

PUBLIC DISCLOSURE

July 8, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Avidia Bank
Certificate Number: 90215

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Hudson, Massachusetts 01749

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Satisfactory** by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division). 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.

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

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

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

The Lending Test is rated Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- The institution originated a small percentage of loans in the combined assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution makes limited use of innovative and/or flexible lending practices in order to meet assessment area needs.
- The institution is a leader in making community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development, investment, and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community economic development needs.
- The institution makes significant use of innovative or complex investments to support community development initiatives.

The Service Test is rated Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the institution's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- or moderate-income geographies.
- Services (including, where appropriate, 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 institution provides a limited level of community development services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 9, 2016, to the current evaluation dated July 8, 2019. Examiners used the Interagency Large Institution Examination Procedures to evaluate Avidia Bank's CRA performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

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

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

The Investment Test considered the following factors.

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

The Service Test considered the following criteria.

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

An institution must achieve at least a Satisfactory rating on the Lending Test to obtain 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 small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number. The number of loans is a better indicator of the number of individuals and businesses served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the combined assessment area.

In 2017 and 2018, the bank originated slightly more home mortgage loans by number and nearly four times by dollar volume than small business loans. Although there were 56 more home mortgage loan originations by number than small business originations, both home mortgage and small business loans contributed equal weight to the overall rating. Examiners also considered the loan portfolio composition, business strategy, and focus. No other loan types, such as small farm or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Examiners considered all home mortgage loans reported on the bank's 2016, 2017, and 2018 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR). Avidia Bank reported 499 loans totaling \$166.7 million in 2016, 486 loans totaling \$159.6 million in 2017, and 420 loans totaling \$164.0 in 2018. Examiners compared the bank's 2016 and 2017 home mortgage lending to 2016 and 2017 aggregate data. Examiners also compared the bank's 2016 performance to demographic data from the 2010 U.S. Census and compared the bank's 2017 and 2018 performance to demographic data from the 2015 American Community Survey (ACS). Although examiners analyzed the bank's 2016 performance, 2016 home mortgage lending performance was similar to 2017 performance; therefore, examiners did not present 2016 performance.

Examiners also reviewed all small business loans reported on the bank's 2017 and 2018 CRA loan registers. In 2017, Avidia Bank reported 526 small business loans totaling \$82.8 million. In 2018, the bank reported 479 small business loans totaling \$78.1 million. Examiners compared the bank's 2017 small business lending to 2017 aggregate data and reviewed 2018 for trends. Examiners also compared the bank's performance in both years to D&B business demographic data.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior CRA evaluation dated May 9, 2016, through July 8, 2019.

Interstate Banking and Branching Efficiency Act (IBBEA)

Avidia Bank designated two contiguous assessment areas. One assessment area is in the Worcester, Massachusetts (MA)-Connecticut (CT) Metropolitan Statistical Area (MSA) and the other is in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). Examiners conducted full-scope evaluations of performance in the Worcester-MA-CT MSA and the Cambridge-Newton-Framingham, MA MD. However, as these assessment areas are part of the Boston-Worcester-Providence, MA-Rhode Island-New Hampshire-CT Combined Statistical Area (CSA) and examiners did not identify anomalies in the bank's lending in either area, examiners presented conclusions for the CSA.

DESCRIPTION OF INSTITUTION

Background

Avidia Bank is a mutual community bank headquartered in Hudson, Massachusetts and a subsidiary of Assabet Valley Bancorp. The bank received a "Satisfactory" rating at its previous joint CRA evaluation, dated May 9, 2016, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

The bank offers products and services through its main office in Hudson and nine full-service branches located in Clinton, Framingham, Hudson (2), Leominster, Marlborough, Northborough, Shrewsbury, and Westborough, Massachusetts. The Clinton, Framingham, and Marlborough branches are in moderate-income census tracts. In 2017, the bank opened its 270 Cochituate Road, Framingham and 17 Pope Street, Hudson branches. The bank closed the branch at the Willows Retirement Home located in an upper-income census tract in Westborough on August 31, 2018. There were no merger or acquisition activities occurred since the previous evaluation.

Avidia Bank is a full-service financial institution that offers a wide variety of products and services. Loan products include residential mortgages, including fixed- and adjustable-rate; home equity loans and lines of credit; and solar loans. The bank also offers unsecured personal loans, new and used automobile loans, and credit cards. In addition, the bank offers commercial loans, commercial mortgages, land development loans, Small Business Administration (SBA) loans, working capital lines of credit, letters of credit, and condominium association loans.

The bank offers deposit products and services, including checking and savings accounts, business checking and savings accounts, certificates of deposit, money market accounts, and individual retirement accounts. Other services include online and mobile banking, retirement planning, safe deposit boxes, and health savings accounts.

Ability and Capacity

As of March 31, 2019, the bank had total assets of \$1.6 billion and total deposits of \$1.3 billion. Loans totaled \$1.2 billion and represented 75.4 percent of total assets. The bank is primarily a commercial lender, with commercial real estate and commercial and industrial loans comprising 58.6 percent of the total loan portfolio. Loans secured by 1-4 family residential and multi-family properties represent 35.6 percent of the total loan portfolio. Although commercial loans represent a greater percentage of the loan portfolio than residential loans, 2017 and 2018 commercial and residential lending by number is relatively equal. The following table illustrates the bank's loan portfolio.

