

PUBLIC DISCLOSURE

March 11, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Webster Five Cents Savings Bank
Certificate Number: 90297

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Webster, Massachusetts 01570

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

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory** by the FDIC and **High Satisfactory** by the Commonwealth of Massachusetts Division of Banks (Division). An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The agencies agree on the bank’s overall performance, but Part 345 of FDIC Regulations does not provide for a High Satisfactory overall rating.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Satisfactory**		X	
Needs to Improve			
Substantial Noncompliance			
<small>* 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.</small>			

The Lending Test is rated High Satisfactory.

- Lending levels reflect adequate responsiveness to assessment area credit needs.
- The bank made an adequate percentage of residential and small business loans in the assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, good penetration among borrowers of different income levels and business of different sizes.
- The bank uses innovative and/or flexible lending practices to serve assessment area credit needs.
- The bank made a relatively high level of community development loans.

The Investment Test is rated Satisfactory.

- The bank made an adequate level of qualified community development investments and donations.
- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The bank rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- The bank's delivery systems are accessible to essentially all portions of the assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- The bank's services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals.
- The bank is a leader in providing community development services.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated December 21, 2015, to the current evaluation dated March 11, 2019. Examiners used the Interagency Large Institution Examination Procedures to evaluate Webster Five Cents Savings Bank's Community Reinvestment Act (CRA) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test. The evaluation does not include any lending activity performed by affiliates.

Examiners obtained demographic and economic information referenced in the evaluation from the 2010 United States (U.S.) Census, the 2015 American Community Survey (ACS), D&B, Moody's Analytics, and the U.S. Bureau of Labor Statistics. In addition, examiners obtained bank financial data from its December 31, 2018, Report of Income and Condition (Call Report).

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 loans originated during the evaluation period. The bank originated or purchased significantly more home mortgage loans by number and dollar amount than small business loans during the evaluation period; therefore, home mortgage lending performance carried greater weight in assigning the Lending Test rating. No other loan types, such as small farm loans or consumer loans, represent a major product line; therefore, these loans provided no material support for conclusions or ratings and are not presented in this evaluation.

The evaluation considered all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2016 and 2017. The bank reported 324 loans totaling \$114.0 million in 2016 and 318 loans totaling \$79.0 million in 2017. Examiners compared the bank's home mortgage lending performance to 2016 and 2017 aggregate lending data and demographic data.

The evaluation considered all small business loans reported on the bank's CRA Loan Registers for 2016, 2017, and 2018. The bank reported 53 small business loans totaling \$8.0 million in 2016, 47 small business loans totaling \$12.2 million in 2017, and 36 small business loans totaling \$7.8 million in 2018. Examiners compared the bank's performance to 2016 and 2017 aggregate data and to D&B business demographic data. CRA aggregate data for 2018 was not available as of the evaluation date; therefore, small business loan performance in 2016 and 2017 carried more weight in determining performance conclusions.

For the Lending Test, examiners reviewed both the number and dollar volume of home mortgage loans and small business loans; however, examiners focused on the number of loans when assessing bank performance, as it better indicates the number of individuals and businesses served. The evaluation considered the bank's innovative or flexible lending programs and

community development loans, investments, and services since the prior CRA evaluation dated December 21, 2015.

The CRA requires separate performance analyses and conclusions in each metropolitan statistical area (MSA) where the bank maintains branch offices. All of the bank's branch offices, including the main office, are located in the Worcester, MA-CT MSA. Therefore, examiners performed a full-scope review of bank performance in the Worcester, MA-CT MSA.

DESCRIPTION OF INSTITUTION

Background

Webster Five Cents Savings Bank is a state-chartered, stock savings bank founded in 1868 and headquartered in Webster, Massachusetts. The bank is a wholly owned subsidiary of WebFive MHC, a bank holding company. The bank operates three subsidiaries: Webster One, Inc.; Webster Two, Inc.; and Oreo Bay, LLC. Webster One, Inc. and Webster Two, Inc. are securities corporations that hold the bank's securities portfolio for tax purposes. Oreo Bay, LLC holds real estate obtained by the bank through foreclosure. None of the bank's subsidiaries offers loans or other financial products and services to the public.

The bank received a Satisfactory rating at the prior CRA evaluation dated December 21, 2015.

Operations

In addition to the main office located in Webster, the bank operates six full-service branches. These branches are located in Auburn, Dudley, Oxford, Shrewsbury, and Worcester (2). The bank has neither opened nor closed any branches, and no merger or acquisition activities have occurred, since the last evaluation.

The bank offers loan products including commercial, home mortgage, and consumer loans, with a primary focus on residential lending. Additionally, the bank provides personal and business banking products, such as checking, savings, certificates of deposit, and individual retirement accounts. Alternative banking services include online banking, mobile banking, electronic bill pay, mobile deposits, and ATMs. The bank is a member of the SUM network, and as a member, customers can use any SUM program ATM surcharge-free.

