

PUBLIC DISCLOSURE

March 26, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Institution for Savings in Newburyport and its Vicinity
Certificate Number: 90250

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

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INSTITUTION RATING

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

Institution for Savings in Newburyport and its Vicinity (Institution for Savings) Community Reinvestment Act (CRA) performance under the Lending, Investment, and Service Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank’s Lending, Investment, and Service Test performance.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Satisfactory**	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.*

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

The Lending Test is rated Satisfactory.

- Lending reflects adequate responsiveness to assessment area credit needs.
- The bank originated an adequate percentage of home mortgage and small business loans in its assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.

- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.
- The institution makes little use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution made an adequate level of community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants particularly those that are not routinely provided by private investors
- The bank exhibits good 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.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 29, 2014, to the current evaluation dated March 26, 2018. Examiners used the Interagency Large Institution Examination Procedures to evaluate Institution for Savings CRA performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test. The evaluation references demographic and economic information from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS) Census, D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. Bank financial data reflects the December 31, 2017 Consolidated Reports of Condition and Income (Call Report).

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

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and flexible lending practices
- Community development loans

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of deliver systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of originations during the evaluation period. This evaluation does not include any lending activity performed by affiliates.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending. In addition, no other loan types, such as small farm or consumer loans, represent a major product

line. Therefore, as they provide no material support for conclusions or ratings, they are not presented in this evaluation.

In evaluating the bank's performance under the Lending Test, examiners considered all home mortgage originations and purchases reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). In 2016, the bank reported 1,014 originations and purchases totaling \$456.7 million. In 2017, the bank reported 1,204 originations totaling \$559.0 million.

This evaluation also considered small business loans reported on the bank's CRA Loan Register (LR) in 2016 and 2017. A small business loan has an original loan amount of \$1 million or less and is secured by nonfarm nonresidential properties or is classified as a commercial and industrial loan. In 2016, the bank reported 54 small business loans totaling \$15.3 million. In 2017, the bank reported 45 loans totaling \$15.9 million.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served. Examiners compared the bank's 2016 performance under geographic distribution and borrower profile criterion to 2016 aggregate loan data and 2010 U.S. Census data. The bank's 2017 performance was compared to 2015 ACS Census data. The geographic distribution and borrower profile criteria only include analysis of loans extended within the assessment area. Examiners weighted the performance under the Lending Test more heavily than the Investment or Service Tests in arriving at an overall CRA rating.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation dated December 29, 2014, through the current examination date of March 26, 2018.

DESCRIPTION OF INSTITUTION

Background

Institution for Savings headquartered in Newburyport, Massachusetts primarily operates in the northeast part of Massachusetts in Essex County. The bank maintains one subsidiary and three affiliates. The subsidiary, 1820 Securities Corporation buys, sells, and deals securities for itself. The affiliates include Institute for Savings Charitable Foundation, 2 Depot Square Ipswich Charitable Foundation, and the Main Street Rockport Charitable Foundation.

The institution received a “Satisfactory” rating from the FDIC and the Division during its prior joint evaluation using the Federal Financial Institution’s Examination Council’s Interagency Large Institution Examination Procedures.

Operations

In addition to its main branch in Newburyport, the bank operates 12 full-service branches in Beverly, Boxford, Gloucester, Hamilton, Ipswich (2), Middleton, Newburyport, Rockport, Rowley, Salisbury, and Topsfield. The bank operates residential lending offices in Ipswich and Newburyport and a commercial lending center in Rowley. The bank also operates five limited-service high school branches (Beverly High School, Ipswich High School, Masconomet Regional High School, Newburyport High School, and Triton Regional High School). These branches are open when school is in session and are not available to the public.

The bank is a full-service financial institution that offers multiple products and services. The bank offers various mortgages and loans including fixed- and adjustable-rate mortgages, home equity loans, lines of credit, and personal loans. The bank offers commercial real estate loans, commercial term loans, lines of credit, and Small Business Administration (SBA) loans. The bank also offers deposit products and services for retail customers, including checking, saving, and money market accounts, certificates of deposit, and individual retirement accounts. Business services include cash management and checking, sweep, savings, and money market accounts.

Except for the Boxford office, all full-service branches offer drive-up facilities and automated teller machines (ATMs). The bank opened three full-service branches since the prior evaluation. These include Middleton in May 2015, Boxford in November 2015, and Hamilton in July 2017. The bank closed one branch in Rockport in December 2017. Lastly, no merger or acquisition activities have occurred since the previous evaluation.

Ability and Capacity

As of December 31, 2017, the bank had total assets of approximately \$3.3 billion, which included total loans of \$2.5 billion or approximately 76 percent of total assets. The bank’s net loan-to-deposit ratio, as of the same date, was 94.0 percent. Since the previous evaluation, the bank’s assets increased 65.7 percent and total loans increased 82.5 percent.