Loan Portfolio Distribution as of 3/31/19		
Loan Category	\$(000s)	%
Construction and Land Development	43,017	3.5
Secured by Farmland	89	0.0
Secured by 1-4 Family Residential Properties	413,018	33.3
Secured by Multifamily (5 or more) Residential Properties	29,337	2.3
Secured by Nonfarm Nonresidential Properties	323,183	26.1
Total Real Estate Loans	808,644	65.2
Commercial and Industrial Loans	403,047	32.5
Agricultural Loans	0	0.0
Consumer Loans	10,837	0.9
Other Loans	16,958	1.4
Less: Unearned Income	0	0.0
Total Loans	1,239,486	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 the credit or community development needs of the assessment area.

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. Avidia Bank designated two contiguous assessment areas. The assessment area within the Worcester, MA-CT MSA consists of 38 census tracts. The assessment area within the Cambridge-Newton-Framingham, MA MD, also consists of 38 census tracts. In total, the combined assessment area includes 76 census tracts.

With the Framingham branch opening in 2017, the bank expanded the Cambridge-Newton-Framingham assessment area. The bank expanded this assessment area to include Framingham, Ashland, Sudbury, and Wayland in Middlesex County. These four towns have 23 census tracts. Two are low-, six moderate-, six middle-, and nine upper-income census tracts according to the ACS data.

The following sections discuss economic and demographic information for the combined assessment area.¹

Economic and Demographic Data

The 76 census tracts reflect the following income designations according to 2015 ACS Census data:

- 3 low-income tracts,
- 10 moderate-income tracts,
- 25 middle-income tracts,
- 37 upper-income tracts, and

¹ Combined assessment area refers to both assessment area combined.

- 1 census tract with no-income designation.

With the updated 2015 ACS data, one moderate-income tract changed to low-income, three moderate-income tracts changed to middle-income, two middle-income tracts changed to moderate-income, three middle-income tracts changed to upper-income, and three upper-income tracts changed to middle-income. The no-income census tract designation is the Assabet River National Wildlife Refuge located in Stow.

There are no distressed, underserved, or designated disaster areas within the combined assessment area.

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

Demographic Information of the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	76	3.9	13.2	32.9	48.7	1.3
Population by Geography	398,056	3.3	12.0	32.8	51.8	0.0
Housing Units by Geography	155,499	3.5	13.1	34.9	48.5	0.0
Owner-Occupied Units by Geography	102,131	1.0	8.4	32.8	57.8	0.0
Occupied Rental Units by Geography	45,650	8.8	23.1	40.0	28.1	0.0
Vacant Units by Geography	7,718	4.8	15.5	33.3	46.3	0.0
Businesses by Geography	31,285	2.3	15.8	29.3	52.7	0.0
Farms by Geography	858	2.1	12.1	24.2	61.5	0.0
Family Distribution by Income Level	103,120	17.2	14.3	18.7	49.7	0.0
Household Distribution by Income Level	147,781	21.6	12.7	15.7	50.1	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$357,738
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$1,106
			Families Below Poverty Level			5.0%
<i>Source: 2015 ACS Census and 2018 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>						

According to 2018 D&B data, there were 31,285 businesses. Gross annual revenues (GAR) for these businesses follow.

- 83.2 percent have \$1 million or less.
- 6.7 percent have more than \$1 million.
- 10.1 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 47.0 percent; followed by retail trade (11.9 percent); nonclassifiable establishments (10.4 percent) construction (9.3 percent); and finance, insurance, and real estate (8.7 percent). A substantial majority of businesses, at 88.5 percent, operates from a single location, and 68.3 percent of businesses have four or fewer employees. Additionally, 78.8 percent of businesses have GARs of less than \$0.5 million, indicating the majority of businesses in the assessment area are very small.

U.S. Bureau of Labor Statistics data indicates that the combined assessment area's unemployment rate has been decreasing since the prior evaluation. However, the unemployment rate in Worcester County remains elevated compared to Middlesex County. From 2016 to 2018, the unemployment rate in Worcester County decreased from 4.1 percent to 3.5 percent, and the unemployment rate in Middlesex County decreased from 3.2 percent to 2.7 percent. Top employers in the combined assessment area include Dell EMC Corporation, Staples Inc., Bose Corporation, Boston Scientific Corporation, BJ's Wholesale Club Inc., Future Electronics Corporation, and Integrated Genetics.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion.

The following table illustrates the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
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
Worcester, MA-CT MSA Median Family Income (49340)				
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
<i>Source: FFIEC</i>				

Competition

The combined assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2018, 35 financial institutions operated 134 branches in the combined assessment area. Avidia Bank was the highest ranked state-chartered institution, ranking 5th with a market share of 8.2 percent. Large national banks such as Santander Bank, N.A.; Bank of America, N.A.; Citizens Bank N.A.; and TD Bank, N.A. ranked higher than Avidia Bank and captured a combined deposit market share of 42.5 percent. Local competitors, Middlesex Savings Bank and Clinton Savings Bank ranked 6th and 7th, respectively.

There is a high level of competition for home mortgage loans in the combined assessment area. In 2017, 392 lenders reported 13,325 home mortgage loans in the combined assessment area. Avidia Bank was the top ranked state-chartered institution, ranking 10th with a market share of 1.9 percent. Lenders ranked above Avidia Bank were primarily large national banks and mortgage companies.

