

# **PUBLIC DISCLOSURE**

July 29, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lee Bank  
Certificate Number: 33645

75 Park Street  
Lee, Massachusetts 02138

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.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following performance factors support Lee Bank's Satisfactory Community Reinvestment Act (CRA) 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 institution made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration 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 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. 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 previous evaluation dated March 13, 2017, to the current evaluation dated July 29, 2019. The Commonwealth of Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) conducted this evaluation jointly using the FFIEC Intermediate Small Institution Examination Procedures to evaluate Lee Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans, qualified investments and community development services
- The bank's 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.

### Loan Products Reviewed

The Lending Test considered the bank's home mortgage and small business lending based on the bank's business strategy and the number and dollar volume of loans originated. Bank records indicate the lending and product mix remained consistent throughout the evaluation period. The bank's residential lending represented a significant majority of loan volume during the current review period. Consequently, examiners placed more weight on the bank's home mortgage lending performance.

The bank's most recent Report of Condition and Income (Call Report), dated March 31, 2019, indicated that residential lending, including all loans secured by one-to-four family and multi-family (five or more units) residential properties, represented 64.0 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 31.9 percent of the loan portfolio. Consumer loans do not represent a major product line and no small farm loans were originated; therefore, examiners did not consider these loans in the analysis.

The evaluation considered originated home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2017 and 2018. The

bank reported 218 loans totaling \$54.3 million in 2017 and 225 loans totaling \$59.7 million in 2018. The bank's 2017 home mortgage lending performance was compared against 2017 aggregate and demographic lending data. Aggregate data includes the lending activity in the assessment area of all institutions subject to HMDA reporting requirements. The evaluation focused on the bank's lending performance in 2017, as aggregate data for 2018 was not yet available.

The bank originated 124 small business loans totaling \$14.4 million in 2017 and 112 small business loans totaling \$15.6 million in 2018. As an intermediate small institution, Lee Bank is not required to collect or report small business data; therefore, examiners selected a sample of 25 small business loans per year. These samples are considered representative of the bank's performance during the entire evaluation period. D&B business demographic data provided a standard of comparison for the sampled small business loans.

While dollar amounts are presented under the Lending Test, the evaluation is primarily based on the bank's lending performance by number of loans, which is a better indicator of the number of businesses and individuals served. Demographic information referenced in this evaluation was obtained from 2015 American Community Survey (ACS) data. Financial data about the bank was obtained from the March 31, 2019 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between March 13, 2017 and July 29, 2019.

## DESCRIPTION OF INSTITUTION

### Background

Lee Bank, established in 1852, is a state-chartered, stock-owned institution headquartered in Lee, Massachusetts. The bank is a subsidiary of Berkshire Financial Services, Inc., which owns another financial institution, Freedom National Bank. The Division and FDIC conducted the previous CRA Evaluation using FFIEC Intermediate Small Institution Examination Procedures as of March 13, 2017. The joint evaluation resulted in an overall Satisfactory rating

### Operations

Lee Bank operates five full-service branches in Berkshire County in the Pittsfield, Massachusetts Metropolitan Statistical Area (MSA). The main office is in Lee, with additional branches in Great Barrington, Lenox, Pittsfield, and Stockbridge. The office in Pittsfield is in a low-income tract, with the remainder of branches in middle- or upper-income tracts.

The bank offers home mortgage, commercial, and consumer loans, focusing on residential and commercial lending. The bank provides deposit products including checking, savings, money-market accounts, and certificates of deposit. Additional services include online banking, mobile banking, and investment advisory and insurance services. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

### Ability and Capacity

As of March 31, 2019, total assets were \$397.1 million, total loans were \$321.7 million, and total deposits were \$339.0 million. Since the previous evaluation, total assets increased 18.4 percent, total loans increased 14.5 percent, and deposits increased 43.6 percent. The following table illustrates the composition of the loan portfolio.

<b>Loan Portfolio Distribution as of 3/31/2019</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	12,300	3.8
Secured by Farmland	0	0.0
1-4 Family Residential	194,830	60.6
Multi-family (5 or more) Residential	11,195	3.5
Commercial Real Estate	82,291	25.6
<b>Total Real Estate Loans</b>	<b>300,616</b>	<b>93.5</b>
Commercial and Industrial	20,370	6.3
Agricultural	0	0.0
Consumer	670	0.2
Other	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>321,656</b>	<b>100.0</b>
<i>Source: 3/31/2019 Call Report</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 is evaluated. The bank designated a single assessment area in the Pittsfield, Massachusetts MSA. The assessment area meets the technical requirements of the CRA regulation. The following sections reflect demographic and economic information for the assessment area.

