

# **PUBLIC DISCLOSURE**

May 6, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Main Street Bank  
Certificate Number: 90235

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Marlborough, Massachusetts 01752

Division of Banks  
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
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New York, New York 10118

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**. 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.

Main Street Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test primarily 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 Test and Community Development Test performance.

### **The Lending Test is rated Satisfactory.**

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

### **The Community Development Test is rated Satisfactory.**

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated June 6, 2016, to the current evaluation dated May 6, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Main Street Bank's (Main Street) performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The evaluation references demographic and economic information from the 2015 American Community Survey (ACS), D&B, Moody's Analytics Regional Workstation (Moody's), and the U.S. Bureau of Labor Statistics (BLS). Bank financial data reflects the March 31, 2019, Consolidated Reports of Condition and Income (Call Report).

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

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

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage and commercial loans representing 51.3 percent and 38.8 percent, respectively as of March 31, 2019. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners did not consider other product lines, such as small farm and consumer loans, due to the low volume and the small portion of the loan portfolio represented by these loan types. Since small farm and consumer lending provide no material support for conclusions or ratings, this evaluation does not address these loan types.

This evaluation considered all originated home mortgage loans reported on the bank's 2017 and 2018 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The LARs contain data about home purchase and home improvement loans, refinances of one-to four-family, and multi-family properties. In 2017, Main Street reported 329 loans totaling \$63.6 million. In 2018, the bank reported 253 loans totaling approximately \$96.1 million. Examiners

compared the bank's 2017 home mortgage lending performance against the aggregate. Additionally, examiners compared the bank's 2017 and 2018 performance to 2015 ACS data. The decline in originations from 2017 to 2018 is due to recent HMDA changes. With the changes, the bank's unsecured Mass Save Heat Loan, a home improvement loan, is no longer HMDA-reportable.

To evaluate commercial lending, examiners reviewed all small business loans originated in 2017 and 2018. A small business loan has an original loan amount of \$1 million or less and is secured by non-farm non-residential properties or is classified as a commercial and industrial loan. As an ISI, the bank is not required to report small business loan data and elected not to do so. However, the bank collects small business lending data for its own purposes. Examiners validated and analyzed the 2017 and 2018 small business loan data provided. In 2017, the bank originated 82 small business loans totaling approximately \$5.4 million. In 2018, the bank originated 80 small business loans totaling approximately \$9.2 million. Since the bank is not a small business data reporter, examiners did not use small business aggregate data for comparison. Instead, examiners used D&B data as a standard of comparison for the bank's 2017 and 2018 small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals and businesses served. Additionally, the bank originated significantly more home mortgage loans by both number and dollar volume than small business loans during the evaluation period. Therefore, home mortgage lending contributed more weight in assigning the overall Lending Test rating. Further, the Geographic Distribution and Borrower Profile criteria only analyze loans extended within the bank's assessment area.

For the Community Development Test, management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated June 6, 2016.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Main Street is a state-chartered mutual savings bank that is wholly owned by Marlborough Bancshares, Inc., a one-bank holding company located in Marlborough, Massachusetts. Marlborough Bancshares is owned by Marlborough Bancshares Mutual Holding Company, the top-tier bank holding company. The bank wholly owns three subsidiaries that invest in securities (MSB Securities Corporation, 1885 Securities Corporation, and Rail Town Security Corporation) and Marbro-Hudston, Inc., which was formed to hold real estate.

On April 1, 2017, Marlborough Savings Bank acquired and merged with North Middlesex Savings Bank (NMSB) and became Main Street Bank.

The institution received a “Satisfactory” rating from the FDIC and the Massachusetts Division of Banks during its prior joint evaluation dated June 6, 2016, using ISI procedures.

### **Operations**

Main Street operates 13 full-service locations including its main office in Marlborough. The bank has nine branches in Middlesex County and four in Worcester County. Since the prior evaluation, Main Street acquired seven branches through the NMSB merger. The following notes the seven acquired branch locations by county, municipality, and census tract income level.