Ability and Capacity

Assets totaled \$849.4 million as of the December 31, 2018 quarterly call report, primarily consisting of \$677.6 million in total loans. Deposits totaled \$634.7 million. Total assets increased by 21.9 percent since the previous evaluation. Residential loans, including multi-family loans, account for the largest portion of the loan portfolio at 50.4 percent. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 35.6 percent of the loan portfolio. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/18		
Loan Category	\$(000s)	%
Construction and Land Development	66,742	9.9
Secured by Farmland	0	0.0
1-4 Family Residential	313,192	46.2
Multi-family (5 or more) Residential	28,656	4.2
Commercial Real Estate	195,539	28.9
Total Real Estate Loans	604,129	89.2
Commercial and Industrial	45,295	6.7
Agricultural	0	0.0
Consumer	12,967	1.9
Other	15,244	2.2
Less: Unearned Income	0	0.0
Total Loans	677,635	100.0
<i>Source: Reports of Condition and Income</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 examiners will evaluate its CRA performance. Webster Five Cents Savings Bank's assessment area includes the following cities and towns.

Massachusetts (Worcester, MA-CT MSA)

- Auburn
- Boylston
- Charlton
- Douglas
- Dudley
- Grafton
- Holden
- Leicester
- Millbury
- Northborough
- Oxford
- Paxton
- Shrewsbury
- Southbridge
- Sutton
- Webster
- West Boylston
- Westborough
- Worcester

Connecticut (Worcester, MA-CT MSA)

- Putnam
- Thompson
- Woodstock

The bank added the towns of Holden, Millbury, Paxton, Southbridge, Sutton, West Boylston, and Woodstock to the assessment area since the previous examination.

Economic and Demographic Data

The assessment area includes 101 census tracts that have the following income designations according to the 2015 ACS data:

- 15 low-income tracts,
- 19 moderate-income tracts,
- 35 middle-income tracts,
- 29 upper-income tracts, and
- 3 tracts with no income designation

The 15 low-income census tracts are located in Southbridge (2) and Worcester (13). The 19 moderate-income census tracts are located in Dudley (1), Millbury (1), Putnam (1), Southbridge (1), Webster (3), and Worcester (12). The three census tracts with no income designation are the College of the Holy Cross, Clark University, and Saint Vincent Hospital.

The U.S. Census Bureau collects most of the demographic data that the agencies use in completing CRA performance evaluations. It updates census data every five years, and the 2015 ACS provided updated demographic data as of 2017. This evaluation references demographic data from the 2010 U.S. Census when assessing 2016 lending, and 2015 ACS data when assessing 2017 lending. The 2015 ACS resulted in the following census tract changes since the previous evaluation:

- low-income census tracts increased from 13 to 15
- moderate-income census tracts decreased from 21 to 19
- middle-income census tracts decreased from 38 to 35
- upper-income census tracts increased from 27 to 29 and
- census tracts with no income designation increased from 2 to 3

There are no underserved- or distressed-nonmetropolitan middle-income geographies inside the bank’s assessment area, nor is there a designated disaster area.

The following table illustrates demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	101	14.9	18.8	34.7	28.7	3.0
Population by Geography	464,186	13.0	16.7	37.8	31.4	1.0
Housing Units by Geography	187,192	13.9	17.9	38.4	29.0	0.8
Owner-Occupied Units by Geography	105,265	4.2	11.3	45.8	38.6	0.1
Occupied Rental Units by Geography	66,701	28.4	26.5	27.2	16.1	1.8
Vacant Units by Geography	15,226	17.8	25.6	36.5	18.5	1.6
Businesses by Geography	28,794	10.0	15.5	34.4	35.6	4.6
Farms by Geography	689	4.2	8.0	45.0	42.4	0.4
Family Distribution by Income Level	112,390	23.6	16.6	19.5	40.3	0.0
Household Distribution by Income Level	171,966	27.2	14.7	17.1	41.0	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$246,608
			Median Gross Rent			\$958
			Families Below Poverty Level			9.1%
<i>Source: 2015 ACS Census; 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>						

The data reflects 15.5 percent of owner-occupied housing units in low- and moderate-income census tracts. These same tracts have a large percentage of rental and vacant units. Both of these factors suggest fewer opportunities to originate home mortgage loans.

Additionally, according to the Warren Group, median home sales prices demonstrated an increasing trend in the assessment area over the evaluation period, rising to an average price of

\$290,586 in 2018. These factors suggest an expensive housing area, which may present challenges for low- and moderate-income individuals to obtain home purchase loans, especially with 9.1 percent of families in the assessment area below the poverty level.

According to 2018 D&B data, 29,073 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the bank’s lending to the distribution of businesses by Gross Annual Revenue (GAR) level. Percentages of businesses in each GAR category in the assessment area are as follows:

- 82.1 percent have \$1 million or less
- 6.6 percent have more than \$1 million
- 11.3 percent did not report revenues

Service industries represent the largest portion of businesses at 44.2 percent, followed by retail trade at 13.5 percent, and non-classifiable establishments at 9.9 percent. In addition, 66.4 percent of businesses in the area employ four or fewer people, and 87.3 percent of businesses in the area operate from a single location. These particularly small businesses may use alternative financing, such as home-secured or credit card loans, to fund business operations.

