

# **PUBLIC DISCLOSURE**

August 19, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Clinton Savings Bank  
Certificate Number: 90181

200 Church Street  
Clinton, Massachusetts 01510

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
350 Fifth Avenue, Suite 1200  
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.

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	4
Description of Assessment Area.....	6
Conclusions on Performance Criteria .....	7
Discriminatory or Other Illegal Credit Practices Review .....	19
Division of Banks Fair Lending Policies and Procedures .....	20
Glossary .....	22

## 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.

Clinton Savings Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

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

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage 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 January 19, 2016, to the current evaluation dated August 19, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Clinton Savings Bank's (CSB) CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considers 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 considers 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 obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

CSB designated one contiguous assessment area within the Worcester, Massachusetts (MA)-Connecticut (CT) Metropolitan Statistical Area (MSA). Examiners conducted a full-scope review of the single assessment area.

### **Loan Products Reviewed**

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

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending. No other loan types, such as small farm loans 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. In 2016, the bank reported 337 loans totaling \$64.0 million; in 2017, the bank reported 273 loans totaling \$56.5

million; and in 2018, the bank reported 166 loans totaling \$45.6 million. Examiners compared the bank's 2016 and 2017 performance under the Geographic Distribution and Borrower Profile criteria to aggregate data. Aggregate data is not yet available for 2018. Additionally, examiners compared the bank's 2016 performance to 2010 U.S. Census demographic data and compared 2017 and 2018 performance to the 2015 American Community Survey (ACS) demographic data.

Examiners also considered all small business loan originations in 2016, 2017, and 2018. Although the bank is not required to collect small business loan data, the institution elected to do so, allowing examiners to use the entire universe of small business loans rather than selecting a sample for this evaluation. This included all loans with original principal amounts of \$1 million or less either secured by nonfarm, nonresidential real estate, or classified as commercial and industrial loans. In 2016, the bank originated 53 loans totaling \$10.8 million; in 2017, CSB originated 43 loans totaling \$8.6 million; and in 2018, the bank originated 36 loans totaling \$8.8 million. As the institution did not elect to report small business loan data, examiners did not use aggregate data as a standard of comparison. Examiners compared the bank's small business lending performance to D&B demographic data.

Although examiners analyzed 2016 home mortgage and small business lending, 2016 lending was similar to 2017 performance; therefore, for the Geographic Distribution and Borrower Profile criteria, examiners did not present 2016 performance.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While number and dollar volume are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated January 19, 2016.

## DESCRIPTION OF INSTITUTION

### **Background**

CSB is headquartered in Clinton, Massachusetts and operates in Worcester County. CSB is owned by Wachusett Financial Services, Inc., which Clinton Financial Services, a one-bank mutual holding company owns. The bank has three subsidiaries: Clinton Securities Corporation, formed to buy and sell securities on behalf of the bank; Wachusett Realty, Inc., created primarily to own and manage real estate; and CSB Charitable Foundation, which is dedicated to supporting the bank's charitable causes and community development activities. CSB received a Satisfactory rating at its previous FDIC and Massachusetts Division of Banks joint Performance Evaluation, dated January 19, 2016, based on ISI procedures.

### **Operations**

CSB operates six full-service branches. The main office is located in Clinton, with additional branches in Berlin, Bolton, Boylston, West Boylston, and Sterling. The bank also operates two limited-service branches in Nashoba and Tahanto Regional High Schools. The bank serves both personal and business customers, with a primary focus on residential lending. Personal credit products include home mortgage and home equity loans, home equity lines of credit, automobile loans, and personal loans. Business credit products include real estate-secured and construction loans, as well as term loans and lines of credit. Deposit products include personal and business checking, savings, certificates of deposit, individual retirement, and money market accounts. Other services include personal and business online banking, mobile banking, remote deposit capture, and free Automated Teller Machine (ATM) access through the Allpoint ATM Network. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