#### **Worcester County**

- Devens, located in an upper-income census tract
- Lunenburg, located in an upper-income census tract

#### **Middlesex County**

- Groton, located in an upper-income census tract
- Littleton, located in an upper-income census tract
- Ayer, located in a middle-income census tract
- Pepperell, located in a moderate-income census tract
- Shirley, located in a moderate-income census tract

In addition, Main Street also opened one branch in Hudson, in a middle-income census tract in Middlesex County, on June 6, 2016. Main Street closed the acquired Devens branch on May 18, 2018.

Main Street offers various financial products and services to consumers and business customers. The bank offers loan products including home mortgage, commercial, and consumer loans, with a primary focus on residential lending. The bank also provides various deposit products including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include online and mobile banking, electronic bill pay, mobile deposits, telephone banking, and bank-owned automated teller machines at each branch. In addition, consumers can open deposit accounts and apply for loans online.

For commercial customers, the bank offers commercial real estate loans, lines of credit, term loans, collateral loans, letters of credit, overdraft protection, and Small Business Administration (SBA) loans.

### **Ability and Capacity**

Assets totaled approximately \$1.0 billion as of March 31, 2019, and included total loans of \$799.0 million. Total assets increased by 93.3 percent since the previous evaluation, primarily due to the NMSB merger. The following table illustrates Main Street’s loan portfolio distribution as of March 31, 2019.

<b>Loan Portfolio Distribution as of 3/31/2019</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	65,448	8.2
Secured by Farmland	210	0.03
Secured by 1-4 Family Residential	374,007	46.8
Secured by Multi-family (5 or more) Residential	36,344	4.5
Secured by Nonfarm Nonresidential Properties	270,539	33.9
<b>Total Real Estate Loans</b>	<b>746,548</b>	<b>93.4</b>
Agricultural	816	0.10
Commercial and Industrial	38,801	4.9
Consumer	12,910	1.6
Other	0	0.0
<b>Total Loans</b>	<b>799,075</b>	<b>100.0</b>
<i>Source: Report of Condition and Income Due to rounding, totals may not equal 100.0</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. Main Street's contiguous assessment area includes portions of the Worcester, MA-CT MSA 49340 and the Cambridge-Newton-Framingham, MA MD 15764. Both MSA 49340 and MD 15764 are within the larger Boston-Worcester-Providence, MA-RI-NH-CT CSA 148. With the merger, the bank added 46 census tracts to its assessment area. The following sections discuss economic and demographic information, as well as the assessment area's credit needs.

### **Economic and Demographic Data**

Since the prior evaluation, Main Street expanded its assessment area to include Acton, Ayers, Berlin, Bolton, Boxborough, Dunstable, Groton, Harvard, Lancaster, Littleton, Lunenburg, Maynard, Pepperell, Shirley, Stow, Townsend, and Westford. The following bullets group the assessment area's municipalities by county:

- Worcester County: Berlin, Bolton, Harvard, Lancaster, Lunenburg, Northborough, Southborough, and Westborough.
- Middlesex County: Acton, Ayer, Boxborough, Dunstable, Framingham, Groton, Hudson, Littleton, Marlborough, Maynard, Pepperell, Shirley, Stow, Sudbury, Townsend, and Westford.

The assessment area’s 68 census tracts reflect the following income designations according to the 2015 ACS data:

- 2 low-income tracts,
- 9 moderate-income tracts,
- 23 middle-income tracts,
- 33 upper-income tracts, and
- 1 tract with no income designation.