According to data obtained from Moody’s Analytics, the top employers in the Worcester, MA-CT MSA included University of Massachusetts (UMass) Memorial Health Care, UMass Medical School, Reliant Medical Group, and Saint Vincent Hospital.

The 2016 and 2017 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion of the Lending Test. The following table illustrates the low-, moderate-, middle-, and upper-income tiers.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2017 year-end unemployment rate was 3.5 percent for Massachusetts and 4.5 percent for Connecticut, compared to 3.2 percent in Worcester County and 4.3 percent in Windham County.

Competition

There is a high level of competition for home mortgage loans among many banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2016, 398 lenders reported 15,587 originated or purchased residential mortgage loans. The bank had a 1.1 percent market share. The competition level within the assessment area remained steady in 2017, with 391

lenders reporting 13,608 originated or purchased residential mortgage loans. The bank had a 1.4 percent market share.

Due to restrictions in the publically available data for aggregate small business lending, market share information is only available on the county level; however, it still provides insight on the bank's activity compared to other institutions within the Worcester, MA-CT MSA. In 2016, the bank ranked 30th out of 119 lenders with a market share of 0.3 percent. In 2017, the bank ranked 35th out of 110 lenders with a market share of 0.3 percent.

According to the FDIC Deposit Market Share data as of June 30, 2018, 37 financial institutions operated 252 full-service branches within the Worcester, MA-CT MSA. Of these institutions, the bank ranked 10th with a deposit market share of 3.2 percent.

Community Contact

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

Examiners contacted an organization that assists low- and moderate-income individuals in Worcester County. The contact identified affordable housing as the primary need within the area. The contact stated that many affordable housing units are in dire need of rehabilitation. The contact pointed out that government funding has slowed in recent years, and there has been a corresponding slowdown in new affordable housing development. The contact was of the opinion that local financial institution performance has been strong, with local banks and credit unions investing in several community development funds and financing affordable housing developments. The contact also pointed out that many banks work with community development organizations and conduct outreach to low- and moderate-income communities.

Examiners also met with a local organization focused on providing housing for low- and moderate-income individuals. The contact identified affordable housing as a major need in the area. There is an extremely long waiting list for subsidized housing in the area. The contact also mentioned that transportation infrastructure is a need due to continuing cuts in funding. The contact was of the opinion that financial institutions could best help through providing more grants for affordable housing, especially grants designated towards making homes accessible and modernizing existing properties.

Credit and Community Needs and Opportunities

Considering information from the community contacts, demographic data, and economic data, examiners determined that affordable housing represents the primary need for the assessment area. The real estate market in the assessment area is quite competitive. This has led to an increase in housing prices, and many low- and moderate-income individuals struggle to afford a down payment. The lack of affordable housing inventory is an obstacle and may prevent low- and moderate-income families from utilizing various flexible lending programs offered by local financial institutions.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Webster Five Cents Savings Bank received a Satisfactory rating under the Lending Test. Good performances in geographic distribution, borrower profile, and community development criteria support this conclusion.

Lending Activity

The bank's lending levels reflect adequate responsiveness to assessment area credit needs. In 2016, the bank originated or purchased 170 home mortgage loans totaling \$34.9 million. In 2017, home mortgage loans increased to 194, and the dollar amount of \$35.7 million was similar to the previous year. Additionally, the bank's market share improved from 1.1 percent in 2016 to 1.4 percent in 2017. The bank ranked 26th out of 398 lenders in 2016, and improved to 17th out of 391 lenders in 2017. The highest-ranked lenders were large institutions and mortgage companies operating regionally and nationally such as Wells Fargo Bank, NA; Quicken Loans; and Fairway Independent Mortgage Corporation.

In 2016, the bank ranked 30th out of 119 lenders that reported small business loans, with a 0.3 percent market share. Its ranking dropped to 35th out of 110 lenders in 2017. Credit card companies and national banks such as American Express, FSB; Citibank, NA; Bank of America, NA; and Capital One Bank, NA were the highest ranked small business lenders. The top four lenders accounted for 54.0 percent of the total number of loans in 2016 and 50.7 percent in 2017.

