

# **PUBLIC DISCLOSURE**

January 24, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

StonehamBank, a Co-operative Bank  
Certificate Number: 26559

80 Montvale Avenue  
Stoneham, Massachusetts 02180

Division of Banks  
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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.

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

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

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and sampled small business loans, combined, in the assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent 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 Lending Test rating.

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

- The institution demonstrated adequate responsiveness to community development needs in the 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 within the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated January 7, 2019, to the current evaluation dated January 24, 2022. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Stoneham Bank, a Co-operative Bank's (StonehamBank) performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors.

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

Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating.

### **Loan Products Reviewed**

Examiners determined that the bank's major product lines are home mortgage loans and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm or consumer loans represent a major product line; therefore, they provide no material support for conclusions or ratings and are not presented.

The evaluation considered all home mortgage loans reported on the bank's 2018, 2019, and 2020 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). In 2018, the bank reported 194 originations totaling \$68.0 million. In 2019, the bank reported 279 originations totaling \$115.02 million. Lastly, in 2020, the bank reported 560 originations totaling \$205.9 million, with originations more than doubling from 2019. Bank management attributed this increase to the low interest rate environment in 2020, which led to an increase in refinance transactions. Examiners compared StonehamBank's home mortgage lending performance to 2018, 2019, and 2020 aggregate data, and to 2015 American Community Survey (ACS) demographic data.

As an ISI, the bank is not required to collect or report small business data. While the bank attempted to collect small business data, the bank's data did not include all required fields. Accordingly, examiners selected a random sample of small business loans originated in 2020, and collected all required small business data fields. Examiners considered this sample to be representative of the bank's performance during the evaluation period. At the prior evaluation, examiners sampled on the universe of commercial loans, not small business loans. Examiners analyzed a sample of 51 small business loans originated in 2020, totaling \$6.3 million, from a universe of 178 small business loans, totaling \$26.4 million. Specifically, the bank originated a significant number of Small Business Administration (SBA) Payment Protection Program (PPP) loans in 2020, accounting for 155 small business loans in the universe, totaling \$18.1 million, and 46 loans in the sample, totaling \$4.4 million. Therefore, PPP loans constitute 90.2 percent of all sampled small business originations and are included in the small business analysis. Examiners compared the bank's sampled small business loans to 2020 D&B business demographic data.

Although examiners analyzed 2018 home mortgage lending performance, the bank's performance in 2018 was similar to that in 2019 and 2020. Therefore, examiners did not present 2018 home mortgage lending data under the Geographic Distribution and Borrower Profile criteria. However, examiners presented the bank's 2018 home mortgage lending performance under the Assessment Area Concentration criteria.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. StonehamBank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation dated January 7, 2019, to the current evaluation date of January 24, 2022.

## DESCRIPTION OF INSTITUTION

### **Background**

StonehamBank is a mutual cooperative institution headquartered in Stoneham, Massachusetts (MA), operating two branches in Middlesex County in eastern MA. The bank operates the following five wholly-owned subsidiaries: StoCo Securities Corporation; StoCo Securities Corporation II; 80 Montvale Avenue, LLC; 175 Bedford Holdings, LLC; and Stoneham Financial Insurance, LLC. StoCo Securities Corporation and StoCo Securities Corporation II buy, hold, and sell securities. 175 Bedford Holdings, LLC holds and sells other real estate owned. 80 Montvale Avenue, LLC is a limited liability corporation that holds the land, office building, furniture, fixtures, and equipment located at 80 Montvale Avenue in Stoneham, MA. Lastly, Stoneham Financial Assistance, LLC offers property and casualty insurance to the bank's mortgage banking and commercial banking clients. The bank has one affiliate, the Stoneham Charitable Foundation, Inc., established in 2001.

StonehamBank received a "Satisfactory" rating at its previous joint Division of Banks and FDIC CRA Performance Evaluation, dated January 7, 2019, based on Interagency ISI Examination Procedures.