### Economic and Demographic Data

The assessment area includes 24 contiguous census tracts within the Pittsfield, Massachusetts MSA. These tracts reflect the following income designations according to the 2015 ACS:

- 3 low-income
- 1 moderate-income
- 12 middle-income
- 8 upper-income census tracts

The City of Pittsfield contains the low- and moderate-income census tracts. The following table illustrates select demographic characteristics of the current assessment area.

<b>Demographic Information of the Assessment Area</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	12.5	4.2	50.0	33.3	0.0
Population by Geography	82,076	13.3	6.3	48.8	31.6	0.0
Housing Units by Geography	45,558	13.5	5.2	48.2	33.2	0.0
Owner-Occupied Units by Geography	24,231	4.9	6.4	54.1	34.7	0.0
Occupied Rental Units by Geography	11,416	36.4	6.3	33.4	23.9	0.0
Vacant Units by Geography	9,911	8.1	0.8	50.9	40.2	0.0
Businesses by Geography	6,641	18.2	2.9	39.2	39.6	0.0
Farms by Geography	247	3.2	1.2	49.0	46.6	0.0
Family Distribution by Income Level	21,096	22.1	16.4	20.3	41.1	0.0
Household Distribution by Income Level	35,647	24.5	15.6	16.8	43.2	0.0
Median Family Income MSA - 38340 Pittsfield, MA MSA	\$66,604	Median Housing Value				\$248,652
		Median Gross Rent				\$806
		Families Below Poverty Level				10.4%
<small>Source: 2015 ACS Census and 2018 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent.                      (*) The NA category consists of geographies that have not been assigned an income classification.</small>						

The small percentage of owner-occupied units in low-income census tracts reflects high competition among lenders for a small market. Additionally, housing affordability is a challenge for low-income borrowers given the median family income and medium housing value.

The FFIEC median family income (MFI) level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates low-, moderate-, middle-, and upper-income categories for each year during the review period.

<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>Pittsfield, MA MSA Median Family Income (38340)</b>				
2017 (\$69,000)	<\$34,500	\$34,500 to <\$55,200	\$55,200 to <\$82,800	≥\$82,800
2018 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
<i>Source: FFIEC</i>				

According to 2018 D&B data, there were over 6,641 non-farm businesses within the bank’s assessment area. Gross annual revenues (GARs) for these businesses were as follows:

- 80.8 percent have \$1 million or less
- 6.7 percent have more than \$1 million
- 12.5 percent have unknown revenues

Service industries represent the largest portion of businesses at 45.5 percent, followed by, retail trade (16.3 percent), construction (8.7 percent), and finance/insurance (7.9 percent). In addition, 66.4 percent of area businesses have four or fewer employees and 86.4 percent operate from a single location.

### **Competition**

The bank’s assessment area is highly competitive for financial services. Sixteen financial institutions operate 46 retail offices. As of December 2018, Lee Bank’s five retail branches held \$305.1 million in deposits among the \$4.4 billion within the assessment area. The bank’s deposit market share ranks third behind Berkshire Bank and Greylock Federal Credit Union and represents 6.8 percent of all deposits within the assessment area.

In 2017, aggregate HMDA data indicated that 207 financial institutions originated 3,061 reportable loans. Lee Bank ranked third with 242 loans, representing a 9.5 percent market share. The top two home mortgage lenders were Greylock Federal Credit Union and Adams Community Bank.

The analysis of small business loans under the Lending Test within this report does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans. Aggregate data for 2017 reflects that 58 institutions reported 2,363 small business loans in the assessment area.

### **Community Contact**

As part of the evaluation process, examiners contact organizations 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 community needs and to determine what credit and community development opportunities are available.

Examiners contacted a nonprofit organization whose mission is to improve the quality of life for residents of Berkshire County by increasing affordable housing opportunities and delivering community development programs. The contact stated there is a strong need for affordable housing in Berkshire County considering rents have increased significantly over recent years and the increasing number of second homes has raised housing prices. Additionally, the contact stated there is a need for financial education, such as credit counseling and homeownership counseling. Overall, the contact was pleased with the responsiveness of the local community banks to the area's credit needs.