Assessment Area Concentration

The bank made an adequate percentage of loans in the assessment area. The following table illustrates the distribution of the bank's lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	170	52.5	154	47.5	324	34,855	30.6	79,187	69.4	114,042
2017	194	61.0	124	39.0	318	35,726	45.2	43,308	54.8	79,034
Subtotal	364	56.7	278	43.3	642	70,581	36.6	122,495	63.4	193,076
Small Business										
2016	46	86.8	7	13.2	53	7,170	89.8	812	10.2	7,982
2017	39	83.0	8	17.0	47	10,576	86.7	1,629	13.3	12,205
2018	27	75.0	9	25.0	36	4,312	55.1	3,518	44.9	7,830
Subtotal	112	82.4	24	17.6	136	22,058	78.7	5,959	21.3	28,017
Total	476	61.2	302	38.8	778	92,639	41.9	128,454	58.1	221,093
<i>Source: 2016 & 2017 HMDA Data; 2016, 2017 & 2018 CRA Data. Due to rounding, totals may not equal 100.0.</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area. Good penetration of home mortgage loans 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 good penetration throughout the assessment area. The following table illustrates the 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	3.5	3.0	12	7.1	2,429	7.0
2017	4.2	5.9	11	5.7	2,028	5.7
Moderate						
2016	12.7	11.3	23	13.5	4,638	13.3
2017	11.3	12.5	35	18.0	6,349	17.8
Middle						
2016	45.6	42.1	94	55.3	16,706	47.9
2017	45.8	44.1	110	56.7	17,057	47.7
Upper						
2016	38.2	43.6	41	24.1	11,082	31.8
2017	38.6	37.3	38	19.6	10,292	28.8
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	0.2	0	0.0	0	0.0
Totals						
2016	100.0	100.0	170	100.0	34,855	100.0
2017	100.0	100.0	194	100.0	35,726	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census; 2016 & 2017 HMDA Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

In 2016, the bank’s lending in low-income census tracts was more than double the aggregate and the demographic. In moderate-income census tracts, the bank’s performance was slightly higher than both the aggregate and demographic. While bank lending in low-income census tracts declined in 2017, lending activity remained higher than the demographic and similar to aggregate. Bank lending in moderate-income census tracts increased in 2017, which was higher than the aggregate and demographic. This data supports the rating.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table illustrates the distribution of small business loans.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	13.6	11.8	8	17.4	1,615	22.5
2017	10.0	9.3	6	15.4	633	6.0
2018	9.9	--	2	7.4	167	3.9
Moderate						
2016	15.6	14.6	4	8.7	272	3.8
2017	15.5	14.6	5	12.8	2,378	22.5
2018	15.4	--	6	22.2	1,659	38.5
Middle						
2016	36.1	36.4	20	43.5	2,305	32.1
2017	34.4	34.2	20	51.3	6,434	60.8
2018	34.5	--	9	33.3	539	12.5
Upper						
2016	34.7	37.2	14	30.4	2,978	41.5
2017	35.6	38.3	5	12.8	1,006	9.5
2018	35.5	--	9	33.3	1,897	44.0
Not Available						
2016	0.1	0.0	0	0.0	0	0.0
2017	4.6	3.5	3	7.7	125	1.2
2018	4.7	--	1	3.7	50	1.2
Totals						
2016	100.0	100.0	46	100.0	7,170	100.0
2017	100.0	100.0	39	100.0	10,576	100.0
2018	100.0	--	27	100.0	4,312	100.0
<i>Source: 2016, 2017 & 2018 D&B Data; 2016, 2017 & 2018 Bank CRA Data, 2016 & 2017 Aggregate CRA Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

In 2016, the bank’s lending in low-income census tracts was higher than the aggregate and demographic; however, the bank was lower than aggregate and demographic in moderate-income census tracts. In 2017, the bank’s lending in low- and moderate-income geographies remained relatively stable. Lending in low-income census tracts continued to lead both the aggregate and demographic, and lending in moderate-income census tracts was lower than the aggregate and the demographic. In 2018, the bank experienced a decrease in small business lending to low-income census tracts and an increase in lending to moderate-income census tracts. The number of small business loans originated in low-income tracts has decreased year over year, while the number of loans originated in moderate-income tracts has increased year over year.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels and businesses of different sizes. Good penetration of home mortgage loans supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects good penetration among individuals of different income levels. The following table illustrates loan distribution by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	21.9	4.7	11	6.5	1,532	4.4
2017	23.6	5.6	16	8.2	1,946	5.4
Moderate						
2016	16.7	15.7	31	18.2	4,221	12.1
2017	16.6	21.4	39	20.1	5,921	16.6
Middle						
2016	21.4	22.3	29	17.1	5,072	14.6
2017	19.5	22.6	39	20.1	6,535	18.3
Upper						
2016	40.0	41.7	73	42.9	16,777	48.1
2017	40.3	36.4	71	36.6	14,705	41.2
Not Available						
2016	0.0	15.6	26	15.3	7,253	20.8
2017	0.0	14.0	29	14.9	6,619	18.5
Totals						
2016	100.0	100.0	170	100.0	34,855	100.0
2017	100.0	100.0	194	100.0	35,726	100.0

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

In 2016, the bank's lending to low-income borrowers exceeded the aggregate but was significantly below the demographic. Similarly, lending to low-income borrowers was above the aggregate in 2017 and significantly below the demographic. Obstacles exist to lending to low-income borrowers, considering approximately 9.1 percent of families have income below the poverty level. Furthermore, a low-income family, with an annual income of \$42,850 or lower, would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$246,608. Finally, approximately 35.6 percent of housing units in

the assessment area are occupied rental units, which indicate that a relatively large portion is not available for purchase. These factors help to explain the difference between bank lending to low-income borrowers and the percentage of low-income families in the assessment area.