### **Ability and Capacity**

Assets totaled approximately \$585.8 million as of June 30, 2019, and included total loans of \$433.9 million and securities totaling \$89.5 million. The following table illustrates the bank's loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/2019</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	12,853	3.0
Secured by Farmland	2,041	0.5
Secured by 1-4 Family Residential Properties	234,697	54.1
Secured by Multifamily (5 or more) Residential Properties	43,020	9.9
Secured by Nonfarm Nonresidential Properties	114,988	26.5
<b>Total Real Estate Loans</b>	<b>407,599</b>	<b>94.0</b>
Commercial and Industrial Loans	14,813	3.4
Agricultural Loans	0	0.0
Consumer Loans	11,372	2.6
Other Loans	97	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>433,881</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. CSB designated a single assessment area in the Worcester, MA-CT MSA. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The assessment area includes 77 of the 172 census tracts in Worcester County. These tracts reflect the following income designations according to the 2015 ACS:

- 14 low-income tracts,
- 14 moderate-income tracts,
- 25 middle-income tracts,
- 21 upper-income tracts, and
- 3 tracts with income not classified.

In 2019, the bank expanded its assessment area to include the City of Worcester. Worcester includes 44 tracts. Of these tracts, 13 are low-income and 12 are moderate-income. Prior to 2019, the assessment area contained 33 census tracts that encompassed the towns of Clinton, Berlin, Bolton, Boylston, Harvard, Holden, Lancaster, Leominster, Northborough, Princeton, Shrewsbury, Sterling, and West Boylston. This assessment area included 1 low-income tract, 2 moderate-income tracts, 11 middle-income tracts, and 19 upper-income tracts, according to the 2015 ACS. Examiners used the expanded assessment area throughout this evaluation. It is important to note that although the bank was lending and active in Worcester, the bank did not consider it as part of its assessment area until 2019. Therefore, in 2016, 2017, and 2018, there was not the same type of focus in terms of developing relationships and originating loans as presently.

The low-income census tracts are in Worcester (11) and Leominster (1). The moderate-income tracts are in Worcester (12), Clinton (1), and Leominster (1).

There are no distressed, underserved, or designated disaster areas within the assessment area. The following table illustrates 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)	77	18.2	18.2	32.5	27.3	3.9
Population by Geography	353,761	16.9	15.5	34.9	31.3	1.4
Housing Units by Geography	141,026	18.2	16.6	36.2	27.8	1.1
Owner-Occupied Units by Geography	73,759	6.2	10.4	41.0	42.3	0.2
Occupied Rental Units by Geography	56,247	32.8	23.0	31.5	10.6	2.1
Vacant Units by Geography	11,020	24.2	26.2	28.4	19.0	2.2
Businesses by Geography	22,265	12.3	16.6	30.6	34.3	6.2
Farms by Geography	524	5.9	8.8	22.7	62.0	0.6
Family Distribution by Income Level	83,097	25.2	16.7	19.0	39.1	0.0
Household Distribution by Income Level	130,006	29.0	14.9	16.6	39.5	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$245,912
			Median Gross Rent			\$960
			Families Below Poverty Level			10.9%
<i>Source: 2010 U.S. Census &amp; 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 D&B data, there were 22,265 businesses. Gross annual revenues (GAR) for these businesses are below.

- 82.4 percent have \$1 million or less
- 6.3 percent have more than \$1 million
- 11.3 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 46.5 percent; followed by retail trade (14.0 percent); nonclassifiable establishments (10.2 percent); and finance, insurance, and real estate (9.2 percent). Business demographics indicate that the majority of businesses operating in the assessment area are very small, as evidenced by the following factors: 77.7 percent of businesses have GARs less than \$0.5 million; 87.4 percent of businesses operate from a single location; and 66.2 percent of businesses have four or fewer employees.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the 2018 statewide unemployment rate was 3.3 percent. The unemployment rate of Worcester County is slightly elevated compared to the state, at 3.5 percent for 2018. The unemployment rate in Worcester County decreased throughout the evaluation period. Top employers in the assessment area include

University of Massachusetts System Administration Offices, University of Massachusetts Memorial Medical Center, Community Healthlink, Fallon Health, and Future Electronics Corporation.

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.

