

PUBLIC DISCLOSURE

May 28, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Homefield Credit Union
Certificate Number: 68057

86 Worcester Road
North Grafton, Massachusetts 01536

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Homefield Credit Union (Credit Union) prepared by the Division of Banks, the institution's supervisory agency, as of July 9, 2018. The Division of Banks rates the CRA performance of the credit union as per the provisions set forth in 209 CMR 46.00.

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.

The evaluation includes an analysis of the credit union's performance in providing loans to its membership, providing loans to individuals of various incomes, including low- to moderate-income members, response to CRA complaints, and the credit union's fair lending performance. The rating is supported by the following summary of results.

- The credit union's average net loan-to-share (LTS) ratio of 94.8 percent is more than reasonable given the institution's size, financial condition, and credit needs of the assessment area.
- A majority of the credit union's home mortgage loans are made inside in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of home mortgage loans to borrowers of different income levels is reasonable.
- The institution did not receive any CRA-related complaints during the evaluation period.

SCOPE OF EVALUATION

The Small Institution Examination Procedures include the Lending Test, which evaluates the credit union's performance according to the following criteria:

- Loan-to-share ratio,
- Assessment area concentration,
- Geographic distribution,
- Borrower profile, and
- Response to CRA-related complaints.

Loan Products Reviewed

Examiners' analysis focused on home mortgage loans as it represented the majority of the loan portfolio. This conclusion considered the credit union's business strategy as well as the number and dollar volume of loans originated during the evaluation period. Credit union records indicated observable variations in the lending focus and product mix over the evaluation period.

The evaluation considered all home mortgage loans reported on the credit union's 2017 and 2018 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). In 2017, the credit union reported 92 loans totaling \$20.0 million. In 2018, it reported 84 loans totaling \$18.3 million. Examiners compared the credit union's HMDA lending to 2017 aggregate data. Both 2017 and 2018 home mortgage data were compared to pertinent area demographics.

For the evaluation, examiners reviewed the number and dollar volume of home mortgage loans. While number and dollar volume of loans are presented, examiners assigned more weight to performance by number of loans as they represent a better indicator of the number of individuals served.

DESCRIPTION OF INSTITUTION

Founded in 1966, Homefield Credit Union is a federally insured state-chartered credit union. The purpose of the credit union is the promotion of thrift among its members by the accumulation of their savings and the loaning of such accumulations to its members for provident purposes at a moderate rate of interest. According to the credit union's bylaws, "Membership in this corporation is limited to those who live, work, or attend any elementary school, secondary school or school of higher education in Worcester County or Middlesex County in Massachusetts and family members of such persons. As of March 31, 2019, the credit union's membership totaled 8,816 members.

The credit union received a Satisfactory rating at its previous evaluation by the Division of Banks on March 30, 2015.

The credit union is headquartered at 86 Worcester Street in North Grafton. The credit union operates one additional full-service branch, located at 138 South Main Street, Milford. This branch has been added since the last examination. No branches were closed. Both locations are open between 9:00 AM and 4:30 PM weekdays, with extended hours on Thursday and Friday, and morning hours on Saturday. Both locations are equipped with walk-up and drive-up 24-hour ATMs.

The credit union offers the following personal products and services to its members: Kasasa checking accounts, Kasasa and statement savings accounts, money market accounts, certificates of deposit, individual retirement accounts, and club accounts. It also provides mortgage loans for purchase and refinance, home equity loans and lines of credit, personal loans, new and used auto and recreational vehicle loans, and ATM/Debit cards. The credit union uses a third party mobile app, Elan, to offer members a credit card and payment processing option. Products for businesses include checking and savings accounts, business loans, SBA loans, and commercial loans and lines of credit. Other personal and business services also include overdraft protection, direct deposit, money orders/cashier's checks, wire transfers, night drop, coin counting, personal online banking with bill pay and e-statements, business credit cards, merchant services, mobile banking with remote deposit. The credit union's website provides banking, check ordering, account opening, and loan application services.

As of March 31, 2019, the credit union had total assets of approximately \$152.4 million and total shares and deposits of \$111.0 million. Loans totaled \$104.9 million and represented 68.8 percent of total assets.

The credit union is primarily a residential mortgage lender with a majority of the loan portfolio secured by residential properties. As noted below, approximately 79.0 percent of the loans are secured by first mortgage real estate loans and lines of credit, as well as commercial real estate loans and lines of credit, and all other real estate loans and lines of credit.