Lending to moderate-income borrowers reflects well on the bank. In 2016, the bank's lending to moderate-income borrowers exceeded the aggregate and demographic and was similar in 2017.

Small Business Loans

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table illustrates the bank's lending by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue (GAR) Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	82.1	44.5	23	50.0	2,626	36.6
2017	82.3	46.9	10	25.6	1,808	17.1
2018	82.1	--	11	40.7	692	16.0
>1,000,000						
2016	6.9	--	23	50.0	4,544	63.4
2017	6.7	--	28	71.8	8,656	81.8
2018	6.6	--	16	59.3	3,620	84.0
Revenue Not Available						
2016	11.0	--	0	0.0	0	0.0
2017	11.0	--	1	2.6	112	1.1
2018	11.3	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	46	100.0	7,170	100.0
2017	100.0	100.0	39	100.0	10,576	100.0
2018	100.0	--	27	100.0	4,312	100.0
<i>Source: 2016, 2017 & 2018 D&B Data; 2016, 2017 & 2018 Bank CRA Data; 2016 & 2017 Aggregate CRA Data; "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

In 2016, the bank originated 50.0 percent of its loans to businesses with GARs less than \$1 million. This exceeded the aggregate and trailed the demographic. In 2017, lending to businesses with GARs less than \$1 million decreased, falling below both the aggregate and the demographic. However, in 2018, lending to small businesses increased.

Innovative or Flexible Lending

The institution makes use of innovative and flexible lending practices in order to serve assessment area credit needs. The bank originated 77 loans totaling \$5.3 million using

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

- **Massachusetts Housing Finance Agency (MHFA) Homebuyer Program** – This program provides below-market rate mortgages to income-eligible borrowers to purchase or refinance a home. The program also offers low down payment requirements and flexible underwriting guidelines, including mortgage insurance programs. Since the prior evaluation, the bank originated 24 loans totaling \$4.0 million under this program.
- **Small Business Administration (SBA) 7A Program** – The SBA provides financial assistance in the form of loan guaranties, smaller down payments, and flexible terms. The bank originated one SBA loan totaling \$186,300 during the evaluation period.
- **Federal Home Loan Bank Equity Builder** – In partnership with the Federal Home Loan Bank (FHLB) of Boston, funds from this program are used for down payment and closing costs, or rehabilitation assistance to eligible households at or below 80 percent of the median family income for the property location. During the evaluation period, the bank originated one loan totaling \$13,295 under this program.
- **Federal Housing Administration (FHA) Loan Program** – FHA mortgage loans allow homebuyers to make a minimal down payment, finance a portion of the closing costs, and qualify with higher debt ratios. During the evaluation period, the bank originated 14 loans totaling \$2.6 million under this program.
- **Veteran's Administration (VA) Loan Program** – A VA loan is a mortgage loan guaranteed by the U.S. Department of Veterans Affairs. The VA loan offers long-term financing to eligible American veterans or their surviving spouses. The basic intention of the VA loan program is to supply home financing to eligible veterans in areas where private financing is not generally available and to help veterans purchase properties with no down payment. During the evaluation period, the bank originated seven loans totaling \$1.8 million under this program.
- **U.S. Department of Agriculture (USDA) Residential Program** – This program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe, and sanitary dwellings as their primary residence in eligible rural areas. Eligible applicants may build, rehabilitate, improve, or relocate a dwelling in an eligible rural area. The program provides a 90 percent loan note guarantee to approved lenders in order to reduce the risk of extending 100 percent loans to eligible rural homebuyers. During the evaluation period, the bank originated four loans totaling \$0.7 million under this program.
- **First Step Program** – The bank offers this fixed-rate, unsecured small dollar installment loan product. The loans help individuals establish or improve their credit history. Over the evaluation period, the bank originated 27 First Step loans totaling \$23,350.

Community Development Lending

Webster Five Cents Savings Bank made a relatively high level of community development loans. The bank originated 12 community development loans totaling \$15.4 million during the evaluation period. The current activity represents 2.0 percent of average total assets and 2.5 percent of average total loans since the prior evaluation. Since the bank was responsive to community development needs within its assessment area, examiners included two loans totaling \$5.3 million originated outside the bank’s designated assessment area.

Of the 12 community development loans, 6 totaling \$2.0 million supported affordable housing for low- and moderate-income individuals. Affordable housing was identified as the primary community development need by both community contacts. The following table illustrates the bank’s community development loans.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2016	1	525	1	150	0	0	1	2,500	3	3,175
2017	2	623	0	0	1	1,900	0	0	3	2,523
2018	3	815	1	5,000	0	0	2	3,900	6	9,715
Total	6	1,963	2	5,150	1	1,900	3	6,400	12	15,413
<i>Source: Bank Records</i>										

The following are examples of the bank’s community development loans.