Institution for Savings is primarily a residential lender. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger volume of lending during the evaluation period when compared to small business lending. In addition, home mortgage loans account for the largest portion of the bank's portfolio by dollar amount at 85.7 percent. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2017		
Loan Category	\$(000s)	%
Construction and Land Development	22,161	0.9
Secured by Farmland	0	0.0
1-4 Family Residential	2,036,729	80.8
Multi-family (5 or more) Residential	123,685	4.9
Commercial Real Estate	320,366	12.7
Total Real Estate Loans	2,502,941	99.3
Commercial and Industrial	13,631	0.5
Agricultural	0	0.0
Consumer	3,003	0.1
Other	300	Nominal
Less: Unearned Income	0	0.0
Total Loans	2,519,875	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0</i>		

There were no significant financial or legal impediments identified that would limit the bank's ability to help meet the assessment area's credit or community development needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Institution for Savings designated a single assessment area, which meets the technical requirements of the regulation. The following sections discuss economic and demographic information of the assessment area. The bank does not have branches outside the Cambridge-Newton-Framingham, Massachusetts Metropolitan Division. Therefore, separate assessment area analyses are not required. Examiners conducted a full-scope review of the bank's performance within the assessment area.

Economic and Demographic Data

The assessment area includes 113 census tracts located in Essex County. Since the last evaluation, the bank added Lawrence and Haverhill and removed North Reading from the assessment area.

The 113 census tracts reflect the following income designations according to the 2015 ACS Census:

- 24 low-income tracts,
- 20 moderate-income tracts,
- 52 middle-income tracts, and
- 17 upper-income tracts.

The low- and moderate-income census tracts are in Lawrence, Haverhill, Gloucester, Beverly, and Salisbury. Heavy concentrations of low-income tracts are in Lawrence. The 2015 ACS Census adjusted the income designation of some census tracts within the assessment area when compared to the 2010 U.S. Census data. With the ACS Census change, the number of low-income tracts increased by four, moderate-income tracts decreased by one, middle-income tracts increased by one, and upper-income tracts decreased by four. Further, eight moderate-income tracts were reclassified to low-income and 10 middle-income census tracts were reclassified to moderate-income. The following table illustrates select assessment area demographic characteristics.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	113	21.2	17.7	46.0	15.0	0.0
Population by Geography	543,890	18.5	17.5	45.8	18.2	0.0
Housing Units by Geography	224,192	17.1	19.6	47.7	15.5	0.0
Owner-Occupied Units by Geography	131,318	6.7	16.3	54.9	22.2	0.0
Occupied Rental Units by Geography	77,338	34.8	24.2	35.7	5.3	0.0
Vacant Units by Geography	15,536	17.5	25.0	47.6	10.0	0.0
Businesses by Geography	40,076	14.6	16.8	49.0	19.6	0.0
Farms by Geography	961	5.2	13.3	58.9	22.6	0.0
Family Distribution by Income Level	137,264	28.0	18.0	20.2	33.8	0.0
Household Distribution by Income Level	208,656	30.7	15.7	17.3	36.3	0.0
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA MD		\$100,380	Median Housing Value			\$354,374
			Median Gross Rent			\$1,090
			Families Below Poverty Level			8.2%
<i>Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle-, and upper-income categories.

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
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 224,192 housing units in the assessment area. Of these, 58.6 percent are owner occupied, 34.5 percent are occupied rental units, and approximately 6.9 percent are vacant. Further, only 6.7 percent of owner-occupied housing units in the assessment area are in low-income census tracts and 16.3 percent are in moderate-income census tracts. Data obtained from the U.S. Bureau of Labor and Statistics indicates the assessment area’s unemployment rate has been decreasing since the prior evaluation. As of year-end 2015, 2016, and 2017, the unemployment rate in Essex County was 5.0 percent, 3.8 percent, and 3.2 percent, respectively. The Massachusetts unemployment rate was 4.4 percent in 2015, 3.8 percent in 2016, and 3.5 percent in 2017.

According to 2017 D&B business demographic information, there are 40,076 non-farm businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 85.5 percent have \$1 million or less.
- 6.4 percent have more than \$1million.
- 8.1 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of business by GAR level. Service industries represent the largest portion at 46.5 percent, followed by retail trade at 13.6 percent. Some major employers within the assessment area identified by Moody Analytics include MassGeneral for Children, Columbia Gas of Massachusetts, EBSCO Information Service, and General Electric Aviation.

Competition

The assessment area is highly competitive for financial services. According to FDIC Deposit Market Share data, as of June 30, 2017, there were 31 institutions operating 194 branches. Institution for Savings holds the highest share of deposits in the assessment area, with a 14.0 percent market share. The bank ranks ahead of Salem Five Cents Savings Bank with 12.7 percent market share and TD Bank, N.A. with 11.8 percent market share.

There is a high competition level for home mortgages in the assessment area. In 2016, 427 lenders reported 22,958 residential mortgage originations or purchases in the assessment area. Of these institutions, Institution for Savings ranked 8th with a market share of 2.6 percent. Wells Fargo, N.A.; Salem Five Mortgage Company, LLC; and JP Morgan Chase Bank, N.A. were the top three lenders.