There is also a high level of competition for small business loans in the combined assessment area. In 2017, 154 lenders reported 54,536 small business loans in Middlesex and Worcester Counties. Avidia Bank ranked 21st with a 0.6 percent market share. The top lenders were primarily large national institutions and credit card lenders, such as American Express, FSB; and Bank of America, N.A.

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 local financial institutions are responsive to these needs and if any credit and community development opportunities are available.

Examiners met with an organization focused on developing self-sufficiency programs for low- and moderate-income individuals in the Greater Metrowest Region. This contact noted that although affordable housing represents a need for many, financial literacy and mechanisms to build assets and credit are essential. The contact mentioned that area lenders have provided sponsorships and some local lenders have been standouts. However, there are opportunities for new credit products and programs. Flexible automobile loans, for example, could help low- and moderate-income individuals obtain stable employment. Additionally, basic education loans for certificate programs or vocational schools, coupled with financial literacy would also assist those seeking employment. The contact stated that institutions could also fill the gap by developing Individual Development Accounts. Similar asset and credit builder-type programs would also help many achieve financial goals and decrease the impact of poverty. Programs beyond basic financial literacy classes would also be helpful, such as small business counseling or support for the Volunteer Income Tax Assistance program.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and community service support for self-sufficiency programs for low- and moderate-income individuals represent the combined assessment area's primary community development needs. As for credit needs, flexible automobile and basic education loans would assist those individuals seeking employment.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Lending Activity

Avidia Bank's lending activity reflects good responsiveness to the combined assessment area credit needs. In 2017, the bank originated 251 home mortgage loans totaling \$75.1 million. Avidia Bank ranked 10th of 392 lenders with 1.9 percent market share. Avidia Bank was the highest ranked state-chartered institution reporting at least one home mortgage loan origination or purchase in the combined assessment area. Other lenders that ranked above Avidia Bank were primarily large national banks and mortgage companies. The top ranked lender, Wells Fargo Bank N.A., captured a 5.9 percent market share. In 2018, home mortgage lending declined to 186 loans, a decrease of 65 loans by number, totaling \$49.9 million inside the combined assessment area. The decline is primarily attributed to increased competition and slightly higher mortgage loan rates.

In 2017, Avidia Bank originated 211 small business loans totaling \$26.3 million in the combined assessment area. The bank ranked 21st of 154 lenders operating in Middlesex and Worcester Counties and reporting at least one originated or purchased small business loan. The bank captured a 0.6 percent market share. Large national banks with emphasis on credit card lending comprised the majority of the top 20 lenders. However, two large state institutions, Eastern Bank and Enterprise Bank and Trust Company, ranked 19th and 20th, respectively. The top ranked lender, American Express, FSB captured a quarter of the market share, followed by Bank of America, N.A., with a 12.8 percent market share. Small business lending declined by number in 2018, but dollar volume remained relatively stable. Although the number of small business loans declined, the SBA recognized Avidia Bank as the best Massachusetts lender for manufacturers in fiscal year 2018. The article also stated that Avidia Bank was the best SBA lender of more than 175 lenders in Massachusetts utilizing the various SBA loan products in 2018.

Assessment Area Concentration

The bank originated a small percentage of home mortgage and small business loans, by number and dollar volume, in its combined assessment area. See the following table.

The bank originated a majority of home mortgage loans, by number, in the combined assessment area in 2016 and 2017. However, in 2018, home mortgage lending in the combined assessment area declined and was less than the majority. The decline in home mortgage lending, by number, as stated previously, is attributed to competition and slightly higher mortgage loan rates.

In 2017 and 2018, the bank originated a majority of small business loans, by number and dollar amount, outside the combined assessment area. In 2018, lending inside the combined assessment area declined given the bank's strategic focus of growing the commercial and industrial lending niches of commercial, dental practices, and condominium associations regardless of location.

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	255	51.1	244	48.9	499	63,802	38.3	102,899	61.7	166,701
2017	251	51.6	235	48.4	486	75,151	47.1	84,468	52.9	159,619
2018	186	44.3	234	55.7	420	49,915	30.4	114,066	69.6	163,981
Subtotal	692	49.3	713	50.7	1,405	188,868	38.5	301,433	61.5	490,301
Small Business										
2017	211	40.1	315	59.9	526	26,274	31.7	56,553	68.3	82,827
2018	170	35.5	309	64.5	479	24,963	32.0	53,161	68.0	78,124
Subtotal	381	37.9	624	62.1	1,005	51,237	31.8	109,714	68.2	160,951
Total	1,073	44.5	1,337	55.5	2,410	240,105	36.9	411,147	63.1	651,252
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the combined assessment area. The bank's adequate performance of home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the combined assessment area. Examiners focused on the comparison to aggregate data.

In 2017, Avidia Bank's performance of home mortgage lending in low-income census tracts lagged aggregate data. This performance can be attributed to high competition in these tracts and the fact that the bank does not maintain a branch in these tracts. In these three low-income census tracts, 71 lenders reported 166 home mortgage loans in 2017. The majority of lenders, including Avidia Bank, reported a single loan. The top ranked lender, Wells Fargo Bank N.A., reported 11 loans. Only one state-chartered financial institution, Fidelity Cooperative Bank, reported more than two home mortgage loans in these low-income census tracts in 2017.