The loan portfolio has grown approximately 40.1 percent since the prior examination. The portfolio mix showed some notable changes. Used Vehicle Loans decreased approximately 10.0 percent; Real Estate-Secured lending increased approximately 6.0 percent; and Commercial Lending increased approximately 15.0 percent. The changes were aligned with management's

business strategy.

The following table illustrates the distribution of the credit union's loan portfolio as of the most recently available Call Report.

Loan Portfolio Distribution as of 3/31/19		
Loan Category	\$(000s)	%
Total Loans/LOC Secured by 1 st Lien 1-4 Family Residential	50,575,736	48.2
Total Loans/LOC Secured by Jr Lien 1-4 Family Residential	22,058,761	21.0
Commercial Loans/Lines of Credit Real Estate Secured	10,205,345	9.7
Used Vehicle Loans	8,990,722	8.6
Commercial Loans/Lines of Credit Not Real Estate Secured	5,985,109	5.7
New Vehicle Loans	3,748,525	3.6
All Other Unsecured Loans/Lines of Credit	2,297,218	2.2
All Other Secured Non-Real Estate Loans/Lines of Credit	1,057,095	1.0
Total Loans	104,918,511	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define one or more assessment areas within which the institution will focus its lending efforts. Homefield Credit Union has designated a single contiguous assessment area, which includes the Boston, MA Metropolitan Division (MD), the Cambridge-Newton-Framingham Metropolitan Division (MD), and the Worcester, MA-CT Metropolitan Statistical Area (MSA).

The following municipalities comprise the assessment area: Bellingham, Grafton, Holliston, Hopedale, Hopkinton, Medway, Mendon, Milford, Millbury, Northbridge, Sutton, Upton, Westborough, and Worcester. Bellingham, Holliston, Hopkinton, and Medway were added since the previous evaluation.

Economic and Demographic Data

The assessment area includes 78 census tracts within Worcester, Middlesex, and Norfolk Counties. These census tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 13 low-income tracts,
- 14 moderate-income tracts,
- 22 middle-income tracts,
- 26 upper-income tracts, and
- 3 tract without an income designation.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	78	16.7	17.9	28.2	33.3	3.8
Population by Geography	366,776	15.1	15.2	31.0	37.4	1.3
Housing Units by Geography	146,508	16.1	16.1	30.8	36.0	1.1
Owner-Occupied Units by Geography	80,014	5.1	9.5	36.7	48.5	0.1
Occupied Rental Units by Geography	55,686	30.8	23.5	23.5	20.1	2.1
Vacant Units by Geography	10,808	21.8	25.9	24.5	25.5	2.3
Businesses by Geography	24,130	10.4	14.8	25.7	43.4	5.7
Farms by Geography	525	5.0	7.0	25.3	62.1	0.6
Family Distribution by Income Level	87,763	23.5	15.6	18.6	42.4	0.0
Household Distribution by Income Level	135,700	27.7	14.1	16.2	42.0	0.0
Median Family Income MSA - 14454 Boston, MA MD	\$90,699	Median Housing Value				\$267,727
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD	\$100,380	Median Gross Rent				\$988
Median Family Income MSA - 49340 Worcester, MA-CT MSA	\$81,137	Families Below Poverty Level				9.7%
<i>Source: 2015 ACS Census and 2018 D&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>						

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories for the years that were analyzed are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
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

Source: FFIEC; Due to rounding, totals may not equal 100.0

The credit union's assessment area contains 146,508 housing units. Of these, 54.6 percent are owner-occupied, 38.0 percent are occupied rental units, and 7.4 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Competition

There is also a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate HMDA data for 2017 indicates that 367 lenders originated or purchased 11,144 reportable residential mortgage loans within the assessment area. The three most prominent home mortgage lenders (Wells Fargo Bank, NA, and JP Morgan Chase Bank, NA, and Quicken Loans) accounted for 13.1 percent of total market share.

Community Contact

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

A community contact was conducted with a local non-profit working to improve the conditions of inner city neighborhoods of Worcester and promote housing creation and preservation as well as homeownership in Worcester County and parts of Middlesex County. The contact indicated that increasing gentrification and economic factors are creating significant change in the decreased affordability and access to area housing. First time homebuyers are being bid out of the market. The local housing stock is comprised of a large percentage of older multi-family properties, which are being quickly purchased by investors. Additionally, rents are on the increase. There is an increased need for resources to area non-profits given reduced municipal participation in grants and investments. More financial education is needed in the inner city and particularly in the Canal neighborhood, which has a high number of unbanked residents and virtually no bank presence. The contact indicated loan services and discounts are needed to help borrowers make successful home purchases. For example, some institutions have utilized employer-assisted programs designed to enable employees to buy a home close to work.