The two low-income census tracts are in Framingham. The nine moderate-income census tracts are in Middlesex County: Framingham (five), Marlborough (two), Pepperell (one), and Shirley (one). The one census tract with no income designation is the United States Army Natick Soldier Systems Center. The assessment area does not contain any designated distressed or underserved middle-income census tracts.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	68	2.9	13.2	33.8	48.5	1.5
Population by Geography	353,882	2.5	14.6	35.1	47.8	0.0
Housing Units by Geography	136,515	2.4	15.3	37.2	45.1	0.0
Owner-Occupied Units by Geography	93,649	0.5	10.3	36.6	52.6	0.0
Occupied Rental Units by Geography	36,583	7.5	27.7	38.0	26.9	0.0
Vacant Units by Geography	6,283	1.0	18.6	40.5	39.8	0.0
Businesses by Geography	28,957	1.7	15.9	30.1	52.4	0.0
Farms by Geography	897	1.4	11.1	28.9	58.5	0.0
Family Distribution by Income Level	92,080	17.0	14.7	19.1	49.2	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$378,174
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$1,145
			Families Below Poverty Level			4.6%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2018 D&B data, there were 28,957 non-farm businesses in the assessment area. Service industries represent the largest portion of businesses at 46.1 percent, followed by retail trade (11.1 percent); non-classifiable establishments (10.2 percent); construction (9.1 percent); and finance, insurance, and real estate (8.0 percent). According to data obtained from Moody’s as of January 2019, 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. In the Cambridge-Newton-Framingham, MA MD, the top employers included Harvard University, Massachusetts Institute of Technology, the TJX Co. Inc., and DeMoulas Supermarkets, Inc.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business loans to the distribution of businesses by gross annual revenue (GAR) level. The following are the GARs for the area’s businesses based on 2018 D&B data:

- 83.3 percent have GARs of \$1 million or less.
- 7.0 percent have GARs more than \$1 million.
- 9.7 percent have unknown revenues.

Further, approximately 78.8 percent of all businesses in the assessment area have GARs less than \$500,000, 68.4 percent of the businesses employ four or fewer employees, and 88.7 percent of the businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are small.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2017 and 2018 FFIEC-updated median family income for each MSA and MD.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764)</b>				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
2018 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280

*Source: FFIEC*

BLS data indicated that the 2018 year-end unemployment rate was 4.1 percent in Worcester County and 3.1 percent in Middlesex County. The Massachusetts unemployment rate was 3.3 percent as of year-end 2018.

### **Competition**

The assessment area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2018, 28 financial institutions operated 107 full-service branches within the assessment area. Of these institutions, Main Street ranked 6th with a deposit market share of 7.9 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2017, 400 lenders reported 11,463 originated or purchased

residential mortgage loans. Main Street ranked 14th out of this group with a 1.6 percent market share. The majority of lenders ranked ahead of Main Street were large national banks, non-depository lenders, and credit unions.

Main Street is not required to collect or report its small business loan data, and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the aggregate data reflects the level of demand for small business loans. The 2017 aggregate data shows that 153 institutions reported 54,435 small business loans in the counties of the assessment area, indicating a high degree of competition for this product.

### **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 obtained helps examiners determine whether local financial institutions are responsive to these needs and what credit and community development opportunities, if any, are available.

Examiners contacted a local organization that promotes economic development within the assessment area. The community contact stated that the area needs new commercial and residential zoning in the areas once occupied by manufacturing businesses. Consequently, there are fewer opportunities for new commercial and housing development projects. The contact also saw a need for flexibility in small business lending. Current conventional guidelines pose a challenge for small- and medium-size businesses, in particular those seeking loans larger than the micro-loan programs allow. In addition, the community contact noted that banks support local micro-lending initiatives and charitable work.

Examiners also relied upon a recent contact with a representative of a non-profit affordable housing and neighborhood revitalization organization active in the bank's assessment area. The organization serves low- and moderate-income individuals and families in Worcester County by developing affordable housing, providing flexible financing, and offering affordable rental units. The contact stated that Worcester County's economic condition overall has steadily improved. The contact also noted that local government funding has slowed in recent years, which has substantially curbed the development of affordable housing. Additionally, the contact cited a need for home improvement loans that would help contribute to the availability and quality of affordable housing units.

### **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 and small business assistance are the primary community development needs. As shown in the demographic table, housing costs are high as the median housing value is \$378,174 and based on 2018 D&B data, 78.8 percent of all area businesses are small.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Main Street demonstrated reasonable performance under the Lending Test. The bank's performance under the LTD ratio, Assessment Area Concentration, and Geographic Distribution criteria primarily supports this conclusion.