### **Operations**

In addition to its main office located at 80 Montvale Avenue in Stoneham, the bank operates one other full-service branch in Billerica. The bank did not open or close any branches since the prior evaluation. Both branches are open 9:00 am-4:00 pm Monday through Wednesday, 9:00 am-5:00 pm Thursday through Friday, and 9:00 am-12:00 pm on Saturday, with drive-thru hours of 9:00 am-5:00 pm on the weekdays, and 9:00 am-1:00 pm on Saturdays. Automated teller machines (ATMs) are available at both locations.

StonehamBank offers residential, commercial, and consumer loans, with a primary focus on residential lending, and increasing focus on commercial lending. Residential loan products include fixed rate and adjustable-rate mortgages, construction loans, and Home Equity Lines of Credit. Consumer loan products include overdraft lines of credit, installment loans, and credit cards. Commercial loan products include credit cards, commercial real estate, term loans, construction loans, lines of credit, and franchise remodeling financing. Personal deposit products include checking and savings accounts, individual retirement accounts, money market accounts, and certificate of deposits. Commercial deposit products include checking and savings accounts, money market accounts, and certificate of deposits. The bank offers retail investment and insurance sales through Raymond James Financial Services and Banc Insurance Agency (Insuritas) doing business as (dba) Stoneham Financial Insurance (a private label). The bank offers retail investments and cash management sweep accounts for investment products and services. In addition, the insurance products offered are Home, Auto and Business through Insuritas dba Stoneham Financial Insurance. Alternative banking services include online, mobile, and telephone banking, person-to-person payments, electronic bill pay, and ATMs.

## **Ability and Capacity**

StonehamBank's assets totaled approximately \$684.7 million as of December 31, 2021, with total loans of \$500.2 million and securities totaling \$133.8 million. The bank had total deposits of \$553.6 million. The following table shows that loans secured by 1-4 family residential properties represent the majority of the portfolio, followed by loans secured by nonfarm nonresidential properties, and commercial and industrial loans. Loan composition has slightly changed since the previous evaluation, with construction and development loans now accounting for 5.7% of the portfolio, previously accounting for 2.4%, with minor adjustments in other loan categories.

The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	28,526	5.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	211,202	42.2
Secured by Multifamily (5 or more) Residential Properties	29,771	6.0
Secured by Nonfarm Nonresidential Properties	156,510	31.3
<b>Total Real Estate Loans</b>	<b>426,009</b>	<b>85.2</b>
Commercial and Industrial Loans	73,539	14.7
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	586	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	23	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>500,157</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution's CRA performance. StonehamBank designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764), which covers Essex County and Middlesex County in MA. The bank's assessment area has not changed since the previous evaluation.

The bank's assessment area encompasses the cities and towns of Billerica, Burlington, Malden, Medford, Melrose, North Reading, Reading, Stoneham, Tewksbury, Wakefield, Wilmington, Winchester, and Woburn in Middlesex County, and Danvers, Lynnfield, Middleton, Peabody, and Saugus in Essex County.

The following sections discuss demographic and economic information relevant to the assessment area.

### **Economic and Demographic Data**

StonehamBank's assessment area consists of 99 census tracts with the following income designations according to 2015 ACS data.

- 3 low-income census tracts,
- 18 moderate-income census tracts,
- 61 middle-income census tracts, and
- 17 upper-income census tracts

There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank's assessment area. However, there are six census tracts designated as Qualified Opportunity Zones (QOZs) within the bank's assessment area. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the intent of spurring economic development and job creation in those communities. The QOZs are located in Peabody (2), Saugus (1), Medford (1), and Malden (2).

The following 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)	99	3.0	18.2	61.6	17.2	0.0
Population by Geography	544,740	3.0	16.6	62.1	18.2	0.0
Housing Units by Geography	213,835	3.5	17.5	62.3	16.7	0.0
Owner-Occupied Units by Geography	139,038	1.2	12.5	65.5	20.8	0.0
Occupied Rental Units by Geography	64,873	8.3	27.6	56.2	7.9	0.0
Vacant Units by Geography	9,924	3.7	21.6	58.0	16.7	0.0
Businesses by Geography	51,076	3.5	12.9	65.1	18.5	0.0
Farms by Geography	863	2.0	8.7	69.3	20.0	0.0
Family Distribution by Income Level	137,416	19.9	17.7	23.0	39.5	0.0
Household Distribution by Income Level	203,911	24.1	15.3	17.6	43.0	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$390,922
			Median Gross Rent			\$1,319
			Families Below Poverty Level			4.7%
<i>Source 2015 ACS and 2020 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2020 D&B data, 51,076 non-farm businesses operate in the bank’s assessment area. The following reflects the gross annual revenues (GARs) for these businesses.