- In 2016, the bank participated in a \$10.6 million loan for the construction of a sports complex and retail space in a low-income tract in Worcester, MA. The project is located in a distressed area targeted for redevelopment and will serve as an anchor to revitalize and stabilize the area by attracting new businesses, jobs, and visitors. The project is being developed in conjunction with local non-profit groups dedicated to combating community deterioration and enabling economic development in Worcester County. The bank’s participation amount was \$2.5 million.
- In 2016, the bank originated a loan for \$525,000 secured by an 18-unit residential building in Worcester, MA. Of the 18 units, 11 units will be rented at levels defined as affordable by The Department of Housing and Urban Development (HUD). This loan helps promote affordable housing, which is a community development need of the area.
- In 2017, the bank originated one SBA 504 loan totaling \$1.9 million to a business located in Northborough, MA. SBA 504 loans promote economic development.

INVESTMENT TEST

Webster Five Cents Savings Bank's Investment Test performance is Satisfactory. The following sections address the bank's Investment Test performance.

Investment Activity

The bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position. The bank's qualified investments total \$2.5 million, which includes \$2.0 million in 13 equity investments and \$482,348 in 195 grants and donations. The total amount of qualified investments equals 0.3 percent of average total assets and 2.0 percent of average securities since the previous evaluation.

Equity Investments

The bank's qualified equity investments consist of 13 investments acquired in prior periods, which have a total book value of just over \$2.0 million as of February 28, 2019. These investments include nine MassHousing bonds and four mortgage-backed securities, all of which have the purpose of creating and/or supporting affordable housing. Details of these investments appear below.

MassHousing – The Commonwealth of Massachusetts established this quasi-public agency in 1966 to provide financing for affordable housing in Massachusetts. MassHousing sells federally authorized tax-exempt and taxable bonds to individual and corporate investors and lends the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable housing. The bank is carrying nine MassHousing bonds purchased prior to the current evaluation period with a current book value of \$1,021,042.

Government National Mortgage Corporation (Ginnie Mae) – Ginnie Mae is a government-owned corporation that provides guarantees on mortgage-backed securities. The bank carries two Ginnie Mae securities purchased prior to this evaluation period. Each of these securities is backed by one-to-four family residential mortgages made to low- and moderate-income borrowers. Based upon the addresses of the residences collateralizing the securities, 59.1 percent are located in the assessment area. The current book value of these two securities is \$781,985.

Federal National Mortgage Association (Fannie Mae) – Fannie Mae is a stockholder-owned corporation that purchases and securitizes mortgages to ensure funds are available to lending institutions. The bank currently holds one Fannie Mae security backed by one-to-four family residential mortgages. Based upon the addresses of the residences collateralizing the security, 71.4 percent are located in the assessment area, and all underlying loans were to low- and moderate-income individuals. The current book value of this security is \$187,575.

Federal Home Loan Mortgage Corporation (Freddie Mac) – Freddie Mac is a government-sponsored enterprise that buys mortgages on the secondary market and offers mortgage-backed securities to investors. The bank currently holds one Freddie Mac security purchased prior to the previous CRA evaluation. The security is backed by three mortgages, of which two (66.7 percent)

were made to low- and moderate-income borrowers within the bank’s assessment area. The total current book value of this security is \$18,682.

Charitable Contributions

The bank provides charitable contributions primarily through the Webster Five Foundation (Foundation). During the evaluation period, the Foundation provided 185 qualified donations totaling \$466,848, plus 10 matching donations totaling \$15,500. The following table reflects all qualified donations by year and purpose.

Qualified Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
2016	5	24,500	48	109,920	0	0	1	2,000	54	136,420
2017	5	17,000	60	134,393	0	0	1	2,000	66	153,393
2018	5	20,000	56	146,035	0	0	1	2,000	62	168,035
YTD 2019	1	3,000	12	21,500	0	0	0	0	13	24,500
Total	16	64,500	176	411,848	0	0	3	6,000	195	482,348

Source: Bank Records

The following examples are notable qualified community development donations and grants provided by the Foundation during the evaluation period.

Central Massachusetts Housing Alliance – This nonprofit organization provides direct service and advocacy in the Greater Worcester County area on issues of safe affordable housing, homelessness prevention, and the coordination of quality services and shelter for homeless and at-risk families and individuals. The Foundation donated \$15,000 to this organization during the evaluation period in support of their annual WALK for the Homeless, which raises money for four specific programs: the Donations Clearinghouse, Hope for Housing Program, Homeless Prevention Services, and Youth Against Homelessness.

Shrewsbury Youth & Family Services – This private nonprofit human service agency works with other local organizations to provide counseling, education, and intervention services for low-income families in Shrewsbury and surrounding towns. The Foundation donated \$15,000 to this agency during the evaluation period in support of their annual fundraising event, which helps fund several of their programs.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. Primary community needs include affordable housing and community services for low- and moderate-income individuals. While the bank has not acquired any new qualified equity investments, the ones they’ve maintained support affordable housing in the assessment area. The bank’s qualified donations have focused on meeting community service needs in the community.