Lending in the moderate-income census tracts was less than aggregate and demographics in 2017. Market share reports illustrate opportunities for lending in moderate-income census tracts, with 193 lenders reporting 1,256 home mortgage loans in moderate-income census tracts in the combined assessment area in 2017. In 2018, lending in moderate-income census tracts improved, but declined slightly by loan number. The performance continued to be slightly below the percentage of owner-occupied housing units.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	1.0	1.2	1	0.4	172	0.2
2018	1.0	--	3	1.6	687	1.4
Moderate						
2017	8.4	9.4	16	6.4	3,873	5.2
2018	8.4	--	14	7.5	2,840	5.7
Middle						
2017	32.8	33.5	139	55.4	39,829	53.0
2018	32.8	--	92	49.5	19,010	38.1
Upper						
2017	57.8	55.8	95	37.8	31,277	41.6
2018	57.8	--	77	41.4	27,378	54.9
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	251	100.0	75,151	100.0
2018	100.0	--	186	100.0	49,915	100.0
<small>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>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the combined assessment area. Examiners focused on the comparison to aggregate data.

In 2017, lending in the low-income census tracts lagged aggregate performance and demographics. This performance may be partially attributed to the fact that the bank does not maintain a branch in these tracts. In 2018, lending in these tracts declined slightly, by number and percentage and was less than demographics.

Lending in the moderate-income census tracts in 2017 was slightly lower than aggregate and demographics. In 2018, lending in moderate-income census tracts declined and was less than demographic data.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	2.3	3.3	2	0.9	250	1.0
2018	2.3	--	1	0.6	10	0.0
Moderate						
2017	15.7	15.6	32	15.2	5,023	19.1
2018	15.8	--	23	13.5	3,672	14.7
Middle						
2017	29.3	28.6	93	44.1	8,846	33.7
2018	29.3	--	71	41.8	8,368	33.5
Upper						
2017	52.7	52.4	84	39.8	12,155	46.3
2018	52.7	--	75	44.1	12,913	51.7
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	211	100.0	26,274	100.0
2018	100.0	--	170	100.0	24,963	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes in the combined assessment area. Good penetration among retail customers of different income levels and business customers of different size supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The bank's home mortgage lending reflects good penetration among retail customers of different income levels. Examiners focused on the comparison to aggregate data.

In 2017, lending to low-income borrowers was slightly less than the aggregate and significantly below the percentage of low-income families. However, a low-income family in the assessment area, earning on average less than \$47,200, would not qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$357,738. In 2018, despite the decline in overall lending volume, by number, the bank increased the number of originations to low-income borrowers by one loan.

Home mortgage lending to moderate-income borrowers was above aggregate and area demographics in 2017. In 2018, lending to moderate-income borrowers improved compared to demographic data in 2018, but declined by number, commensurate with the overall decrease in the bank's home mortgage lending in 2018.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	17.2	3.8	9	3.6	1,503	2.0
2018	17.2	--	10	5.4	1,571	3.1
Moderate						
2017	14.3	15.2	42	16.7	8,470	11.3
2018	14.3	--	34	18.3	6,359	12.7
Middle						
2017	18.7	22.3	58	23.1	15,216	20.2
2018	18.7	--	47	25.3	11,305	22.6
Upper						
2017	49.7	48.3	125	49.8	36,058	48.0
2018	49.7	--	85	45.7	27,593	55.3
Not Available						
2017	0.0	10.4	17	6.8	13,904	18.5
2018	0.0	--	10	5.4	3,087	6.2
Totals						
2017	100.0	100.0	251	100.0	75,151	100.0
2018	100.0	--	186	100.0	49,915	100.0
<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 distribution of small business loans reflects good penetration to businesses GARs of \$1 million or less. Although the bank's lending to small businesses with GARs of \$1 million or less was below area demographics, examiners emphasized performance compared to aggregate data.

In 2017, the bank originated a majority of small business loans to businesses with GARs of \$1 million or less and exceeded aggregate performance. In 2018, lending to businesses with GARs of \$1 million declined by number, which is commensurate with the overall decrease in the bank's small business lending. In both years, the small business lending was less than demographics in the combined assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2017	83.2	45.8	114	54.0	11,782	44.8
2018	83.3	--	95	55.9	7,607	30.5
>\$1,000,000						
2017	6.8	--	87	41.2	13,880	52.8
2018	6.6	--	74	43.5	17,306	69.3
Revenue Not Available						
2017	10.0	--	10	4.7	612	2.3
2018	10.1	--	1	0.6	50	0.2
Totals						
2017	100.0	100.0	211	100.0	26,274	100.0
2018	100.0	--	170	100.0	24,963	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Innovative and Flexible Lending

The bank makes limited use of innovative and/or flexible lending programs to serve assessment area credit needs. These programs include government-related subsidies and guarantees. The bank originated 554 innovative and flexible loans, totaling \$65.5 million, to individuals and businesses during the evaluation period. Of these innovative and flexible loans, the bank made \$7.8 million through affordable housing programs, \$43.5 million through small business lending programs, and \$14.2 million through a consumer Mass Solar Loan Program. In 2018, the Mass Solar Loan Program volume fell significantly, as available funding was winding down. In addition, previously, consumers could request funding directly from the state. However, residential home contractors are now bundling the solar cost into the total construction cost.

The following table illustrates the bank's innovative and flexible lending programs.