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

### **Competition**

The assessment area is highly competitive for financial services. According to 2018 Peer Deposit data, 30 financial institutions operated 102 branches in the assessment area. CSB ranked 4<sup>th</sup> with a market share of 7.8 percent. Santander Bank, N.A. ranked 1<sup>st</sup>, with a 11.8 percent market share, followed by Bank of America, National Association and Berkshire Bank.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2017, the most recent year for which aggregate data is available, 347 lenders reported 9,666 home mortgage loans in the assessment area. CSB ranked 9<sup>th</sup>, with a market share of 1.7 percent. Top ranked lenders consisted of large national institutions and mortgage companies. Wells Fargo Bank and Digital Federal Credit Union respectively ranked 1<sup>st</sup> and 2<sup>nd</sup>, with market shares of 5.6 percent and 4.9 percent.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, the aggregate data may indicate loan demand and opportunity in the assessment area. Small business data is reported at the county level rather than by assessment area. In 2017, 105 lenders reported 14,824 small business loans in Worcester County, indicating a high level of competition.

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

Examiners met with an organization focused on developing affordable housing and sustainable businesses for individuals in North Central Massachusetts. The contact discussed a need for affordable housing in the assessment area, as well as revitalizing existing homes and businesses. The contact noted community development lending and investment activity and opportunities in certain areas of the assessment area, such as Leominster, but also noted a need for such activity outside the assessment area, primarily in Fitchburg. The contact also discussed the need for more flexible residential loan underwriting, stating that many borrowers face significant barriers to qualifying for a home mortgage, due to student loan, automobile, and credit card debt. The contact expressed that flexible underwriting when considering borrower's existing debt, particularly student loan debt, would meet a significant credit need of the community. The contact also discussed that more collaboration between financial institutions would be helpful in addressing community development needs, as collaboration may assist financial institutions in providing flexible lending programs and services, such as financial coaching, by minimizing costs associated with such programs. Finally, the contact noted that local lenders and financial institutions provide community development support through service activity, but provide limited support through donations and grants.

## **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 loans to small businesses represent the primary community development needs. Existing housing and businesses in the assessment area require revitalization. Home mortgage loans with flexible underwriting and small business loans represent primary credit needs of the community.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

CSB demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 98.2 percent over the past 14 calendar quarters from March 31, 2016, to June 30, 2019. The ratio ranged from a low of 92.8 percent as of March 31, 2017, to a high of 102.2 percent as of June 30, 2018. The ratio remained relatively stable throughout the evaluation period. CSB maintained a ratio that was within the range of comparable institutions' ratios. Although the bank's ratio is below two of the similarly situated institutions, the ratio is still more than reasonable at 98.2 percent. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2019 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Clinton Savings Bank</b>	<b>585,778</b>	<b>98.2</b>
Savers Co-operative Bank	578,934	112.6
Hometown Bank	792,314	83.1
Bay State Savings Bank	419,482	110.8
<i>Source: Reports of Condition and Income 3/31/16 through 6/30/19</i>		

### Assessment Area Concentration

CSB originated a majority of home mortgage and small business loans, by number, inside the assessment area. The bank also originated a majority of home mortgage loans, by dollar amount, inside the assessment area. Please see the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	197	58.5	140	41.5	337	34,044	53.2	29,932	46.8	63,976
2017	168	61.5	105	38.5	273	35,438	62.7	21,045	37.3	56,483
2018	100	60.2	66	39.8	166	22,960	50.4	22,621	49.6	45,581
<b>Subtotal</b>	<b>465</b>	<b>59.9</b>	<b>311</b>	<b>40.1</b>	<b>776</b>	<b>92,442</b>	<b>55.7</b>	<b>73,598</b>	<b>44.3</b>	<b>166,040</b>
Small Business										
2016	30	56.6	23	43.4	53	5,332	49.4	5,471	50.6	10,802
2017	26	60.5	17	39.5	43	4,622	54.1	3,928	45.9	8,550
2018	15	41.7	21	58.3	36	2,655	30.1	6,163	69.9	8,818
<b>Subtotal</b>	<b>71</b>	<b>53.8</b>	<b>61</b>	<b>46.2</b>	<b>132</b>	<b>12,609</b>	<b>44.8</b>	<b>15,562</b>	<b>55.2</b>	<b>28,170</b>
<b>Total</b>	<b>536</b>	<b>59.0</b>	<b>372</b>	<b>41.0</b>	<b>908</b>	<b>105,051</b>	<b>54.1</b>	<b>89,159</b>	<b>45.9</b>	<b>194,210</b>

*Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data  
Due to rounding, totals may not equal 100.0*

## **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. In 2017, CSB's lending performance in low-income census tracts trailed aggregate performance and demographics; however, market share data support reasonable performance. Of the 150 lenders in these tracts, the bank ranked 33<sup>rd</sup>. The majority of lenders reported three or fewer loans in low-income census tracts in 2017. In 2018, as overall lending volume declined, lending in the low-income census tracts also declined, with performance lagging demographic data.