Innovativeness or Complexity of Qualified Investments

The institution rarely uses innovative and/or complex investments to support community development initiatives. All the bank’s qualified equity investments are bonds and mortgage-backed securities that support affordable housing. These are common types of equity investments throughout the industry. Additionally, the bank’s remaining qualified investments are donations, which many banks routinely provide.

SERVICE TEST

The bank’s Service Test performance is Outstanding. The following sections address the bank’s performance under each factor.

Accessibility of Delivery Systems

The bank’s retail bank branches are accessible to all portions of the institution’s assessment area. The bank operates seven full-service branches, including the main office located in Webster. The following table illustrates the distribution of retail bank branches and ATMs.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	15	14.9	60,331	13.0	1	14.2	2	15.4
Moderate	19	18.8	77,655	16.7	0	0.0	0	0.0
Middle	35	34.7	175,673	37.8	4	57.1	8	61.5
Upper	29	28.7	145,736	31.4	1	14.2	2	15.4
NA	3	3.0	4,791	1.0	1	14.2	1	7.7
Total	101	100	464,186	100	7	100	13	100

Source: 2010 U.S. Census & Bank Records; totals may not equal 100.0 due to rounding.

The distribution of branches and ATMs by census tract income level has changed since the previous evaluation due to changes in census tract designations that took place in 2017. Specifically, the census tract where the Auburn branch is located was previously moderate income, but is now middle income. In addition, the census tract where the 100 Front Street, Worcester branch is located was previously a low-income census tract, but it now has no income designation (NA). The main office in Webster was previously located in a moderate-income census tract, is currently located in a middle-income census tract.

Both Worcester branch locations are reasonably accessible to the 13 low-income census tracts in Worcester, which account for the majority of the 15 low-income tracts in the assessment area. While there are currently no branches in moderate-income census tracts, the bank’s Webster and Worcester branches are near several of the moderate-income census tracts in the assessment area.

In addition, the bank's Dudley location is reasonably accessible to Southbridge, where two of the low- and one of the moderate-income census tracts are located.

Changes in Branch Locations

The bank has not opened, closed, or relocated any branch locations since the previous evaluation; therefore, it has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

Reasonableness of Business Hours and Services

The bank's business hours and services offered do not vary in a way that inconveniences any portions of the assessment area, particularly low- and moderate-income geographies or individuals. Six of the seven retail locations have extended drive-up hours. Additionally, the locations are open on Saturdays with extended drive up hours. While the 100 Front Street, Worcester location does not have drive-up hours and is not open Saturdays, there is a 24-hour ATM. All offices offer the same products and services.

On-line banking services are accessible at www.web5.com. Customers can open deposit accounts, view transaction and statement histories, initiate funds transfers, and pay bills. The bank also offers mobile banking, which allows users to view account balances, initiate funds transfers, and deposit checks via the remote deposit capture feature. The bank provides 24-hour telephone banking via an automated telephone banking system. Customers can check account balances, review account statement information, and transfer money between bank deposit accounts. The bank is a member of the SUM ATM Network, which offers surcharge-free ATM transactions at participating ATM locations for all customers.

The bank employs a number of bilingual employees to serve the community. Languages spoken include Albanian, Arabic, Greek, Gujarati, Italian, Polish, Portuguese, Russian, Spanish, and Vietnamese. Many of these employees work out of the Front Street and Chandler Street branches in Worcester. The Chandler Street branch is located in a low-income census tract.

Community Development Services

The bank is a leader in providing community development services. Over the evaluation period, bank representatives have provided 137 instances of community development services within the assessment area. Over 20 bank employees provided financial expertise or technical assistance to 32 different qualified community development organizations or programs during the evaluation period. The bank is a member of the FDIC's Money Smart Alliance and utilizes the Money Smart curriculum for various financial education programs.

The table below illustrates the bank's community development services by number of individual services provided during the evaluation period.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2016	1	24	4	0	29
2017	1	34	4	0	39
2018	1	38	2	0	41
YTD 2019	1	25	2	0	28
Total	4	121	12	0	137
<i>Source: Bank Records</i>					

The following examples are notable community development services performed by bank employees during the evaluation period:

Worcester Community Action Council – This federally mandated anti-poverty agency serves Worcester and 43 surrounding communities in central Massachusetts. Each year, the agency helps over 72,000 individuals move towards economic self-sufficiency through 18 emergency and social service programs centered on education, employment, and energy and asset development. A bank officer serves as treasurer of the Board of Directors and is a member of the Executive and Audit Committees.

The Health Foundation of Central Massachusetts – This foundation makes grants to non-profit organizations in support of its mission to improve the health of those who live or work in the central Massachusetts region, with particular emphasis on vulnerable populations and unmet healthcare needs. A bank officer serves as a member of the Investment Committee.

First Time Homebuyers Seminars – Over the evaluation period, the bank conducted 10 first-time homebuyer seminars to help educate prospective homebuyers on how to obtain a mortgage and how to choose the right lender. Seminars primarily benefitted low- and moderate-income families.