### Loan-to-Deposit Ratio

The bank's LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 91.5 percent over the past 21 quarters from March 31, 2016, to March 31, 2019. The ratio ranged from a low of 76.5 percent as of March 31, 2016, to a high of 91.5 percent as of March 31, 2019. The significant increase is due to the merger.

Examiners compared Main Street's average net LTD ratio to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the following table, the bank maintained a ratio that was comparable to two similarly situated institutions and less than one similarly situated institution.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2019 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Main Street Bank</b>	<b>1,033,926</b>	<b>91.5</b>
Fidelity Co-operative Bank	975,595	94.8
The Lowell Five Cent Savings Bank	1,146,995	92.8
Cornerstone Bank	1,154,416	109.4

*Source: Reports of Condition and Income 3/31/2016 through 3/31/2019*

### Assessment Area Concentration

When combined, the bank made a majority of its home mortgage and small business loans, by number volume within its assessment area. By dollar, the bank made less than a majority due to its home mortgage lending activities. In 2017 and 2018, the home mortgage loans originated outside the assessment area were for larger amounts given higher housing costs in those areas. Additionally, the decline in home mortgage lending from 2017 to 2018 is because Mass Save Heat Loans are no longer HMDA reportable.

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										
2017	183	55.6	146	44.4	329	25,386	39.9	38,202	60.1	63,588
2018	117	46.2	136	53.8	253	37,643	39.1	58,537	60.9	96,180
<b>Subtotal</b>	<b>300</b>	<b>51.5</b>	<b>282</b>	<b>48.5</b>	<b>582</b>	<b>63,029</b>	<b>39.5</b>	<b>96,739</b>	<b>60.5</b>	<b>159,768</b>
Small Business										
2017	55	67.1	27	32.9	82	3,711	69.4	1,639	30.6	5,350
2018	57	71.3	23	28.8	80	6,817	74.2	2,372	25.8	9,189
<b>Subtotal</b>	<b>112</b>	<b>69.1</b>	<b>50</b>	<b>30.9</b>	<b>162</b>	<b>10,528</b>	<b>72.4</b>	<b>4,011</b>	<b>27.6</b>	<b>14,539</b>
<b>Total</b>	<b>412</b>	<b>55.4</b>	<b>332</b>	<b>44.6</b>	<b>744</b>	<b>73,557</b>	<b>42.2</b>	<b>100,750</b>	<b>57.8</b>	<b>174,307</b>
<i>Source: HMDA Data 1/1/2017 - 12/31/2018; Bank Small Business Loan Data 1/1/2017 - 12/31/2018</i>										

## **Geographic Distribution**

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

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Although examiners compared the bank's lending performance to aggregate and demographic data, examiners placed more weight on the comparisons to aggregate data. The aggregate data provides a better indicator of the opportunities and demand in the assessment area.

In 2017, lending was comparable to aggregate; whereas, in 2018, the bank did not make any loans in these tracts. As the following table illustrates, there are limited lending opportunities in the low-income census tracts due to a limited number of owner-occupied housing units and lending overall during 2018 declined. Lending opportunities are greater in the moderate-income census tracts. In 2017, lending in the moderate-income tracts exceeded the aggregate and in 2018, lending exceeded demographics.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	0.5	0.7	1	0.5	75	0.3
2018	0.5	--	0	0.0	0	0.0
Moderate						
2017	10.3	12.0	27	14.8	2,826	11.1
2018	10.3	--	15	12.8	4,260	11.3
Middle						
2017	36.6	37.3	69	37.7	10,934	43.1
2018	36.6	--	50	42.7	17,099	45.4
Upper						
2017	52.6	50.1	86	47.0	11,551	45.5
2018	52.6	--	52	44.4	16,284	43.3
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>183</b>	<b>100.0</b>	<b>25,386</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>117</b>	<b>100.0</b>	<b>37,643</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. During 2017 and 2018, the bank did not originate any small business loans in the low-income census tracts. The low-income census tracts contain 1.7 percent of total businesses and there is significant competition from national and regional-based institutions and significantly larger local institutions. Further, some of these institutions maintain their headquarters or branches in these tracts. The bank does not maintain any branches in Framingham, where both low-income census tracts are located. During 2017 and 2018, lending in moderate-income census tracts significantly exceeded demographics. The bank's lending in moderate-income tracts displayed a positive trend over the evaluation period.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	1.7	0	0.0	0	0.0
2018	1.7	0	0.0	0	0.0
<b>Moderate</b>					
2017	15.8	14	25.5	504	13.6
2018	15.9	16	28.1	1,565	23.0
<b>Middle</b>					
2017	30.1	16	29.1	662	17.8
2018	30.1	22	38.6	1,748	25.6
<b>Upper</b>					
2017	52.4	25	45.5	2,545	68.6
2018	52.4	19	33.3	3,504	51.4
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>3,711</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>6,817</b>	<b>100.0</b>

