bank’s previous evaluation, at which point the assessment area contained 7 low-, 16 moderate-, 22 middle-, and 9-upper income census tracts.

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)	54	22.2	20.4	38.9	18.5	0.0
Population by Geography	256,653	17.2	22.6	42.4	17.8	0.0
Housing Units by Geography	97,053	17.2	22.9	42.6	17.4	0.0
Owner-Occupied Units by Geography	62,319	5.7	18.7	52.5	23.1	0.0
Occupied Rental Units by Geography	29,906	39.9	29.9	23.8	6.4	0.0
Vacant Units by Geography	4,828	24.8	33.0	30.7	11.6	0.0
Businesses by Geography	15,000	16.1	16.2	43.5	24.2	0.0
Farms by Geography	318	4.1	8.5	53.8	33.6	0.0
Family Distribution by Income Level	63,775	25.5	18.2	21.4	35.0	0.0
Household Distribution by Income Level	92,225	28.4	16.3	17.1	38.3	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$291,759
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Gross Rent			\$1,031
			Families Below Poverty Level			7.8%
<i>Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Federal Financial Institutions Examination Council (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%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
Manchester-Nashua, NH MSA Median Family Income (31700)				
2016 (\$83,100)	<\$41,550	\$41,550 to <\$66,480	\$66,480 to <\$99,720	≥\$99,720
2017 (\$87,200)	<\$43,600	\$43,600 to <\$69,760	\$69,760 to <\$104,640	≥\$104,640
<i>Source: FFIEC</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

There are 97,053 housing units in the assessment area. Of these, 64 percent are owner-occupied, 31 percent are occupied rental units, and 5 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the January 2018 unemployment rate was 3.5 percent for Massachusetts statewide, and 3.5 percent for the Boston-Cambridge-Nashua, MA-NH Metropolitan area.

Competition

The assessment area is highly competitive in the market for financial services and home mortgage lending. According to 2016 market share data, 387 lenders originated at least one home mortgage loan in the assessment area, totaling 14,391 loans worth approximately \$3.8 billion. The average loan amount was \$265,000. Of these lenders, Washington Savings Bank ranked 25th, with one percent of total market share. Four of the five most prominent lenders within the assessment area have national reach; the five lenders account for 25 percent of total market share in the assessment area.

Community Contact

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

Examiners conducted a community contact with a local nonprofit agency that seeks to improve affordable housing opportunities and economic and community development in the bank's assessment area.

The contact stated that affordable housing, increased wages, and tackling youth homelessness are primary needs in the community. Home prices in the area have risen considerably in the last decade, pricing many low- and moderate-income individuals and families out of the market. The contact stated these investment vehicles have been critical in establishing affordable housing in recent years.

Specific to financial institutions, the contact applauded local institutions for their willingness to engage communities in financial literacy training and in their efforts to diversify their workforces to meet the diverse language and cultural makeup of the communities they serve.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing was the area's greatest need. Financial institutions can participate by funding affordable housing developments, offering specialized loan products such as first time homebuyer loans, and partnering with local organizations whose mission is to provide housing to low- and moderate-income individuals and families.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Washington Savings Bank demonstrated good performance under the Lending Test.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 92.2 percent over the past 20 calendar quarters from March 31, 2013 to December 31, 2017. The ratio ranged from a low of 82.2 percent as of March 31, 2013, to a high of 102.6 percent as of September 30, 2017. The ratio remained generally stable during the evaluation period. The bank maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/17 \$(000s)	Average Net LTD Ratio (%)
Washington Savings Bank	219.2	91.5
Sage Bank	143.4	121.0
Haverhill Bank	390.7	83.0
Wakefield Co-operative Bank	221.0	83.5
Methuen Cooperative Bank	89.7	66.7
<i>Source: Reports of Income and Condition 3/31/13 through 12/31/17</i>		