FDIC Money Smart – The Fieldstone School, Worcester – The Fieldstone School provides training in healthcare professions and offers a program sponsored by the Workforce Innovation and Opportunity Act through the Central Mass Workforce Investment Board administered by the Workforce Central Career Center. The program is free for young adults with high school diplomas that are from economically disadvantaged families. Bank representatives present the FDIC’s Money Smart curriculum to students of the program on a regular basis, with a focus on maintaining bank accounts and the basics of borrowing money.

United Way of Central Massachusetts Women’s Initiative Dollars Scholars Program – This is a volunteer-based women’s group whose mission is to ignite positive change for girls through philanthropy and women’s leadership. In May 2018, several bank employees served as financial literacy mentors at the Dollars Scholars Conference. Employees worked with eighth grade girls from the Forest Grove Middle School in Worcester, teaching basic principles of responsible

money management. More than 50 percent of the students that attend the middle school are low- or moderate-income.

Worcester Youth Symposium – In 2017 and 2018, bank employees worked with the FDIC and in partnership with the City of Worcester Department of Youth Services and Youth Opportunities to teach a financial literacy program to participants of this weeklong symposium. The program focused on three modules of the FDIC’s Money Smart curriculum – *Bank On It, Pay Yourself First, and To Your Credit*.

Other Special Programs

The bank continues to participate in the Massachusetts Community and Banking Council’s Basic Banking in Massachusetts Program. This program offers low-cost checking and savings accounts to low- and moderate-income individuals and must meet specific guidelines. These guidelines include limitations of maintenance fees, minimum balance requirements, and more.

The bank continues to allow Rainbow Child Development Center in Worcester to use their bank facilities to conduct Board meetings. Rainbow Child Development Services provides childcare for low- and moderate-income families in Worcester.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES
REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A

SCOPE OF EVALUATION

SCOPE OF EVALUATION		
TIME PERIOD REVIEWED	December 21, 2015 through March 11, 2019	
FINANCIAL INSTITUTION	PRODUCTS REVIEWED	
Webster Five Cents Savings Bank	Home Mortgage and Small Business Loans	
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Not Applicable	Not Applicable	Not Applicable

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Worcester, MA-CT MSA	Full Scope	1	Not Applicable

APPENDIX B – MA DIVISION OF BANKS

Fair Lending Policies and Procedures

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

Minority Application Flow

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

Examiners compared the bank’s 2016 and 2017 residential lending to 2016 and 2017 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Refer to the following table for information regarding the bank’s minority application flow as well as the aggregate data.

MINORITY APPLICATION FLOW						
RACE	Bank 2016		2016 Aggregate Data	Bank 2017		2017 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.3
Asian	10	4.2	7.3	22	8.9	6.7
Black/ African American	5	2.1	3.4	5	2.0	3.8
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.1
2 or more Minority	0	0.0	0.0	0	0.0	0.1
Joint Race (White/Minority)	0	0.0	1.1	4	1.6	1.1
Total Minority	15	6.2	12.4	31	12.6	12.2
White	188	78.0	67.4	170	68.8	66.9
Race Not Available	38	15.8	20.3	46	18.6	20.9
Total	241	100.0	100.0	247	100.0	100.0
ETHNICITY						
Hispanic or Latino	9	3.7	4.8	7	2.8	5.8
Not Hispanic or Latino	186	77.2	74.4	191	77.3	72.5
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.2	1.0	3	1.2	1.2
Ethnicity Not Available	43	17.8	19.8	46	18.6	20.4
Total	241	100.0	100.0	247	100.0	100.0

According to 2015 ACS US Census data, the assessment area contained 464,186 individuals, of which 25.6 percent are minorities. The assessment area's minority and ethnic population is 5.6 percent Black/African American, 6.1 percent Asian, 0.2 percent American Indian, 11.6 percent Hispanic or Latino, and 2.1 percent other race.

In 2016, the bank received 241 HMDA-reportable loan applications from within its assessment area. Of these applications, it received 15 or 6.2 percent from minority applicants. This figure is compared to aggregate data showing 12.4 percent of loan applications were received from racial minorities in the assessment area. The bank received 12 or 4.9 percent of its applications from ethnic groups of Hispanic and Latino origin, compared to aggregate data showing 5.8 percent of applications were received from Hispanic and Latino applicants in the assessment area.

In 2017, the bank received 247 HMDA-reportable loan applications from within its assessment area. Of these applications, the bank received 31 or 12.6 percent from minority applicants, compared to aggregate data showing 12.2 percent of loan applications were received from racial minorities in the assessment area. The bank received 10 or 4.0 percent of its applications from ethnic groups of Hispanic and Latino origin, compared against aggregate data showing 7.0 percent of applications received from Hispanic and Latino applicants.

Considering the assessment area's demographic composition, comparisons to aggregate data in 2016 and 2017, 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 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 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 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 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 (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[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.