In 2017, the bank's lending performance in moderate-income census tracts trailed aggregate and demographic data. When considering market share data, the bank's performance is reasonable. CSB ranked 27<sup>th</sup> of 174 lenders who reported a home mortgage loan in a moderate-income census tract in the assessment area. Only three Massachusetts-chartered institutions outperformed CSB. The majority of top-ranked lenders consisted of mortgage companies. In 2018, the bank's lending performance in moderate-income tracts was slightly greater than demographics, but declined slightly by number due to the overall decline in loan volume.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	6.2	8.4	8	4.8	6,590	18.6
2018	6.2	--	2	2.0	365	1.6
Moderate						
2017	10.4	11.8	13	7.7	2,483	7.0
2018	10.4	--	11	11.0	2,467	10.7
Middle						
2017	41.0	41.7	56	33.3	8,120	22.9
2018	41.0	--	41	41.0	7,603	33.1
Upper						
2017	42.3	37.8	91	54.2	18,245	51.5
2018	42.3	--	46	46.0	12,526	54.6
Not Available						
2017	0.2	0.3	0	0.0	0	0.0
2018	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>35,438</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>100</b>	<b>100.0</b>	<b>22,961</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            Due to rounding, the total dollar volume may be slightly different than that appearing in the assessment area concentration table.</i>						

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

The geographic distribution of small business loans reflects reasonable dispersion. Although the bank's lending in low-income tracts was limited to one small business origination in 2018, it is important to remember that for the assessment area that was in effect during 2017 and 2018, the low-income census tract contained 1.9 percent of businesses. Additionally, market share data reflects limited lending activity in low-income census tracts in Worcester County in 2017.

CSB's lending performance in moderate-income census tracts in 2017 was similar to, but marginally behind, demographics. Although the bank does not report small business loans, a review of 2017 aggregate data to gauge demand and opportunity revealed a high level of competition in Worcester County. The top four reporting lenders captured half of the market share. Top-ranked lenders consist of large national banks, such as American Express, FSB; Citibank, N.A.; and Bank of America, N.A. CSB's lending in moderate-income census tracts slightly declined in 2018, remaining below demographic data.

<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	12.3	0	0.0	0	0.0
	2018	12.3	1	6.7	140	5.3
<b>Moderate</b>						
	2017	16.8	4	15.4	788	17.1
	2018	16.6	2	13.3	234	8.8
<b>Middle</b>						
	2017	30.4	8	30.8	1,558	33.7
	2018	30.6	3	20.0	305	11.5
<b>Upper</b>						
	2017	34.4	12	46.2	1,490	32.2
	2018	34.3	8	53.3	1,936	72.9
<b>Not Available</b>						
	2017	6.0	2	7.7	786	17.0
	2018	6.2	1	6.7	40	1.5
<b>Totals</b>						
	<b>2017</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>4,622</b>	<b>100.0</b>
	<b>2018</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>2,655</b>	<b>100.0</b>
<i>Source: 2017 &amp; 2018 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available.            Due to rounding, totals may not equal 100.0            Due to rounding, the total dollar volume may be slightly different than that appearing in the assessment area concentration table.</i>						

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in 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 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***

CSB's performance reflects reasonable penetration of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers. In 2017, lending to low-income borrowers was slightly behind aggregate performance and significantly behind the percentage of low-income families in the assessment area. A low-income family in the assessment area, earning less than \$42,000, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$245,912. Additionally, a high percentage of families, at 10.9 percent, live below the poverty level. Therefore, the demand and opportunity for lending to low-income families is relatively limited. This helps explain the disparity between lending to low-income families and the percentage of

low-income families. Although the bank's lending was less than the aggregate, CSB was the highest ranked state-chartered bank, placing 23<sup>rd</sup> of 117 lenders who reported a loan to a low-income borrower in the assessment area in 2017. Top lenders consisted of large national banks, credit unions, and mortgage companies. The bank's performance of lending to low-income borrowers was similar in 2018, with a slight decrease by number, but increase by percentage.