Similarly, there is significant competition for small business loans among several banks and credit card companies. In 2016, 105 lenders originated or purchased 63,450 small business loans in the assessment area. Institution for Savings, ranked 28th with a market share of 0.2 percent. The three most prominent lenders, American Express, FSB, Citibank, N.A., and Bank of America, N.A. accounted for 51.0 percent of the market share.

Community Contact

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

Examiners contacted a representative from a non-profit affordable housing organization, serving Lawrence, North Andover, and Haverhill. The contact indicated affordable housing and small business financing needs. The contact noted that the large immigrant population could benefit from flexible small business financing for sole proprietorship start-ups. In addition, the contact noted the need for credit building products that are accessible to low-and moderate-income individuals, financial education, and the need to revitalize and restore abandoned properties in downtown areas. The contact stated that financial institutions are involved in community development activities through sponsoring events, providing funding to non-profits, and engaging in affordable housing and economic development initiatives.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing, economic development, financial education, and community services continue to be significant needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Institution for Savings overall Lending Test performance is rated Satisfactory. Lending Activity, Geographic Distribution, Borrower Profile, Innovative and Flexible Lending, and Community Development Lending support this conclusion.

Lending Activity

Lending reflects adequate responsiveness to assessment area credit needs. In 2016 and 2017, Institution for Savings originated and purchased 1,160 home mortgage and 70 small business loans within its assessment area.

In 2016, Institution for Savings ranked 8 out of 427 lenders that originated or purchased at least one home mortgage loan in the assessment area. The bank's market share was 2.6 percent by number of loans and 2.8 percent by dollar volume. The higher ranked lenders included larger financial institutions and mortgage companies that operate regionally and nationally such as Wells Fargo Bank, N.A.; JP Morgan Chase Bank, N.A.; and Guaranteed Rate Inc.

In 2016, the bank ranked 28 out of 105 lenders that originated or purchased at least one small business loan in Essex County. The bank's market share was 0.2 percent by number of loans and 1.0 percent by dollar volume. Credit card companies including American Express; FSB; Citibank, N.A.; and Bank of America, N.A. were the highest ranked small business lenders.

Considering the institution's size, loan portfolio composition, significant competition level, and market share ranking, lending activity reflects adequate responsiveness to assessment area credit needs. Market rank information for 2017 was not available as of the evaluation date.

Assessment Area Concentration

The bank made an adequate percentage of home mortgage and small business loans, by number, within its assessment area. As the following table illustrates, residential lending inside the assessment area by dollar is less than a majority. This is because the purchased loans are jumbo mortgages secured by property located outside 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											
2016	589	58.1	425	41.9	1,014	204,767	44.8	251,897	55.2	456,664	
2017	571	47.4	633	52.6	1,204	185,036	33.1	373,972	66.9	559,008	
Subtotal	1,160	52.3	1,058	47.7	2,218	389,803	38.4	625,869	61.6	1,015,672	
Small Business											
2016	39	72.2	15	27.8	54	7,291	47.8	7,973	52.2	15,264	
2017	31	68.9	14	31.1	45	9,744	61.2	6,177	38.8	15,921	
Subtotal	70	70.7	29	29.3	99	17,035	54.6	14,150	45.4	31,185	
Total	1,230	53.1	1,087	46.9	2,317	406,838	38.9	640,019	61.1	1,046,857	
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Due to rounding, totals may not equal 100.0</i>											

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Examiners focused on the comparison to 2016 aggregate data and considered trends based on 2017 data and comparisons to demographic data. In 2016, lending in low- and moderate-income census tracts was below aggregate performance. In the low-income tracts, the bank originated 0.8 percent of its home mortgage loans compared to 7.3 and 6.3 percent, respectively. In the moderate-income tracts, the bank lent 6.6 percent compared to 15.9 and 15.2 percent, respectively.

In 2017, lending in low-income census tracts improved to 4.6 percent (26 loans), but was still below demographics. In the moderate-income tracts, lending dropped slightly to 6.1 percent and was less than demographics at 16.3 percent. The census tract reclassifications affected how lending was allocated within the low- and moderate-income tracts.

Market share data and performance context-related information provide some assist information to support an adequate performance. In 2016, the bank ranked 66th, out of 175 lenders, in originating loans in low-income census tracts, with a 0.3 percent market share. In the moderate-income tracts, the bank ranked 28 out of 254 lenders, with a market share of 1.2 percent. Many

lenders that outperformed Institution for Savings are large national and statewide institutions and mortgage companies. Further, Lawrence and Haverhill, which contained 90 percent and 87.5 percent of the low-income census tracts and 36.8 percent and 25 percent of the moderate-income census tracts in 2016 and 2017, are new to the assessment area. Additionally, the bank does not maintain a branch in either city with its competition headquartered or maintaining branches in these areas.