### **Credit and Community Development Needs and Opportunities**

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit and community development needs of the assessment area. Examiners determined opportunities exist to increase the availability of affordable housing, financial education, and economic development, particularly in Pittsfield. The area also needs affordable home mortgage loan products with flexible terms.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Lee Bank demonstrated a reasonable performance under the Lending Test. Reasonable Borrower Profile and Geographic Distribution performances support this conclusion.

### Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio averaged 109.5 percent over the past nine quarters from March 31, 2017, through March 31, 2019. The ratios ranged from a high of 120.0 percent as of September 30, 2017 to a low of 93.9 percent as of March 31, 2019. Examiners selected comparable banks based on their asset size, geographic location, and lending focus. The following table illustrates the bank's ratio compared to the other banks.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/19 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
The Pittsfield Cooperative Bank	304,347	92.5
Adams Community Bank	591,561	102.6
<b>Lee Bank</b>	<b>397,124</b>	<b>109.5</b>
<i>Source: Call Reports 03/31/2017 through 3/31/2019</i>		

### Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank's home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	167	76.6	51	23.4	218	43,068	79.3	11,214	20.7	54,282
2018	172	76.4	53	23.6	225	45,670	76.5	14,063	23.5	59,733
<b>Subtotal</b>	<b>339</b>	<b>76.5</b>	<b>104</b>	<b>23.5</b>	<b>443</b>	<b>88,738</b>	<b>77.8</b>	<b>25,277</b>	<b>22.2</b>	<b>114,015</b>
Small Business										
2017	24	96.0	1	4.0	25	1,164	60.8	750	39.2	1,914
2018	23	92.0	2	8.0	25	3,567	79.2	935	20.8	4,502
<b>Subtotal</b>	<b>47</b>	<b>94.0</b>	<b>3</b>	<b>6.0</b>	<b>50</b>	<b>4,731</b>	<b>73.7</b>	<b>1,685</b>	<b>26.3</b>	<b>6,416</b>
<b>Total</b>	<b>386</b>	<b>78.3</b>	<b>107</b>	<b>21.7</b>	<b>493</b>	<b>93,469</b>	<b>77.6</b>	<b>26,962</b>	<b>22.4</b>	<b>120,431</b>

Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0 percent.

**Borrower Profile**

The distribution of borrowers reflects a reasonable penetration of loans to borrowers of different income levels and businesses of different sizes. The bank’s reasonable performance of home mortgage lending supports this conclusion.

***Home Mortgage Loans***

While the bank’s lending to low- and moderate-income borrowers was slightly below the aggregate in 2017, the distribution of home mortgage loans to borrowers of different income levels is reasonable. As noted previously, housing affordability is a challenge for low- and moderate-income borrowers, and ten percent of families in the assessment area have incomes below the poverty level. Despite these challenges, bank lending to low-income borrowers nearly doubled in 2018, supporting the bank’s reasonable performance. The following table illustrates the penetration of home mortgage loans among borrowers of different income levels.

<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>
Low						
2017	22.1	6.9	7	4.2	816	1.9
2018	22.1	--	13	7.6	1,409	3.1
Moderate						
2017	16.4	17.8	24	14.4	3,618	8.4
2018	16.4	--	22	12.8	2,392	5.2
Middle						
2017	20.3	21.1	48	28.7	7,881	18.3
2018	20.3	--	32	18.6	5,307	11.6
Upper						
2017	41.1	41.4	72	43.1	21,082	49.0
2018	41.1	--	93	54.1	30,916	67.7
Not Available						
2017	0.0	12.8	16	9.6	9,671	22.5
2018	0.0	--	12	7.0	5,645	12.4
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>167</b>	<b>100.0</b>	<b>43,068</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>172</b>	<b>100.0</b>	<b>45,670</b>	<b>100.0</b>

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

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

The bank's lending to businesses in 2017 with GARs less than \$1 million trailed the demographic comparator. Examiners did not compare bank lending to aggregate data, as Lee Bank is not a small business loan reporter under the CRA. However, aggregate percentages indicate that the percentage of businesses with GARs of \$1 million or less is much higher than the percentage of reported small business loans to businesses of this revenue category. Many smaller businesses obtain financing through consumer loan products or would not qualify for a small business loan using traditional underwriting criteria. This context helps support that bank lending to businesses with GARs of \$1 million or less is reasonable. The following table illustrates bank lending by GAR category.