Assessment Area Concentration

The bank made a majority of home mortgage loans, by number and dollar volume, within its assessment area. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	108	78.8	29	21.2	137	24,625	68.8	11,143	31.2	35,768
2017	95	67.9	45	32.1	140	23,154	57.4	17,208	42.6	40,362
Total	203	73.3	74	26.7	277	47,779	62.8	28,351	37.2	76,130
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

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

The analysis compared the bank's 2016 performance to 2016 aggregate data, and 2017 bank performance to demographics, as 2017 aggregate data was unavailable at the time of the evaluation. In addition, examiners noted that demographic data, the percentage of owner-occupied housing units, varied from 2016 to 2017. Figures for 2016 reflect data as captured by the 2010 U.S. Census, whereas 2017 reflects the data of the 2015 American Community Survey as documented by the U.S. Census Bureau. The following table shows the bank's geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	2.4	2.7	11	10.2	1,913	7.8
2017	5.7	--	16	16.8	5,279	22.8
Moderate						
2016	20.6	17.2	37	34.3	7,943	32.3
2017	18.7	--	27	28.4	5,903	25.5
Middle						
2016	44.0	46.5	45	41.7	10,243	41.6
2017	52.5	--	36	37.9	7,371	31.8
Upper						
2016	33.0	33.6	15	13.9	4,526	18.4
2017	23.1	--	16	16.8	4,601	19.9
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	108	100.0	24,625	100.0
2017	100.0	--	95	100.0	23,154	100.0

Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0

The bank's 2016 performance in lending to borrowers in low-income census tracts was 7.5 percentage points above the aggregate. The bank originated 34.3 percent of its home mortgage loans to borrowers located in moderate-income census tracts, above aggregate performance of 17.2 percent.

In 2017, the bank’s performance in lending to borrowers located in low-income census tracts increased to 16.8 percent, above the 5.7 percent of owner-occupied units in the assessment area. Performance in lending to borrowers within moderate-income census tracts was 28.4 percent, above the 18.7 percent of owner-occupied units.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among borrowers of different income levels in the assessment area. The bank’s reasonable performance in home mortgage lending supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

The analysis compared 2016 bank performance to 2016 aggregate data, and 2017 bank performance to demographics, as 2017 aggregate data was unavailable at the time of the evaluation. Examiners noted that demographic data, the percentage of families, varied from 2016 to 2017. Figures for 2016 reflect data as captured by the 2010 U.S. Census, whereas 2017 reflects the data of the 2015 American Community Survey as documented by the U.S. Census Bureau. The following table details bank and aggregate lending by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	24.1	7.1	14	13.0	2,530	10.3
2017	25.5	--	15	15.8	2,832	12.2
Moderate						
2016	18.6	19.5	13	12.0	2,845	11.6
2017	18.2	--	22	23.2	3,528	15.2
Middle						
2016	21.5	25.3	29	26.9	6,658	27.0
2017	21.4	--	19	20.0	3,584	15.5
Upper						
2016	35.8	32.0	36	33.3	8,215	33.4
2017	35.0	--	18	18.9	5,958	25.7
Not Available						
2016	0.0	16.2	16	14.8	4,377	17.8
2017	0.0	--	21	22.1	7,252	31.3
Totals						
2016	100.0	100.0	108	100.0	24,625	100.0
2017	100.0	--	95	100.0	23,154	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, 13.0 percent of the bank's home mortgage loans were made to low-income borrowers in the assessment area, above aggregate performance of 7.1 percent. Also in 2016, 12.0 percent of the bank's home mortgage loans were made to moderate-income borrowers in the assessment area, below aggregate performance of 19.5 percent

In 2017, the bank's low-income performance increased to 15.8 percent, which falls below the 25.5 percent of low-income families. The bank's performance in lending to moderate-income borrowers was 23.2 percent, above the 18.2 percent of moderate-income families in the assessment area.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation, therefore this criterion did not affect the Lending Test rating.

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. Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations.

Minority Application Flow

The Bank's HMDA LARs for 2016 and 2017 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 2015 ACS Census data, the bank's assessment area has a population of 248,058, of which 22.4 percent are minorities. The assessment area's minority population consists of 0.1 percent American Indian, 12.0 percent Asian/Pacific Islander, 3.2 percent Black/African American, 8.8 percent Hispanic or Latino, and 2.4 percent other race.