The following table details the distribution of originations by geography income level.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	6.3	7.3	5	0.8	833	0.4
2017	6.7	--	26	4.6	3,172	1.7
Moderate						
2016	15.2	15.9	39	6.6	9,359	4.6
2017	16.3	--	35	6.1	8,746	4.7
Middle						
2016	53.8	51.5	302	51.3	97,661	47.7
2017	54.9	--	361	63.2	118,987	64.3
Upper						
2016	24.7	25.3	243	41.3	96,914	47.3
2017	22.2	--	149	26.1	54,131	29.3
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	589	100.0	204,767	100.0
2017	100.0	--	571	100.0	185,036	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

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Examiners focused on the comparison to aggregate data and considered trends based on 2017 data and comparisons to demographic data. In 2016, the bank did not originate any loans within low-income census tracts. Conversely, in the moderate-income census tracts, performance exceeded both aggregate and demographics.

In 2017, performance improved with three small business loans within low-income geographies. Despite the increase, lending remained less than demographics. Conversely, in the moderate-

income tracts, lending declined and dropped significantly below demographics. ACS changes affected how lending dispersed among the low- and moderate-income census tracts.

According to 2016 market share data, 105 lenders originated 2,005 loans within the low-income census tracts, with more than half originating a single or no loans, indicating high competition. In addition, the top three lenders accounted for 40.0 percent of the market share with an average loan size of \$7,000. In the moderate-income tracts, the bank ranked 26 out of 105 lenders in originations in moderate-income census tracts, with a market share of 0.2 percent.

The top three lenders captured 39 percent of the market share with an average loan size of \$10,000. In both the low- and moderate-income census tracts, market share data illustrates a sizeable percentage of small business loans are credit card loans. Once again, it is important to point out that the bank is primarily a residential lender. The following table details the distribution of small business loans by geography income level.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	11.3	9.3	0	0.0	0	0.0
2017	14.6	--	3	9.7	650	6.7
Moderate						
2016	16.2	15.3	9	23.1	1,843	25.3
2017	16.8	--	3	9.7	845	8.7
Middle						
2016	48.5	49.4	18	46.2	3,695	50.7
2017	49.0	--	24	77.4	7,619	78.2
Upper						
2016	24.0	26.0	12	30.8	1,753	24.0
2017	19.6	--	1	3.2	630	6.5
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	39	100.0	7,291	100.0
2017	100.0	--	31	100.0	9,744	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among individuals of different income levels and businesses of different sizes in the

assessment area. The bank's adequate performance in both home mortgage and small business lending supports this conclusion. Examiners focused on the percentage and number of home mortgage loans to low- and moderate-income borrowers and the percentage and number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, reflects adequate penetration. Examiners focused on the comparison to aggregate data and considered trends based on 2017 data and comparisons to demographic data.

In 2016, lending to low- and moderate-income borrowers at 2.0 percent and 11.9 percent respectively was below aggregate at 5.9 percent and 19.0 percent. Lending was also less than demographics at 25.0 percent and 28.0 percent respectively. In 2017, lending to low- and moderate-income borrowers improved to 3.5 and 14.2 percent, respectively of total lending. Despite the increases, lending remained below demographics. Although lending was below the percentage of low-income families, this was somewhat mitigated by the fact that this category includes 8.2 percent of families living below the federal poverty level. Further, a low-income family, with an average income of less than \$52,400, would not qualify for a home mortgage loan under conventional underwriting standards, considering a median housing price of \$354,374. Similarly, given the assessment area's median housing value, this also presents a challenge for moderate-income borrowers who annually earn \$83,840 or less.

Market share reports illustrated that in 2016, Institution for Savings ranked 33 out of 159 lenders in lending to low-income borrowers, with a 0.9 percent market share. Many lenders with more originations than Institution for Savings are large national and statewide financial institutions and mortgage companies. In lending to moderate-income borrowers, Institution for Savings ranked 16 out of 249 reporting lenders, with a 1.6 percent market share. Wells Fargo Bank, N.A; Ditech Financial; and Quicken Loans were the top three lenders for both in lending to low-income and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	25.0	5.9	12	2.0	1,323	0.6
2017	28.0	--	20	3.5	2,783	1.5
Moderate						
2016	18.5	19.0	70	11.9	13,984	6.8
2017	18.0	--	81	14.2	15,328	8.3
Middle						
2016	20.3	24.0	139	23.6	34,981	17.1
2017	20.2	--	139	24.3	35,695	19.3
Upper						
2016	36.1	36.2	356	60.4	147,613	72.1
2017	33.8	--	297	52.0	122,120	66.0
Not Available						
2016	0.0	15.0	12	2.0	6,866	3.4
2017	0.0	--	34	6.0	9,110	4.9
Totals						
2016	100.0	100.0	589	100.0	204,767	100.0
2017	100.0	--	571	100.0	185,036	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>						

Small Business Loans

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. In 2016, Institution for Savings originated 74.4 percent, of its loans to small businesses. The bank significantly exceeded aggregate by 30.6 percent. As aggregate data reflects the demand level and opportunity for small business loans, examiners placed more weight on this comparison. In 2017, lending to small businesses decreased to 48.4 percent, which was less than demographics.