- 85.2 percent have \$1.0 million or less,
- 6.2 percent have more than \$1.0 million, and
- 8.6 percent have unknown revenues

The analysis of the small business sample under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 38.9 percent, followed by non-classifiable establishments at 17.9 percent, and retail trade at 11.1 percent. The majority of non-farm businesses in the assessment area are considered small, with the majority of businesses (88.6 percent) operating with nine or less employees. Additionally, 81.5 percent of businesses have GARs of less than \$0.5 million, and 89.7 percent operate from a single location.

According to the U.S. Bureau of Labor Statistics, the 2019 annual average unemployment rate was 3.1 percent in Essex County and 2.4 percent in Middlesex County. The Essex County unemployment rate was comparable to the MA statewide unemployment rate of 3.0 percent, with

the Middlesex County unemployment rate favorable to the statewide unemployment rate. Additionally, in 2019, both counties’ unemployment rates were favorable to the national unemployment rate of 3.7 percent. In 2020, the COVID-19 pandemic affected the labor market, with the annual average unemployment rates more than tripling in both counties to 9.8 percent in Essex County and 7.3 percent in Middlesex County. The MA statewide and national annual unemployment rates also rose to 8.9 percent and 8.1 percent, respectively. Furthermore, unemployment rates peaked in April 2020 for both counties at 18.1 percent and 12.9 percent, respectively, showing the economic impact of the pandemic on the assessment area. However, the economy and labor market are rebounding. For example, in April 2021 the annual average unemployment rates dropped to 6.7 percent in Essex County, and 4.7 percent in Middlesex County.

The Geographic Distribution criterion compares the home mortgage loans to the distribution of owner-occupied housing units. As shown in the table above, 65.0 percent of the 213,835 housing units are owner-occupied, slightly limiting the bank’s opportunities for home mortgage lending in the assessment area. Specifically, only 13.7 percent of owner-occupied units are located in low- or moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those areas.

Examiners used the 2019 and 2020 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Cambridge-Newton-Framingham, MA MD.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
<i>Source FFIEC</i>				

The median housing value in the assessment area, at \$390,922, is high when compared to the median family incomes in the Cambridge-Newton-Framingham, MA MD. Additionally, 4.7 percent of families in the assessment area live below the poverty level, which represents a subset of low-income families. These factors may limit the number of low- and moderate-income families that qualify for a mortgage under conventional underwriting standards. Therefore, these factors may limit the bank’s home mortgage lending opportunities to low- and moderate-income families, and increase competition for home mortgage lending to these families in the assessment area. Lastly, the MA statewide and national median housing values are also high at \$358,764 and \$404,700 (FRED Economic Data), respectively.

## **Competition**

The bank operates in a competitive market for financial services. According to 2020 Deposit Market Share data, 50 financial institutions operated 220 branches in the bank's assessment area. Of these institutions, StonehamBank ranked 16<sup>th</sup> with a deposit market share of 1.9 percent. The top five financial institutions, Bank of America, Citizens Bank, Eastern Bank, Northern Bank and Trust Company, and East Boston Savings Bank, held 48.9 percent deposit market share. StonehamBank was the 10<sup>th</sup>-highest ranked community bank, with Eastern Bank and Northern Bank & Trust Company leading the community banks with 8.9 and 7.0 percent deposit market shares, respectively.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2019, aggregate data showed that 412 lenders originated or purchased 25,849 home mortgage loans in the assessment area. StonehamBank ranked 47<sup>th</sup> with a market share of 0.5 percent. StonehamBank was the 10<sup>th</sup>-highest ranked community bank, with Eastern Bank (2.7 percent market share) and Century Bank and Trust Company (1.2 percent market share) leading community banks. In 2020, more lenders entered the market, as 449 lenders originated or purchased 39,952 home mortgage loans in the assessment area. The top three lenders, Quicken Loans LLC, Leader Bank, and Guaranteed Rate, Inc., all larger institutions or mortgage companies, collectively held 14.4 percent market share. Additionally, the majority of lenders (94.9 percent) held market shares of less than 1.0 percent. Despite increased competition, StonehamBank improved its ranking to 33<sup>rd</sup> with a market share of 0.7 percent. StonehamBank also became the 3<sup>rd</sup>-highest ranked community bank, falling below Eastern Bank (1.9 percent market share) and Salem Five Cents Savings Bank (1.0 percent market share), both multi-billion dollar institutions.