The bank's residential lending in 2016 was compared to 2016 aggregate lending data. 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 following table for information on the bank's minority application flow as well as a comparison to aggregate lending data.

Minority Application Flow					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	21	15.1	11.2	17	9.0
Black/ African American	2	1.4	2.4	1	0.5
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	1.3	4	2.1
Total Minority	23	16.5	15.5	22	11.6
White	94	67.6	63.1	140	73.7
Race Not Available	22	15.8	21.4	28	14.7
Total	139	100.0	100.0	190	100.0
ETHNICITY					
Hispanic or Latino	1	0.7	4.4	5	2.6
Not Hispanic or Latino	115	82.7	73.5	153	80.5
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.7	1.2	5	2.6
Ethnicity Not Available	22	15.8	20.9	27	14.2
Total	139	100.0	100.0	190	100.0

Source: 2010 U.S. Census & 2015 ACS Census, HMDA LAR Data 2016 and 2017, HMDA Aggregate Data 2016; *Due to rounding, totals may not equal 100.0

In 2016, the bank received 139 HMDA-reportable loan applications within its assessment area. Of these applications, 16.5 percent were received from racial minority applicants. The bank's application flow was above the aggregate's performance of 15.5 percent. The bank received 1 or 0.7 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from this ethnicity category was below the aggregate performance of 4.4 percent.

In 2017, the bank increased its applications from Hispanic applicants to 2.6 percent, but its applications from minorities by race fell to 11.6 percent. Examiners noted that bank management tracked and was aware of the bank's performance in receiving applications from Hispanic applicants, and have implemented a marketing strategy in an attempt to improve the overall minority application flow.

Given the demographic composition of the assessment area and comparisons to aggregate data, the bank's minority application flow is adequate.

QUALIFIED LENDING INVESTMENTS AND SERVICES

Pursuant to 209 CMR 46.61(6)(b)(2), a small institution that is not an intermediate small institution and meets each of the standards for a "satisfactory" rating under the lending test and exceeds some or all of those standards may warrant consideration for an overall rating of "outstanding." In assessing whether an institution's performance is "outstanding," examiners consider the extent to which the institution exceeds each of the performance standards for a "satisfactory" rating and its performance in making qualified investments and its performance in providing branches and other services and delivery systems that enhance credit availability in its assessment area.

Examiners concluded that Washington Savings Bank met the standards for a "satisfactory" rating under the Lending Test and exceeded that standard under the Loan-to-Deposit and Geographic Distribution criteria. Therefore, at the request of bank management, the Division reviewed the bank's community development loans, qualified investments, and community development services for CRA purposes. Examiners considered the institution's capacity and the need and availability of such opportunities, and concluded that the review supported the overall rating.

Community Development Loans

During the evaluation period, the bank originated 8 community development loans totaling approximately \$3.9 million inside the assessment area.

The following loans were made for community development purposes.

- In 2013, the bank made a loan of \$877,500 for the construction of 21 residential apartment units. The 21 residential units consist of two-bedroom and studio apartments that will be rented below HUD fair market rates, with priority given to former military personnel applicants. This loan is designed to address affordable housing needs within the bank's assessment area.
- In 2016, the bank made a loan of \$500,000 to provide working capital to a small business which operates one location in a low-income census tract of Lowell. The business employs 40 full-time employees from the area. The funds from the loan were used to support payroll and other operating costs. This loan qualified under economic development by financing a small business.
- Also in 2016, the bank made a participation loan of \$595,000 for the purchase of a child care facility for low-income families located in Lowell. The organization purchasing the facility has a network of 60 child care provider homes, and serves families and children aged six weeks to ten years old. Its services are provided to any age appropriate child receiving a state childcare subsidy.
- In 2017, the bank participated in a loan for a non-profit hospital, providing \$1.3 million for the renovation, improvement, and expansion of the intensive care unit. The improvements includes negative pressure rooms for patients with infectious diseases,

family meeting rooms, a healing garden, and increased storage for key supplies. The renovation and expansion project will also allow the hospital to expand from 21 bed units to 32. The hospital is located in a moderate-income census tract and offers its services to all residents in the area.