The bank's 2017 performance of lending to moderate-income borrowers was below aggregate performance, but above the percentage of moderate-income families in the assessment area. Market share data illustrates that the bank ranked 14<sup>th</sup> of 198 lenders and CSB was the highest-ranked state bank. In 2018, the bank's lending to moderate-income borrowers in the assessment area declined, but remained marginally above the percentage of moderate-income families in the assessment area.

<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	25.2	5.4	7	4.2	635	1.8
2018	25.2	--	5	5.0	608	2.6
<b>Moderate</b>						
2017	16.7	21.3	31	18.5	3,974	11.2
2018	16.7	--	17	17.0	2,963	12.9
<b>Middle</b>						
2017	19.0	22.5	37	22.0	6,007	17.0
2018	19.0	--	35	35.0	6,311	27.5
<b>Upper</b>						
2017	39.1	37.1	83	49.4	15,026	42.4
2018	39.1	--	39	39.0	10,451	45.5
<b>Not Available</b>						
2017	0.0	13.8	10	6.0	9,796	27.6
2018	0.0	--	4	4.0	2,628	11.4
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>168</b>	<b>100.0</b>	<b>35,438</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>100</b>	<b>100.0</b>	<b>22,961</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. In 2017, the bank originated half of small business loans to businesses with GARs of \$1 million or less and originated a majority of loans to businesses with



GARs of \$1 million or less in 2018. CSB’s lending to businesses with GARs of \$1 million or less was significantly below the percentage of these businesses in 2017 and 2018. Although examiners do not compare the bank’s lending to aggregate performance, as the bank is not a small business reporter, aggregate data can indicate loan demand. In 2017, the most recent year that aggregate data is available, aggregate data shows that only 45.3 percent of reported small business loans in Worcester County were to businesses with GARs of \$1 million or less. This indicates that the demand for small business loans among businesses with GARs of \$1 million or less is substantially less than the percentage of these businesses in the assessment area.

<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	82.5	13	50.0	1,751	37.9
2018	82.4	10	66.7	1,663	62.6
>\$1,000,000					
2017	6.5	13	50.0	2,871	62.1
2018	6.3	4	26.7	990	37.3
Revenue Not Available					
2017	11.1	0	0.0	0	0.0
2018	11.3	1	6.7	2	0.1
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>4,622</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>2,655</b>	<b>100.0</b>
<i>Source: 2017 &amp; 2018 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>					

### **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**

CSB demonstrated adequate responsiveness to the assessment area’s community development needs through community development loans, qualified investments, and community development services. The bank exhibited particular strength through the community development services provided during the evaluation period. Examiners also considered the institution’s capacity and the need and availability of such opportunities.

### **Community Development Loans**

CSB originated 13 community development loans totaling approximately \$8.8 million during the evaluation period. This level of activity represents 2.1 percent of average total loans and 1.6

percent of average total assets over the evaluation period. The dollar volume of community development loans increased since the last evaluation. All originated loans benefited affordable housing for low- and moderate-income residents, a primary community development need.

Community development lending includes six loans for \$2.2 million to an entity located in a broader statewide area that includes the assessment area. As the bank has been responsive to assessment area community development needs, examiners considered these additional loans under the Community Development Test. The following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Loans</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2016	3	343	0	0	0	0	0	0	3	343
2017	2	1,734	0	0	0	0	0	0	2	1,734
2018	4	5,402	0	0	0	0	0	0	4	5,402
YTD 2019	4	1,340	0	0	0	0	0	0	4	1,340
<b>Totals</b>	<b>13</b>	<b>8,819</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>8,819</b>

*Source: Bank Records*

Below are notable examples of community development loans:

- In 2017, the bank made a \$1.1 million loan to refinance and renovate multifamily properties in and near the assessment area. The loan has a primary purpose of providing affordable housing to low- and moderate-income individuals as the majority of unit rent rolls are below the Department of Housing and Urban Development’s (HUD) Fair Market Rents. The borrower also has an established relationship with affordable housing organizations (e.g. Worcester Community Housing Resources, Inc).
- The bank refinanced an assisted living property in Clinton, MA in 2018. All 42 units were developed in cooperation with the Massachusetts Department of Housing and Community Development and are restricted to low-income individuals. The loan totaled \$2.1 million.
- In 2019, the bank originated a \$1.1 million loan to refinance a multifamily property in Worcester. Ten of the 22 units had rents below HUD Fair Market Rents. Based on this metric, low- or moderate-income individuals likely occupy this units as affordable housing. The CRA-qualified portion of this loan totaled \$500,000.