Innovative or Flexible Lending Programs										
Type of Program	2016		2017		2018		2019		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Federal Home Loan Bank (FHLB) Equity Builder Program (EBP)	2	30	0	0	3	33	1	13	6	76
Massachusetts Housing Finance Agency (MHFA)	5	1,149	10	2,217	13	2,348	6	1,056	34	6,770
Massachusetts Housing Partnership (MHP) One Program	1	144	5	652	2	189	0	0	8	985
Subtotal Residential Loans	8	1,323	15	2,869	18	2,570	7	1,069	48	7,831
SBA – guaranteed programs	17	12,486	26	7,722	26	17,341	9	5,640	78	43,189
Massachusetts Capital Access Program (CAP)	4	240	1	50	0	0	2	50	7	340
Subtotal Small Business Loans	21	12,726	27	7,772	26	17,341	11	5,690	85	43,529
Mass Solar Loan Program	125	4,300	228	7,554	67	2,281	1	19	421	14,154
Subtotal Consumer Loans	125	4,300	228	7,554	67	2,281	1	19	421	14,154
Totals	154	18,349	270	18,195	111	22,192	19	6,778	554	65,514

Source: Bank Records

The following summarizes the bank’s innovative and flexible loan programs.

Residential Lending Programs

- **FHLB EBP:** The EBP offers member banks grants to assist low- and moderate-income households with down payment, closing costs, homebuyer counseling, and rehabilitation assistance. Participating institutions may also use EBP grants to match eligible buyers’ savings under an individual development account program.
- **MHFA:** MassHousing is an independent quasi-public agency providing financing for affordable housing in Massachusetts. Avidia Bank collaborates with MassHousing loan programs to assist low- and moderate-income borrowers. Loan programs provide affordable fixed interest rates, flexible underwriting, mortgage payment protection, and low down payment options.
- **MHP One Program:** The program targets low- and moderate-income first time homebuyers offering a 3.0 percent down payment; low, fixed-rate financing; and a state-backed reserve that relieves homebuyers from the cost of private mortgage insurance.

Small Business Lending Programs

- **SBA 7a Loan Program:** The SBA 7a Loan Program provides term loans up to \$5 million, with an SBA guaranty of 85.0 percent for loans \$150,000 or less and 75.0 percent for loans greater than \$150,000. Small businesses that meet the SBA’s size

eligibility standards benefit from long-term financing options, a fixed maturity, and no prepayment penalties.

- **SBA 504 Certified Development Company (CDC) Program:** The SBA 504 CDC Program is an economic development program offering small business financing while promoting job growth and creating jobs. This program provides approved small businesses with long-term, fixed-rate financing for acquiring fixed assets for business expansion or modernization.
- **Massachusetts CAP:** CAP is a loan guarantee program designed to help small businesses obtain loans from participating banks. Business may use the loan guarantees to start or expand their business or for permanent working capital.

Consumer Lending Programs

- **Mass Solar Loan Program:** Participating lenders offer low-, fixed interest rates, ten-year loans between \$3,000 and \$35,000, but loan amounts may be up to \$60,000. Customers use the proceeds to finance the installation of solar systems. For residents qualifying as low-income, benefits include interest rate buy downs. Moderate-income and non-income customers are eligible for market rates. The Mass Solar Loan program pays a portion of the loan principal when the project is complete. This program benefitted low-income individuals.

Community Development Lending

Avidia Bank is a leader in making community development loans in the combined assessment area. The bank originated 33 community development loans totaling approximately \$112.4 million. This level of activity represents 6.9 percent of average total assets and 9.1 percent of average total loans since the previous CRA evaluation. The bank's activity compares favorably to similarly situated institutions that also are considered leaders originating community development loans. The bank originated 14 loans totaling \$69.3 million that directly benefited the combined assessment area. The remaining 19 loans totaling \$43.1 million benefited areas in Massachusetts outside the assessment area. The bank is responsive to the community development needs and qualified activities inside and outside the combined assessment area. Avidia Bank's community development lending improved significantly since the prior evaluation. In previous evaluations, the bank did not originate any community development loans inside the assessment area. The majority of new community development loans financed affordable housing for low- and moderate-income individuals and families.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2016	4	12,350	0	0	2	5,760	0	0	6	18,110
2017	12	25,844	0	0	3	4,137	2	9,900	17	39,881
2018	3	458	0	0	3	6,003	1	47,500	7	53,961
YTD 2019	2	446	1	10	0	0	0	0	3	456
Total	21	39,098	1	10	8	15,900	3	57,400	33	112,408
<i>Source: Bank Records</i>										

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

- In 2016, Avidia Bank originated a \$2.0 million loan to finance working capital and purchase new equipment to expand the manufacturing operations in Leominster in the Worcester, MA-CT MSA assessment area. The business meets the SBA 7(a) Guaranteed Loan size requirement employing more than 50 employees, focusing primarily on manufacturing, and benefitting low-and moderate-income individuals. Retaining this Leominster business contributed to the city’s efforts to revitalize and retain employers.
- In 2016 and 2017, Avidia Bank originated eight loans totaling \$35.1 million to finance solar power-related projects that benefitted low-and moderate-income individuals and families. In addition, Massachusetts housing authorities contracted to purchase the majority of the power generated from these solar power projects.
- In 2017, the bank refinanced a \$5.6 million loan that the state’s economic development finance agency originally extended. The agency financed the original renovation and conversion of an abandoned building into 51 residential units and a large commercial space in downtown Leominster. The financing revitalized and stabilized a larger urban development project and created more than 90 new jobs in the area. The financing benefitted the Worcester, MA-CT MSA assessment area.
- In 2017, the bank refinanced a \$4.3 million loan that originally financed the acquisition and renovation of a four-story building with multiple commercial tenants. The original financing was part of a large block development project in downtown Framingham, a moderate-income census tract. The loan revitalized and stabilized the area attracting new eight commercial tenants. The loan benefitted the Cambridge-Newton-Framingham, MA MSA assessment area.
- In 2018, the bank originated a \$47.5 million loan to convert a blighted mill building in a moderate-income census tract into 160 housing units. The housing project is part of the Framingham downtown revitalization project. The loan benefitted the Cambridge-Newton-Framingham, MD assessment area.
- Avidia Bank financed four SBA 504 loans totaling \$5.9 million that benefitted areas in Massachusetts outside the combined assessment area.