*Source: 2017 & 2018 D&B Data; Bank Small Business Loan Data 1/1/2017 – 12/31/2018*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s reasonable performance of home mortgage lending primarily supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Examiners emphasized performance compared to the aggregate.

The following table shows that in 2017, lending to low-income borrowers exceeded aggregate performance and was significantly below demographics. In 2018, lending to low-income borrowers declined and was less than demographics. However, the demand and opportunity for lending to low-income families is relatively limited. First, approximately 4.6 percent of the families in the assessment area have incomes below the poverty level, a sub-set of the low-income category. Second, a low-income family in the assessment area would not likely qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$378,174.

Main Street's lending to moderate-income borrowers was slightly below 2017 aggregate and demographics. In 2018, the bank's lending as a percent of total lending to moderate-income borrowers increased, but the number of originations declined in line with the overall decline.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	17.0	4.6	20	10.9	2,354	9.3
2018	17.0	--	8	6.8	1,588	4.2
<b>Moderate</b>						
2017	14.7	14.7	24	13.1	1,890	7.4
2018	14.7	--	21	17.9	4,379	11.6
<b>Middle</b>						
2017	19.1	23.1	37	20.2	4,460	17.6
2018	19.1	--	24	20.5	5,187	13.8
<b>Upper</b>						
2017	49.2	47.7	89	48.6	12,412	48.9
2018	49.2	--	51	43.6	21,173	56.2
<b>Not Available</b>						
2017	0.0	9.8	13	7.1	4,270	16.8
2018	0.0	--	13	11.1	5,316	14.1
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>183</b>	<b>100.0</b>	<b>25,386</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>117</b>	<b>100.0</b>	<b>37,643</b>	<b>100.0</b>

*Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. As the following table demonstrates, the majority of small business loans were to businesses with GARs of \$1 million or less. Although lending to businesses with GARs of \$1 million or less was less than demographics each year, a review of 2017 aggregate data to gauge loan demand shows that the bank's lending was in line with loan demand. Aggregate data for 2018 is not available.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2017	83.3	42	76.4	1,377	37.1
2018	83.3	34	59.6	2,990	43.9
>\$1,000,000					
2017	7.1	13	23.6	2,334	62.9
2018	6.9	23	40.4	3,827	56.1
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>3,711</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>57</b>	<b>100.0</b>	<b>6,817</b>	<b>100.0</b>

*Source: 2017 & 2018 D&B Data; Bank Small Business Loan Data 1/1/2017 - 12/31/2018*

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Community Development Loans**

The bank originated seven community development loans totaling approximately \$24.6 million during the evaluation period. This activity level represents 2.9 percent of average total assets and 3.9 percent of average total loans since the prior CRA evaluation. The total includes one loan for \$21.2 million originated in the greater statewide area. Although this loan does not benefit the bank's assessment area(s), examiners considered it because the bank was responsive to the community development needs of its assessment area.

The bank's community development lending primarily financed activities that help promote affordable housing, which is consistent with one of the identified community development needs of the assessment area. The following table illustrates the community development lending activity by year and purpose.



Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2016	0	0	0	0	0	0	0	0	0	0
2017	2	647	0	0	1	1,276	0	0	3	1,923
2018	3	21,831	0	0	1	855	0	0	4	22,686
Year to Date (YTD) 2019	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>22,478</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>2,131</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>24,609</b>

*Source: Bank Records*

The following are examples of the community development loans:

- During the evaluation period, the bank originated two SBA 504 community development loans totaling slightly more than \$2.1 million in the Cambridge-Newton-Framingham, MA MD. The SBA 504 program helps small businesses and promotes job creation and economic development.
- In 2017, the bank extended two loans totaling approximately \$2.6 million to finance the construction of a Chapter 40B residential development in Berlin, MA. Of the 32 total units, 8 are affordable housing. The pro rata share of the loan amounts that qualify as community development is \$646,713.
- In 2018, the bank originated a \$21.2 million loan to provide bridge financing for the purchase of a 231-unit building in Boston, MA. The building will provide affordable housing to low- and moderate-income seniors. The Department of Housing and Urban Development under its Section 8 Housing Assistance Payments Program subsidizes all tenants' rents. The bank participated out a portion of the loan. This loan responds to the affordable housing need in Boston.

### **Qualified Investments**

The bank made 88 qualified investments totaling \$2.7 million. This includes two prior period equity investments totaling \$550,000, one current period investment totaling approximately \$2.0 million, and 85 donations totaling approximately \$158,000. The dollar amount of equity investments equals 0.3 percent of average total assets and 1.6 percent of average total securities.

By dollar amount, a majority of the investments promoted affordable housing for low- and moderate-income individuals. This demonstrates the bank's responsiveness to the affordable housing need.

The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	500	0	0	1	50	0	0	2	550
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	1	2,010	0	0	0	0	0	0	1	2,010
YTD 2019	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>2,510</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>50</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>2,560</b>
Qualified Grants & Donations	6	9	75	124	4	25	0	0	85	158
<b>Total</b>	<b>8</b>	<b>2,519</b>	<b>75</b>	<b>124</b>	<b>5</b>	<b>75</b>	<b>0</b>	<b>0</b>	<b>88</b>	<b>2,718</b>
<i>Source: Bank Records</i>										

The following are the bank's qualified investments.

- The bank continues to hold a prior period investment in the Marlborough Economic Development Corporation Revolving Loan Fund (Loan Fund). The Loan Fund provides access to capital and gap financing for small businesses in Marlborough. Financing bridges the funding small business owners obtain through a private lender and the actual amount needed to start or expand their business. The current book value is \$50,000.
- The bank continues to hold a prior period investment in the CRA Qualified Investment Fund (Fund), which NMSB purchased prior to the merger. The Fund purchases CRA qualifying investments. Proceeds purchased Massachusetts Housing Finance Agency Rental Development Revenue Bonds. These bonds help to create multi-family affordable housing. The current book value is \$500,000.
- In 2018, the bank purchased a \$2.0 million CRA mortgage backed security. Mortgages to low- and moderate-income borrowers within the assessment area collateralize the security.

The bank also made 85 donations totaling approximately \$158,000. The following are examples of organizations that received qualified charitable contributions and grants.

- **Marlborough Mayor's Charity Relief Fund** - This fund helps low-income individuals and families requiring financial assistance. Recipients include seniors needing heating and fuel assistance, families that have lost their home due to fire, and individuals that are financially struggling due to an illness.
- **HOPEsudbury** - This organization helps low- and moderate-income residents. Assistance includes food, rent or mortgage payments, heating, and household repairs.

- **Habitat for Humanity** - This organization’s Critical Home Repair Program is a home preservation program that provides low-income homeowners with needed interior and external repairs.
- **Abby’s House** - This organization provides shelter, affordable housing, advocacy, and support services to low-income women with or without children.