Qualified Investments

During the examination period, the bank granted \$394,755 in charitable donations to community organizations, of which \$215,670 or 54.6 percent of all contributions made by the bank were considered qualified investments under the CRA.

The following are notable examples of organizations that have received qualified contributions from the bank.

- *The Lowell Plan.* The Lowell Plan is a private nonprofit economic development organization that provides a forum for private and public sector leaders to discuss Lowell's economic, educational, and cultural development; and supports and advocates for partnership programs that advance the strategic goals of the organization. Historically, the organization played an integral role in supporting the economic and cultural revitalization of Lowell, and is currently focused on continuing the city's growth through a number of initiatives.
- *Community Teamwork, Inc.* This multifaceted organization offers a litany of services to low- and moderate-income individuals and families in the Greater Lowell area. Its services are organized into five overarching programs aimed towards: community and volunteering; families and children; finances and business; food and nutrition, and; housing and utilities. Notable offerings within these programs include a home modification loan service, volunteer income tax services, and support services for recipients of the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
- *D'Youville Foundation.* The Foundation is dedicated to assisting seniors residing in Greater Lowell. As part of its mission, the Foundation manages a 63-unit HUD-202 PRAC (Project Rental Assistance Contract) affordable housing community governed by the rules and regulations of the United States Department of Housing and Urban Development for seniors 62 years of age and older. There are 41 units available to seniors with incomes under fifty percent of the area median.
- *The Wish Project.* The Wish Project is a nonprofit organization dedicated to tackling issues of poverty in the Merrimack Valley. It does so by offering emergency aid and assisting those in need with housing and transitional services.
- *Cambodian Mutual Assistance Association.* The CMAA is dedicated to improving the quality of life for Cambodian Americans and other minorities and economically disadvantaged persons in Lowell through educational, cultural, economic and social programs. The organizations offers services such as after school programs, citizenship preparation classes, and first time homebuyer assistance.

Community Development Services

During the evaluation period, bank employees provided several instances of financial expertise or technical assistance to community development-related organizations that operate in the bank's assessment area. Below are some notable examples of the bank's community development services and employee involvement.

Employee Involvement

- *Common Ground Development.* A member of the bank's senior management serves as Treasurer for this organization, which is committed to providing affordable housing in the Merrimack Valley. Common Ground Development has created 119 units of affordable housing in and around the bank's assessment area since 2002.
- *Greater Lowell Workforce Development.* An officer of the bank serves on the board for this organization, which is tasked with overseeing and implementing workforce development initiatives throughout the Greater Lowell area. The Greater Lowell Workforce Board oversees a wide range of development activities which include youth, adult, and dislocated worker programs funded by the Workforce Development Act.
- *Alternative House.* A manager for the bank serves as treasurer for this organization that offers access to shelter, support, children's programming, legal, housing, and community advocacy for all victims of domestic violence who seek help.

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Financial Education and Support

- During the evaluation period, bank employees participated in financial literacy programs offered by community organizations within the assessment area. The bank employees presented the FDIC Financial Education "Money Smart" program to local third and fourth graders at the Moody, Abraham Lincoln, and Morey Schools. The majority of the students at these schools are eligible for free or reduced-price lunch.
- During the evaluation period an officer of the bank conducted a financial literacy workshop for the Burmese community in the Greater Lowell area. The workshop had 35 individuals attend the class.
- Throughout the evaluation period, several mortgage professionals from the bank provided home buyer educational training for the Merrimack Valley Housing Partnership.
- The bank also provides its first time home buyer training and home mortgage financing training through the Cambodian Mutual Assistance Association on an ongoing basis.

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 Massachusetts Division of Banks, at 30 Middlesex Street Lowell, Massachusetts 01852."

[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.