INVESTMENT TEST

Avidia Bank is rated High Satisfactory under the Investment Test. The bank has a significant level of qualified investments. The bank exhibits excellent responsiveness to credit and community economic development needs. The bank makes significant use of innovative and/or complex investments to support community development initiatives.

Investment Activity

The bank has a significant level of qualified community development investments and grants. During the evaluation period, the bank made 245 qualified investments totaling approximately \$19.5 million, 10 were equity investments totaling approximately \$19.0 million. The total represents 1.3 percent of average total assets and 8.2 percent of average total securities since the previous evaluation.

Examiners compared Avidia Bank's investment activity to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. Avidia Bank's investment activity outperformed the comparable institutions.

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

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	5	11,831	0	0	2	480	0	0	7	12,311
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	1	3,675	0	0	2	3,000	0	0	3	6,675
YTD 2019	0	0	0	0	0	0	0	0	0	0
Subtotal	6	15,506	0	0	4	3,480	0	0	10	18,986
Qualified Grants & Donations	19	31	202	402	11	27	3	5	235	465
Total	25	15,537	202	402	15	3,507	3	5	245	19,451

Source: Bank Records

Equity Investments

The bank maintains 10 equity investments totaling approximately \$19.0 million. Of these, three totaling approximately \$6.7 million are new, and seven totaling approximately \$12.3 million (book value) are prior period investments. Since the prior evaluation, the bank's total qualified equity investments increased by 34.0 percent. Previously, the bank had approximately \$14.1 million in qualified equity investments.

The following are examples of the bank's current and prior period equity investments.

Current Period Investments

- **SBA-Small Business Investment Company (SBIC):** The bank purchased \$3.0 million in SBIC funds in 2017 and 2018. These funds provide critical financing for small business development throughout the nation including the bank's assessment areas.
- **Carter House:** In 2018, the bank committed \$3.7 million to a low-income housing project in Leominster. This project was established with a local Community Development Corporation (CDC), focused on developing 39 units of affordable housing in North Central Massachusetts. The project directly benefitted the bank's assessment area.

Prior Period Investments

- **The CRA Qualified Investment Fund and the Access Capital Community Investment Fund:** The bank initially invested in 2009. The funds' primary purpose was for community development activities that support affordable housing efforts, economic development, and small business loans. The book value of these investments total \$1.4 million as of May 31, 2019.
- **Machado House:** In 2012, the bank invested approximately \$2.1 million for Hudson to acquire, preserve, and rehabilitate 96 affordable housing units. The Preservation of Affordable Housing Limited Liability Company is the project sponsor. The project is eligible for lower cost funding from the FHLB through their Community Development Advance Program. The bank receives low-income housing tax credits. The book value is approximately \$584,587 as of May 31, 2019.
- **Marlborough Economic Development Corporation (MEDC) Revolving Loan Fund (RLF):** The bank invested \$50,000 in 2015. The RLF allows businesses to obtain "gap financing," if private lender financing is insufficient to meet the company's actual financing needs to start or expand their business. As of May 31, 2019, the book value is \$40,000.

Donations

Total qualified investments for this evaluation period included donations to organizations that provide affordable housing, community services to low- and moderate-income individuals, and promote economic development.

The bank established the Avidia Charitable Foundation in 1997 to provide additional financial support to the local community, with emphasis on projects aiding the disadvantaged or underserved. The original investment to fund the Foundation was \$20,000 and in 2017, the bank transferred an additional \$892,256 into the Foundation.

During the evaluation period, the bank's CRA qualified donations totaled approximately \$464,264, of which \$200,374 originated from the bank and \$263,890 from the bank's charitable foundation. The total amount of qualified donations represents a 93.7 percent increase from the previous evaluation where the bank made qualified donations totaling \$239,000.

The majority of the bank's CRA qualified donations supported community service organizations that primarily benefit low- and moderate-income individuals. The following are notable examples of the bank's qualified donations.