According to 2016 market share data, Institution for Savings ranked 16 out of 105 lenders in originating loans to businesses with GARs of \$1 million or less, with a 0.4 percent market share. It is important to note that the small business lending market share reports are at the county level and include all of Essex County. Additionally, the top three lenders accounted for 66.5 percent of the market share by volume. Considering these factors and the declining trend in 2017, lending reflects adequate penetration.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	85.2	43.8	29	74.4	5,683	77.9
2017	85.5	--	15	48.4	5,079	52.1
>\$1,000,000						
2016	6.6	--	8	20.5	1,602	22.0
2017	6.4	--	15	48.4	4,545	46.6
Revenue Not Available						
2016	8.3	--	2	5.1	6	0.1
2017	8.1	--	1	3.2	120	1.2
Totals						
2016	100.0	100.0	39	100.0	7,291	100.0
2017	100.0	--	31	100.0	9,744	100.0
<i>Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

The bank makes little use of innovative and/or flexible lending practices. The bank originated 18 innovative and/or flexible loans, totaling approximately \$2.3 million to individuals and businesses during the evaluation period. The following table shows the bank's innovative and/or flexible lending activity by year.

Innovative or Flexible Lending Programs										
Type of Program	2015		2016		2017		YTD 2018		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
First Time Homebuyer Program	1	93	0	0	2	384	1	118	4	595
Subtotal Residential Loans	1	93	0	0	2	384	1	118	4	595
Massachusetts Capital Access Program (CAP)	0	0	3	339	1	75	1	20	5	434
SBA- Guaranteed Programs	5	277	2	293	2	652	0	0	9	1,222
Subtotal Commercial Loans	5	277	5	632	3	727	1	20	14	1,656
Totals	6	370	5	632	5	1,111	2	138	18	2,251
<i>Source: Bank Records</i>										

The following highlights the bank's innovative and flexible loan programs.

Home Mortgage Lending Programs

- *First Time Homebuyer Program:* All first time homebuyers are eligible to receive a \$600 credit towards their closing costs. Institution for Savings requires that all first time homebuyers successfully complete a Massachusetts Homeownership Collaborative-certified homebuyer education course. Upon completion, the bank refunds the \$250 course fee at closing. In addition, the bank waives the private mortgage insurance requirement with a down payment of less than 20.0 percent. During the evaluation period, the bank originated four loans totaling \$595,573 to low- and moderate-income borrowers.

Small Business Lending Programs

- *Massachusetts CAP:* CAP is a loan guaranty program that helps small businesses with working capital and expansion financing to grow and improve employment opportunities. During the evaluation period, the bank originated five loans totaling \$434,000 to small businesses within the assessment area.
- *SBA 7a Loan Program:* The SBA 7a program provides for term loans up to \$5.0 million, with an SBA guaranty of 85.0 percent for loans \$150,000 or less and 75.0 percent for loans greater than \$150,000, with a \$3.75 million guaranty maximum. Borrowers benefit from long-term financing options, a fixed maturity, and no prepayment penalties for loans less than 15 years. During the evaluation period, the bank originated a loan for \$111,600 to a small business within the assessment area.
- *SBA 504 Loan Program:* The SBA 504 loan program provides long-term fixed asset financing made through a Certified Development Company (CDC). Maximum loan amounts range from \$5.0 to \$5.5 million depending on the business. The program's main benefit is the low down payment requirement and flexibility in financing fees. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation from the CDC, and 50.0 percent participation by the bank. During the evaluation period, the bank originated three loans, totaling \$929,640 to small businesses within the assessment area.
- *SBA Express Loan Program:* This program provides a streamlined approval process enabling faster approval turnaround times and easy-to-use credit lines. The program offers revolving credit lines or term loans up to \$350,000. The SBA guarantees 50.0 percent. During the evaluation period, the bank originated five loans totaling \$180,000 to small businesses within the assessment area.

Community Development Lending

Institution for Savings made an adequate level of community development loans. The bank originated ten community development loans, totaling approximately \$12.4 million, during the evaluation period. The number and dollar amount of community development loans decreased

from the previous evaluation. At that evaluation, the bank originated 13 community development loans totaling \$20.3 million. The current activity level represents 0.5 percent of average total assets and 0.6 percent of average total loans since the prior CRA evaluation.

The majority of the community development loans were for affordable housing that benefits low- and moderate-income individuals.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	5	4,750	1	4,000	0	0	0	0	0	0	6	8,750
2016	2	2,456	0	0	0	0	0	0	0	0	2	2,456
2017	2	1,175	0	0	0	0	0	0	0	0	2	1,175
YTD 2018	0	0	0	0	0	0	0	0	0	0	0	0
Total	9	8,381	1	4,000	0	0	0	0	0	0	10	12,381

Source: Bank Records

The following represent a sample of the community development originations that benefit towns inside the assessment area and the surrounding neighborhoods within Essex County. As the bank met its assessment area’s needs, examiners considered originations outside of the assessment area.

- In 2015, the bank originated a \$2.4 million loan to purchase a mixed-use commercial building with 24 residential units and 1 commercial unit. All 24 residential units are for affordable housing, which benefitted low- and moderate-income individuals.
- In 2015, the bank originated a \$4.0 million loan to a non-profit organization to renovate their main facility. The organization provides health services and adult daycare facilities for the elderly throughout the assessment area. The majority of individuals that benefit from these services are low- and moderate-income.
- In 2016, the bank originated a \$1.6 million loan to purchase two multi-family buildings with 14 residential units, of which 10 qualify as affordable housing. The affordable housing units benefitted low- and moderate-income individuals within the assessment area.
- In 2017, the bank originated a \$500,000 loan to renovate a mixed-use commercial building with nine residential units and one commercial unit. Of the nine residential units, seven qualify as affordable housing benefiting low- and moderate-income individuals.