Credit and Community Development Needs and Opportunities

Considering information gathered from the community contact, credit union management, and demographic and economic data, examiners determined that the need for affordable housing and related programs, lending products and services outreach to low- and moderate-income and unbanked geographies and financial literacy represent primary credit needs for the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

Homefield Credit Union demonstrated Satisfactory performance. The following criteria support the conclusion.

Loan-to-Share Ratio

This performance criterion determines what percentage of the credit union's share base is reinvested in the form of loans. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The LTS ratio since the previous evaluation is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

The credit union's net LTS ratio, as calculated from NCUA 5300 Quarterly Call Report data, averaged 94.8 percent over the past eight quarters, from June 30, 2017 to March 31, 2019. The ratio ranged from a low of 90.7 percent on March 31, 2018 to a high of 98.3 on December 31, 2018; the LTS showed a marked increase since the prior evaluation when the ratio was 76.2 percent. Conversations with the credit union's management indicated the increase is due to the introduction of commercial lending and adjustable rate loan products.

To further evaluate the credit union's LTS ratio, examiners selected comparable institutions based on their asset size, geographic location, and lending focus. Please refer to the following table.

Loan-to-Share Ratio Comparison		
Credit Union	Total Assets as of 3/31/2019 (\$000s)	Average Net LTD Ratio (%)
Shrewsbury Credit Union	154,510,746	55.2
Alden Credit Union	155,141,073	70.3
Arrha Credit Union	140,368,288	78.6
Homefield Credit Union	152,425,336	94.8
Community Credit Union of Lynn	157,238,546	99.6

Source: Reports of Condition and Income 6/30/17 through 3/31/19

Assessment Area Concentration

The credit union originated a majority of home mortgage loans within the assessment area. By number, the credit union made 69.6 percent of its home mortgage loans inside the assessment area for 2017 and decreased slightly to 66.7 percent for 2018, resulting in 68.2 percent of total home mortgage loans made in the assessment area. This is consistent with the prior evaluation, when the credit union made a total of 68.5 percent of total home mortgage loans within the assessment area.

The following table details the credit union’s home mortgage lending activity inside and outside of the assessment area in 2017 and 2018.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	64	69.6	28	30.4	92	12,466	62.3	7,550	37.7	20,016
2018	56	66.7	28	33.3	84	11,191	60.9	7,165	39.1	18,356
Total	120	68.2	56	31.8	176	23,657	61.6	14,715	38.4	38,372

Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

The credit union’s 2017 performance in low-income census tracts is 10.9 percent, higher than the aggregate level of lending. The credit union also outperformed the demographic measure of owner-occupied housing in low-income areas. In 2018, the credit union did not originate any loans in low-income census tracts.

The credit union’s performance in moderate-income census tracts at 6.3 percent was lower than the aggregate level in 2017. The credit union’s moderate-income tract performance of in 2018, at 5.4 percent, was comparable to 2017. Both years fell below the demographic of owner occupied homes in moderate-income areas.

The credit union’s performance is explained by not having a branch presence in the highly competitive city of Worcester. Worcester comprises all of the low-income tracts and 12 of the 14 moderate-income census tracts within the assessment area, and holds a large number of banks and credit unions. As a result, the credit union has a limited ability to originate loans in low- and moderate-income areas. Finally, as mentioned by the community contact, the city of Worcester is experiencing rapid growth and even greater competition for limited housing stock, hindering lending efforts of small institutions. The credit union has performed outreach to Worcester through community services and traditional advertisement. Based on the size and resources of the credit union coupled with current efforts, the performance is satisfactory. Please see the following table for more detail.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	5.1	6.5	7	10.9	1,202	9.6
2018	5.1	--	0	0.0	0	0.0
Moderate						
2017	9.6	10.3	4	6.3	590	4.7
2018	9.6	--	3	5.4	767	6.9
Middle						
2017	36.7	34.8	13	20.3	2,354	18.9
2018	36.7	--	13	23.2	3,141	28.1
Upper						
2017	48.5	48.2	40	62.5	8,320	66.7
2018	48.5	--	40	71.4	7,283	65.1
Not Available						
2017	0.1	0.2	0	0.0	0	0.0
2018	0.1	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	64	100.0	12,466	100.0
2018	100.0	--	56	100.0	11,191	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate- income). Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

The credit union originated one loan to low-income borrowers in 2017, comprising 1.6 percent of originations. This is below the aggregate level of performance and the demographic percentage of low-income families. The credit union’s performance remained consistent in 2018 with one originated loan to low-income families. The assessment area has a high percentage of families below the poverty level, suggesting a large portion of the low-income population who may not qualify for a mortgage. This explains the large difference between the demographic and aggregate lending levels.