<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>
<b>&lt;=\$1,000,000</b>					
2017	81.2	16	66.7	657	56.4
2018	80.8	12	52.2	980	27.5
<b>&gt;1,000,000</b>					
2017	6.7	7	29.2	504	43.3
2018	6.7	9	39.1	2,564	71.9
<b>Revenue Not Available</b>					
2017	12.1	1	4.2	3	0.3
2018	12.5	2	8.7	23	0.6
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>1,164</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>3,567</b>	<b>100.0</b>
<i>Source: 2017 &amp; 2018 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>					

### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. While the small business performance is poor, examiners placed more weight on the bank’s home mortgage lending performance. 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. While lending within the low-income census tract is below the aggregate in 2017, it is similar to the demographic. Conversely, the bank’s performance in moderate-income census tracts in 2017 is lower than the demographic, but exceeded the aggregate. Performance in 2018 is relatively consistent with 2017.

The following table illustrates the geographic distribution of home mortgage loans.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	4.9	6.2	8	4.8	1,838	4.3
2018	4.9	--	7	4.1	2,226	4.9
<b>Moderate</b>						
2017	6.4	4.9	9	5.4	1,423	3.3
2018	6.4	--	8	4.7	1,013	2.2
<b>Middle</b>						
2017	54.1	54.3	73	43.7	14,841	34.5
2018	54.1	--	81	47.1	16,884	37.0
<b>Upper</b>						
2017	34.7	34.5	77	46.1	24,966	58.0
2018	34.7	--	76	44.2	25,546	55.9
<b>Not Available</b>						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>167</b>	<b>100.0</b>	<b>43,068</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>172</b>	<b>100.0</b>	<b>45,670</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 percent.</i>						

***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The following table reflects the bank’s performance in low- and moderate-income census tracts is below the demographics. Additionally, while the percentage of businesses in the moderate-income tract is low, representing limited opportunity, the bank made no loans in this tract in 2017 or 2018.

<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	17.8	1	4.2	25	2.1
2018	18.2	0	0.0	0	0.0
<b>Moderate</b>					
2017	3.1	0	0.0	0	0.0
2018	2.9	0	0.0	0	0.0
<b>Middle</b>					
2017	39.6	10	41.7	308	26.5
2018	39.2	17	73.9	2,357	66.1
<b>Upper</b>					
2017	39.5	13	54.2	831	71.4
2018	39.6	6	26.1	1,210	33.9
<b>Not Available</b>					
2017	0.0	0	0.0	0	0.0
2018	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>1,164</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>3,567</b>	<b>100.0</b>
<i>Source: 2017 &amp; 2018 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0 percent.</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**

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

### **Community Development Loans**

The bank originated seven community development loans totaling approximately \$1.7 million during the evaluation period, representing 0.4 percent of average total assets and 0.5 percent of average total loans. All loans promote an economic development purpose. Based on the number and dollar amount of community development loans, the bank's activity is comparable to a similarly situated bank operating in the assessment area.

Below are notable examples of the bank's community development loans.

- In 2017 and 2018, the bank originated three loans in partnership with the Federal Home Loan Bank's Jobs for New England Community Investment Program totaling \$987,000. This program is designed to support small businesses in New England, create and retain jobs, and stimulate local economies. The bank provides below market interest rates to qualified small business borrowers through subsidized advances from the Federal Home Loan Bank.
- In 2017, the bank originated a commercial mortgage totaling \$350,000 to a business in Pittsfield, MA. The business used the funds to relocate the company's main operating facility in order to meet buyer demand and create job opportunities. The loan received SBA 504 financing. The SBA 504 loan program is an economic development program that offers small businesses an alternative method of financing that supports business and job growth.
- In 2017, the bank originated two business lines of credit totaling \$260,000 to a small business in Pittsfield, MA for the purpose of short term operating expenses. The business is situated in an opportunity zone in Pittsfield. The U.S. Department of Treasury designated the opportunity zone to spur economic development and job creation in distressed communities.

### **Qualified Investments**

The bank made 23 qualified investments, consisting entirely of donations, totaling \$81,920. This activity is a slight increase in qualified investments from the previous examination when the bank made 32 qualified donations totaling \$75,815.