### **Qualified Investments**

CSB made 84 qualified investments totaling approximately \$350,421, equaling 0.4 percent of average total securities and 0.1 percent of average total assets over the evaluation period. All equity investments supported affordable housing, an identified community development need of the assessment area. Donations primarily supported community services. The dollar volume of

donations declined since the prior evaluation; however, performance remains comparable to similarly situated banks. The following table details qualified investments by year and purpose.

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	7	292	0	0	0	0	0	0	7	292
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
YTD 2019	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>7</b>	<b>292</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>292</b>
Qualified Grants and Donations	2	1	75	57	0	0	0	0	77	58
<b>Totals</b>	<b>9</b>	<b>293</b>	<b>75</b>	<b>57</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84</b>	<b>350</b>

*Source: Bank Records*

### ***Prior Period Investments***

The bank purchased seven Government National Mortgage Association (Ginnie Mae) mortgage-backed securities prior to the start of the evaluation period. These Ginnie Mae investments are a part of HUD’s lending programs and aim to expand affordable housing nationwide. All seven investments impact the state or a broader regional area including the assessment area. The book value of these investments total \$292,256 as of the date of evaluation.

### ***Qualified Donations***

Below are notable examples of the bank’s qualified donations:

- *Clinton High School* – The bank made several donations to the high school during the evaluation period to support school programs. The majority of students attending this school are from low- or moderate-income families.
- *The Item Appeal* – This charitable organization aims to assist low- and moderate-income families in Clinton and surrounding towns. The organization works with community partners to fundraise, collect donations, and distribute goods to those facing hardship. The bank provided several donations to this organization during the evaluation period.
- *Clinton Early Education Resource Center* – The Clinton Public School Department and the Massachusetts Department of Early Education support this center. The organization provides educational workshops as well as links to resources for low- and moderate-income families, including childcare, emergency services, and a lending library. CSB funded several educational workshops in 2018, for both English and Spanish-speaking families.

## **Community Development Services**

During the evaluation period, bank employees provided 129 instances of financial expertise or technical assistance to 32 different community development-related organizations in the assessment area. Community development service activity increased substantially since the prior evaluation. The following table illustrates the community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2016	8	21	2	0	31
2017	8	24	0	0	32
2018	6	27	0	0	33
YTD 2019	4	29	0	0	33
<b>Total</b>	<b>26</b>	<b>101</b>	<b>2</b>	<b>0</b>	<b>129</b>
<i>Source: Bank Records</i>					

### ***Employee Involvement***

Bank employees are involved in local community development organizations in multiple capacities. Employees provide financial expertise to the organizations they serve. The following are examples of organizations that benefited from the dedicated service of bank employees.

- *Volunteer Income Tax Assistance (VITA)* – A deposit operations manager is a certified tax preparer for the VITA program. This program offers free tax help to low-income individuals and limited English speaking taxpayers who need assistance in preparing their own tax returns. Internal Revenue Service-certified volunteers provide free basic income tax return preparation with electronic filing for qualified individuals.
- *NewVue Communities* – This organization aims to develop quality affordable housing and create economic opportunities throughout North Central Massachusetts. Programs include financial coaching for individuals and small businesses, down payment assistance, and affordable rental housing development and maintenance. A commercial relationship manager serves on the Finance and Real Estate Committees.

### ***Homeownership and Other Financial Education***

The bank also provided educational workshops at local schools and to organizations. The workshops covered multiple topics. Several examples follow.

- *First Time Homebuyer Seminars* – CSB held 25 seminars over the evaluation period. These seminars detailed a number of flexible lending initiatives available through state and federal agencies that are particularly responsive to the needs of low- and moderate-income individuals. While some information sessions were held at local branches, other seminars were conducted in concert with local organizations (e.g. Communities and Neighborhood Works). Some seminars were held in both English and Spanish.