INVESTMENT TEST

The bank's Investment Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

The bank has a significant level of qualified investments. Institution for Savings increased the number of equity investments since the previous evaluation. This continued investment growth exhibits the bank's commitment to their community. Institution for Savings exhibits good responsiveness to credit and community economic development needs. The bank occasionally uses innovative and/or complex investments to support community development initiatives.

Investment Activity

Based upon the bank's financial ability, its capacity to invest, and the opportunities available within the assessment area, Institution for Savings made a significant level of qualified investments and donations.

During the evaluation period, Institution for Savings made 165 qualified investments totaling \$27.1 million, equating to 1.0 percent of average total assets since the prior evaluation. This total includes approximately \$13.3 million in current period equity investments, \$13.2 million in prior period equity investments, and \$1.5 million in qualified grants and donations. The bank's qualified investments have increased by 11.3 percent since the prior evaluation.

The following table illustrates the bank's community development qualified investments.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	13,235	0	0	0	0	0	0	0	0	5	13,235
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016	1	3,297	0	0	0	0	0	0	0	0	1	3,297
2017	2	9,056	0	0	0	0	0	0	0	0	2	9,056
YTD 2018	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	8	25,588	0	0	0	0	0	0	0	0	8	25,588
Qualified Grants & Donations	8	386	146	891	0	0	3	250	0	0	157	1,527
Total	16	25,974	146	891	0	0	3	250	0	0	165	27,115

Source: Bank Records

Equity Investments

Qualified equity investments totaled approximately \$25.6 million, equating to 5.8 percent of average total investments and 4.8 percent of average securities. Qualified equity investments increased by 10.0 percent since the prior evaluation.

The following are examples of prior and current period equity investments.

Prior Period Investments

- In July 2014, the bank invested \$7.8 million through an Investment and Management Agreement with the Massachusetts Housing Investment Corporation (MHIC). The project involved rehabilitating 11 individual properties containing 77 affordable rental-housing units in Salem. The affordable housing units benefitted low- and moderate-income individuals. The current book value is \$3.8 million.
- In November 2013, the bank invested \$5.4 million in a 110-unit affordable housing complex that benefits low- and moderate-income elderly and disabled individuals in Beverly. The investment supports rehabilitating the property, specifically upgrading the infrastructure for energy efficiency. The current book value is \$3.3 million.
- In March 2012, the bank invested \$5.5 million through an Investment and Management Agreement with MHIC. The project is phase two of a two-phase development of ten sites in the Gloucester Crossing neighborhood of Beverly. The project involved demolishing five existing buildings and constructing two new buildings providing 29 affordable housing units. The affordable housing units benefit low- and moderate-income individuals. The current book value is \$3.1 million.
- In November 2010, the bank invested \$5.0 million for the construction of six three-story buildings containing 58 affordable housing units in Beverly. MHIC co-sponsored the project. The current book value is \$2.6 million.
- The bank continues to hold an investment in the Massachusetts Housing Finance Agency's CRA Qualified Investment Fund (Fund). The Fund accumulates money from numerous financial institutions and reinvests the funds into other qualified CRA investments. Proceeds benefit a broader regional area that includes the assessment area. The current book value is \$500,000.

Current Period Investments

- In August 2017, the bank purchased \$2.3 million in Low Income Housing Tax Credits to renovate and improve a 26-unit affordable housing complex in Salem. All 26 units will benefit individuals within the assessment area.
- In July 2016 and April 2017, the bank purchased \$3.3 million and \$6.7 million, respectively in Solar Investment Tax Credits. Proceeds will be used to construct solar installation plants that will provide power and reduced energy costs for 15 municipal housing authorities. This investment benefits a greater statewide area that includes the bank's assessment area.

Donations

During the evaluation period, the bank and its three charitable foundations made qualified donations totaling \$1.5 million. By dollar, the volume increased by \$462,271 from the previous evaluation. Qualified donations for 2016 and 2017 represented 1.4 percent and 1.6 percent of pre-tax net operating income, respectively. The majority of donations benefitted community services to low- and moderate-income individuals.

The following are examples of organizations that received qualified donations.