- **BayPath Elder Services:** This organization is a Massachusetts-designated Area Agency on Aging that endeavors to serve and advocate for the elderly population. BayPath primarily serves individuals in the Metrowest/North Central region. The majority of individuals served primarily rely on social security income. A number of programs are geared toward low-income elders. A majority of the individuals benefitting from the organization's services are low- and moderate-income. The bank made significant contributions to this program in 2018.
- **Boys and Girls Club of MetroWest:** The organization's mission is to develop area youths through educational, social, and cultural programming. Approximately 80 percent of the children served qualify free or reduced lunch. The bank provides donations annually.
- **Habitat for Humanity:** The bank provided multiple donations to Habitat for Humanity during the evaluation period. The organization uses volunteer labor and donated materials to renovate old houses or build new, affordable housing. The organization also provides low-income families with homeowner education and financial management.
- **Fuller Middle School:** The bank provided a donation in 2017 to help a middle school in Framingham. The funds were earmarked for a student-run café, as an interactive lesson on business development. Approximately 64.0 percent of the students receive free or reduced lunch.
- **Christopher House:** This organization develops and manages affordable assisted living for seniors in the greater Worcester area. The bank provided annual sponsorships to this organization earmarked to assist residents receiving Medicaid benefits.
- **Clark University-Small Business Development Center:** This organization aims to help regional small businesses develop and remain successful. The program provides one-on-one business counseling, workshops, and access to capital for hundreds of ongoing and start-up ventures each year. The bank provided donations in 2017 and 2018.
- **MetroWest Legal Services:** The organization provides free legal aid to low-income individuals. The bank provided regular donations to the organization, specifically earmarked for the Eviction Defense Program.

Responsiveness to Credit and Community Development Needs

The bank exhibits excellent responsiveness to credit and community economic development needs. The bank made a significant majority of its equity investments to organizations that provide affordable housing opportunities to individuals within the assessment area. Similarly, a majority of the bank's grants supported community organizations for low- and moderate-income individuals through self-sufficiency programs. The community contact mentioned these types of programs.

Community Development Initiatives

The bank makes significant use of innovative or complex investments to support community development initiatives. For example, in 2018, the bank was a financing partner in a \$19.7 million rehabilitation and renovation project of the former Carter School. This project involved coordinating several financing partners and funding sources. These included the Massachusetts Housing Investment Corporation (MHIC), the Massachusetts State Department of Housing and Community Development, the MassHousing's Affordable Housing Trust Fund, the Massachusetts Housing Partnership, and HOME funds from Leominster. Additionally, although the bank's actual investment was in 2018, the bank made the commitment to invest in December 2017 allowing the sponsor to lock in certain historic tax credit benefits that were due to expire at the end of 2017.

SERVICE TEST

Avidia Bank is rated Satisfactory under the Service Test. The bank's delivery systems are accessible to essentially all portions of the assessment area. To the extent changes have been made, the institution's opening of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies. Services, including business hours, do not vary in such a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. The bank provides limited community development services.

Accessibility of Delivery Systems

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

Distribution of Branches

Avidia Bank maintains ten full-service locations in Massachusetts. These include Clinton, Framingham, Hudson (3), Leominster, Marlborough, Northborough, Shrewsbury, and Westborough.

The following table illustrates the distribution of retail branches.

Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	3	4.0	13,217	3.3	0	0.0	0	0.0
Moderate	10	13.3	130,654	32.8	3	30.0	3	30.0
Middle	25	33.3	47,878	12.0	5	50.0	5	50.0
Upper	37	48.0	206,307	51.8	2	20.0	2	20.0
NA	1	1.3	0	0.0	0	0.0	0	0.0
Total	76	100.0	398,056	100.0	10	100.0	10	100.0

Source: 2015 ACS Data & Bank Records

The bank operates three branches in the moderate-income census tracts. This exceeds the percentage of moderate-income census tracts in the assessment area and is relatively similar to the percentage of the population in those tracts. The bank operates a majority of branches in middle-income census tracts. All branches are full service and offer all products and services including 24-hour automated teller machine (ATM) access. In addition to ATMs located at branch locations, Avidia Bank is a member of the ATM Allpoint Network, with access to over 55,000 free ATM services.

Alternative Delivery Systems

In addition to the branch network, Avidia Bank provides internet and mobile banking. With these services, consumers and businesses can access their accounts 24 hours a day to perform various transactions. The bank also offers debit cards allowing customers the ability to make purchases anywhere MasterCard is accepted and have the funds directly debited from their checking account.

Changes in Branch Locations

To the extent changes have been made, Avidia Bank's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income census tracts and /or to low- and moderate-income individuals. Since the previous CRA evaluation, the bank opened two branches and closed one. The new Framingham branch office is located in a moderate-income census tract. It is centrally located in Framingham, accessible by public transportation, and near a public housing project in an abutting moderate-income census tract. The other new branch is in Hudson and is adjacent to the bank's main office and located in a middle-income census tract. Avidia Bank closed the branch located at One Lyman Street in Westborough in August 2018. Customers of that branch can obtain services at the 100 East Main Street, Westborough branch, which is less than a mile away.

Reasonableness of Business Hours and Services

Overall, business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Branch lobby hours are generally consistent at all locations. Hours slightly vary with opening and

closing times. ATM, mobile, and online banking are available 24 hours a day, seven days a week.

The bank’s deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council. This statewide program offers low-cost checking and savings accounts to low- and moderate-income individuals.

Community Development Services

The institution provides a limited level of community development services. During the evaluation period, the bank provided 28 instances of community development services for 11 different community development organizations. The bank’s qualified services varied from serving as a Board member to providing technical assistance to community development organizations. Avidia Bank’s level of community development services was less than that of the previously stated similarly situated banks.