- *Clinton Middle School: Banzai Financial Literacy* –The program helps students learn about budgeting, building credit, and setting goals. In addition to sponsoring the program, CSB’s employees provided annual technical assistance and program orientation for students and teachers. Clinton Middle School has a majority of students from low- and moderate-income families.

***Other Services***

- *Branch Utilization* – The bank uses its branch locations extensively for the benefit of local community initiatives. Initiatives may utilize the entire branch network or focus on community organizations specific to the branch. For example, the bank cooperates with the Item Appeal Program and uses its entire branch network to act as fundraising centers for the charitable organization. In addition, the bank acts as an administrator of the charitable organization’s funds. The Boylston branch also raises funds for the local church Diaper Program, intended to benefit low- and moderate-income families.
- *School and Work Banking* – CSB reaches out to both the Perkins School and the Clinton Public Schools to provide bank services. Bank employees visit both schools to assist students in savings or basic bank transactions as appropriate. The majority of individuals impacted by these programs are low- or moderate-income.

In addition, the Clinton branch is adjacent to a moderate-income census tract and the bank operates an ATM at the Clinton Hospital which is in a moderate-income census tract. This branch and ATM 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

### *Division of Banks Fair Lending Policies and Procedures*

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

#### MINORITY APPLICATION FLOW

Examiners reviewed Clinton Savings Bank’s 2017 and 2018 HMDA LARs to determine if the bank’s application flow from the different racial and ethnic groups reflected the assessment area’s demographics.

According to the 2015 ACS U.S. Census Data, the bank’s assessment area contained a population of 353,761 individuals of which 30.4 percent are minorities. The assessment area’s minority and ethnic population is 7.4 percent Black/African American, 6.4 percent Asian/ Pacific Islander, 0.2 percent American Indian, 14.3 percent Hispanic or Latino, and 2.3 percent Other.

Refer to the following table for information on the bank’s minority application flow as well as aggregate data in the bank’s assessment area.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>Bank 2017</b>		<b>2017 Aggregate Data</b>	<b>Bank 2018</b>	
	#	%	%		
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	4	1.7	6.9	3	1.8
Black/ African American	2	0.8	5.3	4	2.3
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)	1	0.4	1.2	1	0.6
<b>Total Racial Minority</b>	<b>5</b>	<b>2.9</b>	<b>13.9</b>	<b>8</b>	<b>4.7</b>
White	205	84.4	64.9	132	77.2
Race Not Available	31	12.7	21.2	31	18.1
<b>Total</b>	<b>243</b>	<b>100.0</b>	<b>100.0</b>	<b>171</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	10	4.1	7.8	6	3.5
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.7	1.3	2	1.2
<b>Total Ethnic Minority</b>	<b>14</b>	<b>5.8</b>	<b>9.1</b>	<b>8</b>	<b>4.7</b>
Not Hispanic or Latino	199	81.9	70.1	128	74.9
Ethnicity Not Available	30	12.3	20.8	35	20.4
<b>Total</b>	<b>243</b>	<b>100.0</b>	<b>100.0</b>	<b>171</b>	<b>100.0</b>

In 2017, the bank received 171 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 5 or 2.9 percent from racial minority applicants. The aggregate received 13.9 percent of its applications from racial minority applicants. For the same period, the bank also received 14 or 5.8 percent of applications from ethnic groups of Hispanic origin within its assessment area as compared to the aggregate that received 9.1 percent.

In 2018, the bank received 243 HMDA reportable loan applications from within its assessment area. The bank's racial minority application flow improved slightly to 8 applications at 4.7 percent. For the same period, the bank's ethnic minority application flow fell slightly to 8 applications at 4.7 percent.

During the evaluation period, the bank elected to expand the assessment area to include the city of Worcester. This added 44 census tracts, including 14 majority-minority tracts, increasing opportunity for these borrowers. The city of Worcester comprises all of the assessment area's majority-minority census tracts and 70.9 percent of the minority population. The recent inclusion of Worcester in the assessment area in spite of limited branch presence and significant competition explains the discrepancy between aggregate and bank performance. Bank management is aware of its minority application flow and senior management utilized outreach and marketing strategies that exhibit commitment to meeting demographic needs (e.g.. bilingual advertising and first-time homebuyer courses). The bank's minority application flow is deemed 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.