- *Habitat for Humanity*: This Lawrence-based organization partners with low-income families using volunteer labor and donated materials to renovate old houses or build new, inexpensive homes, which are sold to families at cost. In addition to a monetary donation in 2015, the bank donated land in 2017. The donations totaled \$305,000.
- *Jeanne Geiger Crisis Center*: The Jeanne Geiger Crisis Center based in Newburyport focuses on ending domestic violence and providing care for victims, through a crisis hotline, legal advocacy, emergency and transitional shelter, and counseling and support to victims of domestic violence. The majority of those benefitting from these services are low-and moderate-income individuals.
- *YWCA of Greater Newburyport*: The YWCA is dedicated to promoting solutions to enhance the lives of women, girls, and families. During the evaluation period, the bank donated to the organization's affordable housing programs.
- *Food Pantries*: Over the evaluation period, the bank donated to various food pantries within the assessment area. These included Ipswich Dinner Bell, Topsfield Food Pantry, Our Neighbor's Table, Acord Food Pantry, Middleton Food Pantry, Rowley Food Pantry, and Pettengill House. Donations totaled \$332,000.
- *Community Investment Tax Credit (CITC) Program*: This program enables local residents and stakeholders to work with and through CDCs to collaborate with nonprofit, public, and private entities to improve economic opportunities for low- and moderate-income households in urban, rural, and suburban communities across the Commonwealth. The bank purchased \$250,000 in CITCs during the evaluation period, which benefitted Harborlight Housing Community Partners, a CDC that serves Essex County.

Responsiveness to Credit and Community Development Needs

The bank exhibited good responsiveness to credit and community economic development needs. The bank's investments benefitted several organizations and projects that provided affordable housing and/or community services to low- and moderate-income individuals. Affordable housing and community services are key community development needs in the assessment area. The Low Income Housing Tax Credits purchased help create new affordable housing. The high level of donations focused towards affordable housing and community services for low- and moderate-income individuals demonstrates the bank's responsiveness to the community's needs.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The bank's current period investments include purchases of Low Income Housing and Solar Investment Tax Credits.

SERVICE TEST

The bank's Service Test performance is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank's assessment area. Alternative delivery systems supplement the branches.

Distribution of Branches

In addition to its Newburyport main office, Institution for Savings operates 12 full-service branches in Beverly, Boxford, Gloucester, Hamilton, Ipswich (2), Middleton, Newburyport, Rockport, Rowley, Salisbury, and Topsfield.

Additionally, the bank operates five limited-service high school branches at Ipswich High School, Triton Regional High School, Newburyport High School, Masconomet Regional High School, and Beverly Educational School. These branches are open when school is in session with limited hours and are not accessible to the public. The following table illustrates the branch distribution by geography income level.

Branch Distribution by Geography Income Level						
Tract Income Level	Census Tracts		Population		Branches*	
	#	%	#	%	#	%
Low	24	21.2	100,697	18.5	0	0.0
Moderate	20	17.7	95,163	17.5	2	15.4
Middle	52	46.0	249,021	45.8	6	46.2
Upper	17	15.1	99,009	18.2	5	38.4
NA	0	0.0	0	0.0	0	0.0
Total	113	100.0	543,890	100.0	13	100.0

*Source: 2015 ACS Data and Bank Records * Totals do not include high school branches as not open to the public.*

The bank does not operate any branches in low-income tracts. The Beverly and Gloucester branches are in moderate-income tracts. Branch distribution in these tracts is lower than the percentage of moderate-income tracts in the assessment area and the population residing in those tracts.

Except for the Boxford office, all full-service offices offer drive-up facilities and lobby and/or drive-up ATMs. The bank does not operate any remote ATMs.

Alternative Delivery Systems

In addition to the branch network and ATMs, the institution provides alternative delivery systems. These include the following systems.

- Telephone and online banking allows customers to check balances, transfer funds, pay bills, and receive alerts. In addition, consumers are able to open checking and saving accounts through online banking.
- All branches provide night depository services, allowing customers to make after hour deposits.
- The bank is a SUM Network member. The SUM Network provides customers access to surcharge-free ATMs across the country.

Changes in Branch Locations

The bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems to low- and moderate-income geographies or individuals. In 2017, the bank closed a branch in Rockport in a middle-income census tract. In 2015, the bank opened the Middleton and Boxford branches in upper-income tracts. In 2017, the bank opened the Hamilton branch in an upper-income tract.

Reasonableness of Business Hours and Services

Business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Branch hours are consistent at each location. Full-service branches are open from 8:00 a.m. - 5:00 p.m. Monday through Wednesday, 8:00 a.m. – 6:00 p.m. Thursday through Friday, and 8:00 a.m. - 12:00 p.m. on Saturday. All full-service branches offer the same products and services, and a majority offer drive-up services.

Community Development Services

Institution for Savings provides an adequate level of community development services within its assessment area. A majority of community development service activity consisted of officers serving on the boards of organizations that provided affordable housing and community services to low- and moderate-income individuals. During the evaluation period, officers provided 77 instances of financial expertise or technical assistance to 22 community development related organizations. The following table illustrates these instances by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2015	8	12	1	0	0	21
2016	9	11	1	0	0	21
2017	4	11	2	0	0	17
YTD 2018	5	11	2	0	0	18
Total	26	45	6	0	0	77
<i>Source: Bank Records</i>						

The following are notable examples of the bank’s involvement in community organizations.