The credit union’s 2017 performance to moderate-income borrowers was 17.2 percent of originations, comparable to the aggregate level. The credit union’s 2018 performance remained

consistent in 2018 with 19.6 percent of originations toward moderate-income borrowers. The performance was consistently above the demographic of moderate-income families in the area.

The credit union was involved with flexible lending programs (e.g. the FHLB Equity Builder Program and MassHousing) during the evaluation period in an effort to reach out to low- and moderate-income borrowers. Based on the institutions resources and capabilities, the credit union's performance is satisfactory. Please see the following table for more detail.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	23.5	5.0	1	1.6	99	0.8
2018	23.5	--	1	1.8	214	1.9
Moderate						
2017	15.6	20.5	11	17.2	1,767	14.2
2018	15.6	--	11	19.6	2,067	18.5
Middle						
2017	18.6	22.7	11	17.2	2,066	16.6
2018	18.6	--	21	37.5	4,544	40.6
Upper						
2017	42.4	39.1	29	45.3	5,984	48.0
2018	42.4	--	23	41.1	4,366	39.1
Not Available						
2017	0.0	12.7	12	18.8	2,550	20.5
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	64	100.0	12,466	100.0
2018	100.0	--	56	100.0	11,191	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.</i>						

Response to Complaints

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

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. 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. 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.

Minority Application Flow

The credit union's HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial groups within the credit union's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Data, the credit union's assessment area contained a total population of 628,800 individuals, of which 27.5 percent are minorities. The assessment area's minority and ethnic population is 6.4 percent Black/African American, 6.1 percent Asian/Pacific Islander, 0.2 percent American Indian, 12.4 percent Hispanic or Latino, and 2.4 percent Other.

The credit union's level of lending was compared with that of the aggregate's lending performance level for the year that data was available, 2017. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority residential loan applicants. Refer to the table below for information on the credit union's application flow as well as the aggregate lenders in the credit union's assessment area.

MINORITY APPLICATION FLOW					
RACE	Credit Union 2017		2017 Aggregate Data	Credit Union 2018	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	0	0.0	7.1	0	0.0
Black/ African American	1	1.1	4.5	0	0.0
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)	0	0.0	1.2	2	2.5
Total Minority	1	1.1	13.3	2	2.5
White	70	73.7	65.4	74	92.5
Race Not Available	24	25.2	21.3	4	5.0
Total	95	100.0	100.0	80	100.0
ETHNICITY					
Hispanic or Latino	2	2.1	8.3	3	3.75
Joint (Hisp/Lat /Not Hisp/Lat)	2	2.1	1.2	1	1.25
Not Hispanic or Latino	66	69.5	69.1	66	82.5
Ethnicity Not Available	25	26.3	21.4	10	12.5
Total	95	100.0	100.0	80	100.0

In 2017, the credit union received 95 HMDA reportable loan applications from within its assessment area. Of these applications, one was received from a racial minority applicant. Approximately 13.3 percent of aggregate lender applications were received from racial minority applicants. For the same period, the credit union also received 4, or 4.2 percent, applications from ethnic minority applicants within its assessment area, versus the aggregate ethnic minority application rate of 9.5 percent.

In 2018, the credit union received 80 HMDA reportable loan applications from within its assessment area. Two of these applications, or 2.5 percent, were received from racial minority applicants. For the same year, the credit union received four applications from ethnic groups of Hispanic/Latino origin within its assessment area, or 5.0 percent.

While the institution's minority application flow is below the aggregate and demographic levels, its outreach, diverse advertising, and translation resources (Spanish and French) for borrowers with limited English proficiency, reflects effort to reach out to individuals within the assessment area. The lack of branch presence in Worcester, the only city with majority-minority census tracts (and approximately 76.4 percent of the assessment area's minority population), coupled with significant competition for loans in these same areas (as mentioned by the community contact), correlates to the difference between institution and aggregate performance. For these reasons, the minority application flow is deemed adequate. The credit union will continue to market and explore strategies to lend in these areas, commensurate with its size and capability.

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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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;
- (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 Area (CBSA): 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 refinancing 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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 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 86 Worcester Road North Grafton, Massachusetts 01536."

- 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.