The following table summarizes 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	1	2	0	0	3
2017	1	7	0	0	8
2018	1	9	0	0	10
YTD 2019	1	6	0	0	7
Total	4	24	0	0	28
<i>Source: Bank Records</i>					

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

Employee Involvement

- **The 200 Foundation:** The 200 Foundation is a group of Metrowest businesses and community leaders who volunteer time to raise money for programs that assist low- and moderate-income families and individuals throughout Massachusetts. The 200 Foundation provides grants that support local services such as food pantries, shelters, rehabilitation, and child service organizations. The majority of these projects primarily support low- and moderate-income individuals. An assistant vice president serves on the Advisory Board.
- **JoyGuru Humanitarian Services:** JoyGuru Humanitarian Services aims to improve the lives of individuals and families affected by poverty, homelessness, and other social conditions as well as blindness and visual impairment. It empowers women and girls around the world and inspires underprivileged children to realize their inner potential and make a difference in their communities. A vice president serves as a director.

- **Hoops and Homework:** Hoops and Homework offers after school programs for children living in the lowest income section of Framingham. Hoops and Homework has two Framingham locations and both are in low-income census tracts. A senior vice president is a board member.
- **Our Father's House:** Our Father's House is a private, non-sectarian agency providing shelter and related services to homeless men, women, and children. Our Father's House emphasizes the dignity of the individual and through programs encourages and assists each guest to become self-sufficient. A senior vice president serves as a treasurer.

Other Services

- **Community Room:** The bank makes their community meeting room available for various community development organizations to use free of charge. During the evaluation period, local community development organizations used the community room located at 17 Pope St in Hudson to hold board meetings and other events. Homeowner Options for Massachusetts Elders and the Mel King Institute also used the community room.
- **Interest on Lawyers Trust Accounts:** Avidia Bank maintains Interest on Lawyers' Trust Accounts (IOLTA) and facilitates fundraising for CRA-qualified community organizations. Interest earned on the accounts assists in delivering critical legal aid to low-income Massachusetts residents. Avidia Bank is a Massachusetts IOLTA Leadership Institution, which is reserved for those institutions that go beyond the eligibility requirements. The bank remitted approximately \$456,937 from 76 accounts during the evaluation period.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

SCOPE OF EVALUATION

SCOPE OF EVALUATION		
TIME PERIOD REVIEWED	May 9, 2016 – July 8, 2019	
FINANCIAL INSTITUTION	Avidia Bank	
PRODUCTS REVIEWED	Home Mortgage Loans 2016, 2017, 2018	Small Business Loans 2017, 2018

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Combined Assessment Area	Full-Scope	None	None
Worcester, MA-CT, MSA	Full-Scope	None	None
Cambridge-Newton-Framingham, MA MD	Full-Scope	None	None

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 that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners noted no evidence of disparate treatment.

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 areas reflected the combined assessment area's demographics.

According to the 2015 ACS Data, the combined assessment area contained 387,765 individuals of which 20.4 percent are minorities. The minority population represented is 2.6 percent Black/African American, 6.5 percent Asian, 0.1 percent American Indian, 7.2 percent Hispanic or Latino, and 3.9 percent other.

Examiners compared the bank's 2017 lending to the 2017 aggregate's lending performance. The data comparison assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow as well as the aggregates'.

MINORITY APPLICATION FLOW					
RACE	Bank 2017 HMDA		2017 Aggregate Data	Bank 2018 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0	0.2	0	0
Asian	47	15.9	9.8	23	10.4
Black/ African American	1	0.4	1.7	2	0.9
Hawaiian/Pacific Islander	0	0	0.1	0	0
2 or more Minority	0	0	0.1	0	0
Joint Race (White/Minority)	1	0.4	1.6	2	0.9
Total Racial Minority	49	16.7	13.5	27	12.2
White	204	69.4	66.5	159	71.6
Race Not Available	41	13.9	20	36	16.2
Total	294	100.0	100.0	222	100.0
ETHNICITY					
Hispanic or Latino	4	1.4	5.8	8	3.6
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.4	1.4	2	0.9
Total Ethnic Minority	8	2.8	7.2	10	4.5
Not Hispanic or Latino	246	83.6	73.0	173	77.9
Ethnicity Not Available	40	13.6	19.8	39	17.6
Total	294	100.0	100.0	222	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2017, HMDA LAR Data 2017 and 2018

In 2017, the bank received 294 HMDA reportable loan applications within its assessment areas. Of these applications, the bank received 49 or 16.7 percent from minority applicants and 91.8 percent resulted in originations. The aggregate received 13.5 percent of its applications from minority consumers, of which the bank originated 62.1 percent. For the same time period, the bank received 8 or 2.8 percent of all applications from ethnic groups of Hispanic origin within its assessment areas. The bank originated all applications, compared to an aggregate ethnic minority application rate of 7.1 percent with a 61.7 percent origination rate.

In 2018, the bank received 222 HMDA reportable loan applications within its assessment areas. Of these applications, the bank received 27 or 12.2 percent from minority applicants and 27 or 96.3 percent resulted in originations. The bank also received 10 or 4.5 percent of applications from ethnic groups of Hispanic origin within its assessment areas of which the bank originated 6 or 60.0 percent.

The bank's 2017 and 2018 lending reflected a strong racial minority application flow. The variety of languages spoken at the bank and home mortgage lending origination rates further support good performance. Additionally, the bank displayed strong performance in majority-minority census tracts just outside of the assessment areas in 2018. Considering the assessment area's demographic composition and comparisons to aggregate data in 2017, the bank's minority application flow is adequate.

LOSS OF AFFORDABLE HOUSING – MASSACHUSETTS DIVISION OF BANKS

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

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

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.