The majority of donations support organizations that provide community services to low- and moderate-income individuals and families. The bank continued to provide financial support to organizations that were noted in the previous examination. Below are notable examples of the bank's qualified donations.

- *Elder Services of Berkshire County* – Elder Services is a non-profit organization providing a wide variety of services to the elders of Berkshire County and their families. The bank's contribution supports the Meals on Wheels program, Senior Employment Services, Money Management, and Transportation and Housing Program.
- *Elizabeth Freeman Center* – The Center offers hope and healing to all those effected by domestic violence. The bank's contribution supports the organization's services including the emergency shelter, counseling, court advocacy, and supervised visitation programs to victims of domestic or sexual violence. The Center has three locations in Pittsfield, North Adams and Great Barrington. The location in Pittsfield is situated in a low-income area.



## **Community Development Services**

Lee Bank provides community development services through employee involvement as committee members, board members, officers, and volunteers in local community development and non-profit organizations. During the evaluation period, approximately 9 bank representatives provided 26 instances of financial expertise or technical assistance to 13 community development organizations within the assessment area. This is a decrease in qualified activity from the previous exam where bank representatives participated in 44 instances of qualified community development activities.

Below are notable examples of community development services.

- *Berkshire Housing Community Development Corp* – A senior vice president serves on the organization’s Board of Directors. The organization collaborates with financial institutions to develop affordable rental housing to individuals, families and elderly.
- *Downtown Pittsfield Inc.* – The bank president serves on the organization’s Board. The organization’s mission is to revitalize downtown Pittsfield through business development, lobbying to secure state and federal grants, and advocating for downtown development projects.
- *Great Barrington Affordable Housing Trust Fund* – A senior vice president serves as a trustee and clerk. The fund was formed to revitalize distressed properties and provide affordable housing options for low- and moderate-income households in Great Barrington. The fund offers a down payment assistance program for income qualified first time homebuyers up to 10 percent of the purchase price.

## **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 bank’s overall CRA rating.

## **APPENDIX – MA DIVISION OF BANKS**

### **Fair Lending Policies and Procedures**

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

### **Minority Application Flow**

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

According to 2017 demographic data, the institution's assessment area contained a total population of approximately 82,076 individuals, of which 12.0 percent are minorities. The assessment area's minority and ethnic population is 3.5 percent Black/African American, 1.7 percent Asian, 0.2 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 4.7 percent Hispanic or Latino, and 1.8 percent other.

In 2017, the institution received 237 HMDA reportable loan applications from within its assessment area. Of these applications, 7 or 2.9 percent were received from minority applicants, of which 5 or 71.4 percent resulted in originations. The aggregate received 2,756 HMDA reportable loan applications of which 129 or 4.6 percent were received from minority applicants and 78 or 60.0 percent were originated. For the same time period, the institution also received 9 or 3.8 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 6 or 66.6 percent were originated. The aggregate received 101 applications or 3.6 percent from ethnic groups of Hispanic origin, of which 50 or 49.5 percent were originated.

In 2018, the institution received 216 HMDA reportable loan applications from within its assessment area. Of these applications, 10 or 4.6 percent were received from minority applicants. For the same time period, the institution also received 11 or 5.7 percent of applications from ethnic groups of Hispanic origin within its assessment area.

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

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>HMDA 2017</b>		<b>HMDA Aggregate 2017</b>	<b>HMDA 2018</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.3	0	0.0
Asian	4	1.7	1.0	1	0.5
Black/ African American	1	0.4	1.8	7	3.7
Hawaiian/Pacific Islander	1	0.4	0.1	0	0.0
2 or more Minority	0	0.0	0.1	2	0.4
Joint Race (White/Minority)	1	0.4	1.3	0	0.0
<b>Total Minority</b>	<b>7</b>	<b>2.9</b>	<b>4.6</b>	<b>10</b>	<b>4.6</b>
White	193	81.4	76.0	182	84.3
Race Not Available	37	15.7	19.4	24	11.1
<b>Total</b>	<b>237</b>	<b>100.0</b>	<b>100.0</b>	<b>216</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	9	3.8	2.5	11	5.7
Not Hispanic or Latino	193	81.4	76.8	181	94.2
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	0	0.0
Ethnicity Not Available	35	14.8	19.6	24	11.1
<b>Total</b>	<b>237</b>	<b>100.0</b>	<b>100.0</b>	<b>216</b>	<b>100.0</b>

## 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 area.

## 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.