Employee Involvement

- *Ipswich Affordable Housing Partnership (Partnership)*: This organization’s goal is to create, preserve, and improve affordable housing. The Partnership initiates programs, reviews applications for assistance from income-qualified families and individuals, and makes recommendations to the Town’s Planning Board on various housing matters. The Partnership also acts as an adviser to the Ipswich Affordable Housing Trust Fund Board and the Ipswich Planning Board. The President serves on the Board.
- *Citizens for Adequate Housing*: This organization provides transitional housing programs for the homeless, develops and operates multi-family affordable housing, and provides other social services to low- and moderate-income individuals and families in the assessment area. A senior vice president served on the Board.
- *Top Cupboard Food Pantry*: This non-profit organization serves Topsfield and provides food to needy individuals. An assistant vice president serves on the Board.
- *The Pettengill House*: This non-profit organization supports and empowers children and families by providing education, emergency assistance, extensive case management, family stabilization, and basic needs to the most at-risk Newburyport residents. This social service agency offers services to low- and moderate- income individuals with the majority at or below the poverty line. This organization also operates a food pantry. A vice president serves on the Board and another vice president serves as Treasurer.
- *Ipswich Caring*: Ipswich Caring is a non-profit, all-volunteer organization which helps low-income families and children with goods and services. A senior vice president serves on the Board and as Treasurer.

First Time Homebuyer

- *First Time Homebuyer Classes*: The bank partnered with Coastal Homebuyer Education Inc. and the Gloucester Housing Authority to provide first time homebuyer classes that target

low- and moderate-income individuals. During the evaluation period, the bank provided seven classes in conjunction with Coastal Homebuyer Education Inc. and one class with Gloucester Housing Authority.

Other Services

- The bank participates in the Interest on Lawyers Trust Account program. Interest provides legal assistance to low-and moderate-income individuals requiring legal services.
- The lending office includes a community meeting room open to area organizations at no charge. In addition, the bank uses the room to teach first time homebuyer classes. Coastal Homebuyers Education Inc., Jeanne Geiger Crisis Center, and the Swasey Fund have used the community room. They all provide community services to low- and moderate-income individuals.
- The bank continues to service at no charge, mortgage loans for Habitat for Humanity of the North Shore. In addition, the bank holds the notes and legal documents and upon request, will prepare and issue payoff statements.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

SCOPE OF EVALUATION

SCOPE OF EVALUATION	
TIME PERIOD REVIEWED	December 29, 2014 to March 26, 2018
FINANCIAL INSTITUTION	Institution for Savings in Newburyport and its Vicinity
PRODUCTS REVIEWED	<ul style="list-style-type: none"> • Home mortgage loans originated and purchased in 2016 and 2017 and reported on the bank's HMDA LAR. • Small business loans originated in 2016 and 2017 and reported on the bank's CRA LRs.

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Assessment Area	Full-scope	None	113 census tracts

FAIR LENDING POLICIES AND PROCEDURES

Examiners reviewed the bank’s fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division’s Community Reinvestment, and Fair Lending Policy. Based upon the 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 anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2016 and 2017 HMDA LARs to determine if the application flow from the different racial groups within the bank’s assessment area reflected assessment area’s demographics.

Examiners compared the bank’s lending level to 2016 aggregate, the most recent year data was available. The comparison assists in deriving reasonable expectations for the application rate from minority residential loan applicants. Refer to the following table for information on the bank’s minority application flow as well as the aggregates’ in the bank’s assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	4	0.5	1.6	4	0.6
Black/ African American	1	0.1	1.6	3	0.4
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	11	1.4	0.9	9	1.3
Total Minority	16	2.0	4.5	16	2.3
White	666	84.9	74.9	557	79.0
Race Not Available	103	13.1	20.6	132	18.7
Total	785	100.0	100.0	705	100.0
ETHNICITY					
Hispanic or Latino	3	0.4	7.6	12	1.7
Not Hispanic or Latino	662	84.3	71.4	545	77.3
Joint (Hisp/Latino /Not Hisp/Latino)	7	0.9	1.0	11	1.6
Ethnicity Not Available	113	14.4	20.0	137	19.4
Total	785	100.0	100.0	705	100.0
<i>Source: U.S. 2015 ACS Data, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017 *Due to rounding, totals may not equal 100.0 percent.</i>					

According to 2015 ACS data, the assessment area contained 543,890 individuals of which 22.4 percent are minorities. The assessment area’s minority and ethnic population is 1.8 percent Black American, 2.2 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 16.9 percent Hispanic or Latino, and 1.4 percent other.

In 2016, the bank received 785 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 16 or 2.0 percent from minority applicants, as compared to the aggregate, which received 4.5 percent of loan applications from minorities. For the same time, the bank received 10 or 1.3 percent of applications from ethnic groups of Hispanic origin as compared to the aggregate that received 8.6 percent of applications from Hispanic and Latino.

For 2017, the bank received 705 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 16 or 2.3 percent from minority applicants. For the same time-period, the bank received 23 or 3.3 percent of applications from Hispanic or Latino applicants.

Considering the assessment area's demographic composition and comparisons to aggregate data in 2016, the bank's minority application flow is adequate.

GLOSSARY

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

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Areas (CBSAs): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, 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 (93 State Street, Newburyport, MA 01950)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (93 State Street, Newburyport, MA 01950)."

[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.