**Community Development Services**

During the evaluation period, employees provided 61 instances of financial expertise or technical assistance to 17 different community development-related organizations. The majority of activity benefited organizations that provide community services to low- and moderate-income individuals. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2016	2	7	5	0	<b>14</b>
2017	2	8	5	0	<b>15</b>
2018	2	9	6	0	<b>17</b>
YTD 2019	1	8	6	0	<b>15</b>
<b>Total</b>	<b>7</b>	<b>32</b>	<b>22</b>	<b>0</b>	<b>61</b>
<i>Source: Bank Records</i>					

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

- **Marlborough Economic Development Corporation** - This organization works with municipal and private investors to foster economic development, job growth, and community revitalization in Marlborough. A senior manager serves on the Loan Committee.
- **Loaves and Fish Food Pantry** - This food pantry serves Ayer, Devens, Groton, Harvard, Littleton, and Shirley. A senior manager serves on the Finance Committee.
- **Massachusetts Community and Banking Council (MCBC)** - MCBC’s mission is to partner with financial institutions and community organizations to improve the availability of credit and financial services to underserved communities, low- and moderate-income families, and small businesses. The organization operates in a greater statewide area that includes the bank’s assessment area. One senior manager serves on the Economic Development Committee and another, on the Lending Committee.
- **North Central Massachusetts Development Corporation** - This non-profit corporation’s mission is to create jobs and improve the economy of North Central

Massachusetts. The corporation assists in workforce development, lends to small businesses, and provides resources to business owners. This organization serves a regional area that includes the assessment area. A senior manager serves as a Board member of the Loan Committee.

Other Services

- **Interest on Lawyers' Trust Accounts (IOLTA)** - Interest earned on the accounts helps fund legal services for low-income clients.

As a MCBC partner, the bank voluntarily provides low-cost checking and savings accounts. These products increase access to financial services for low- and moderate-income individuals. In addition, the bank operates four branches and ATMs in the moderate-income census tracts. These branches and ATMs demonstrate the availability of banking services to low- and moderate-income individuals.

## **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**

### **FAIR LENDING POLICIES AND PROCEDURES**

Please note any comments regarding the institution's fair lending policies and procedures in narrative form (Regulatory Bulletin 1.3-106).

### **MINORITY APPLICATION FLOW**

Examiners reviewed the bank's 2017 and 2018 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

Examiners compared the bank's level of lending to the aggregate for the most recent year that data was available, 2017. This comparison assisted in deriving reasonable expectations for the application rate the bank received from minority residential loan applicants.

In 2017, the bank received 252 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 20 or 7.9 percent from minority applicants, of which 13 or 65.0 percent resulted in originations. The aggregate received 15,532 HMDA reportable loan applications of which 2,001 or 12.9 percent were from minority applicants and originated 1,480 or 74.0 percent. The bank also received 11 or 4.4 percent of applications from ethnic groups of Hispanic origin within its assessment area and originated 6 or 54.5 percent. The aggregate received 905 applications or 5.8 percent and originated 628 or 69.4 percent.

In 2018, the bank received 157 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 11 or 7.0 percent from minority applicants, of which 7 or 63.6 percent resulted in originations. For the same time, the bank also received 9 or 65.8 percent of applications from ethnic groups of Hispanic origin within its assessment area and originated 7 or 77.8 percent.

Refer to the following table for the minority application flow for the bank and aggregate.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2017 HMDA</b>		<b>2017 Aggregate Data</b>	<b>Bank 2018 HMDA</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	1	0.4	0.2	0	0.0
Asian	11	4.4	9.5	5	3.2
Black/ African American	3	1.2	1.3	1	0.6
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	5	1.9	1.7	5	3.2
<b>Total Minority</b>	<b>20</b>	<b>7.9</b>	<b>12.9</b>	<b>11</b>	<b>7.0</b>
White	193	76.6	67.0	118	75.2
Race Not Available	39	15.5	20.1	28	17.8
<b>Total</b>	<b>252</b>	<b>100.0</b>	<b>100.0</b>	<b>157</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	7	2.8	4.6	5	3.2
Not Hispanic or Latino	200	79.4	74.3	111	70.7
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.6	1.2	4	2.6
Ethnicity Not Available	41	16.2	19.9	37	23.5
<b>Total</b>	<b>252</b>	<b>100.0</b>	<b>100.00</b>	<b>157</b>	<b>100.0</b>

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018 \*Due to rounding, totals may not equal 100.0 percent.

Given the assessment area's demographic composition and comparisons to aggregate data, 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 (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.