StonehamBank is not required to collect or report its small business loans and elected not to do so. Therefore, the analysis of the sampled small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans in the assessment area and is included here for performance context. . In 2020, aggregate data showed that 220 lenders originated or purchased 75,674 small business loans, indicating a high level of competition. The top five lenders, American Express National Bank, Bank of America N.A., Citizens Bank N.A, Eastern Bank, and JPMorgan Chase Bank N.A., all much larger institutions, collectively held 46.8 percent of market share. Additionally, 88.6 percent of lenders had market shares of less than 1.0 percent.

## **Community Contact**

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

Examiners contacted representatives of an economic development agency located in the Middlesex County portion of the assessment area. The agency manages public works

improvement projects, oversees development in urban renewal areas, and helps create employment and affordable housing opportunities for local residents. The agency also administers a variety of programs and grants, such as the city's Federal Community Development Block Grant (CDBG), which provides funding for activities that benefit low- and moderate-income individuals and neighborhoods, and the HOME Program, which funds the rehabilitation, creation, and preservation of affordable housing. The contact discussed the dire need for more affordable housing in the area. Many residents face the risk of eviction or foreclosure, especially as rent and housing prices have increased since the COVID-19 pandemic. Furthermore, the contact noted the challenge to find properties for low-income housing due to acquisition costs and market conditions. The contact also discussed the language barrier challenges in the area, noting that banks must provide more multi-language services, such as multi-lingual First Time Homebuyer courses, in order to reach the diverse populations in the area. The contact further noted the large opportunities for small businesses in the area, and the need for local financial institutions to provide financing to aspiring small business owners. However, the contact noted that many individuals in the community do not have relationships with local financial institutions. The contact suggested that financial institutions conduct better outreach in the community, such as multi-lingual and diverse person advertisements, to help build trusted relationships with the diverse community. Building trusted relationships with the community should help attract aspiring small business owners to the local financial institutions for financing. The contact noted that a much larger community bank in the area has supported the agency for a long time via project funding, but that overall bank involvement is not as strong as it once was.

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

Examiners determined that affordable housing for low- and moderate-income individuals and families, and economic development for local small businesses represent the primary community development needs of the assessment area. This determination is based on information from the community contact and the assessment area's demographic and economic data. Specifically, economic development, in the form of providing financing to aspiring small business owners, could help spur job creation in the area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

StonehamBank demonstrated reasonable performance under the Lending Test. Performance under the LTD Ratio, Assessment Area Concentration and Borrower Profile criteria 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. StonehamBank's LTD ratio averaged 98.3 percent over 12 quarters from March 31, 2019, to December 31, 2021. The ratio ranged from a low of 86.1 percent as of September 30, 2021, to a high of 108.1 percent as of June 30, 2019. The ratio peaked in 2019, with loan growth remaining relatively stable while deposits decreased. The ratio has been gradually decreasing since. Specifically, in 2020 and 2021, lending has decreased while deposits have grown, allowing deposit growth to outpace loan growth, contributing to a decreasing ratio. However, the LTD ratio of comparable institutions has also trended downward. Furthermore, the bank sells a significant amount of loans on the secondary market. Since the last evaluation, the bank sold 451 loans, totaling \$153.5 million. These secondary market loans are not reflected in the LTD ratio but, if included, would contribute to an even higher ratio.

Examiners compared the bank's average LTD ratio to that of comparable institutions, which were selected based on asset size, lending focus, and geographic location. The following table shows that StonehamBank's LTD ratio is either significantly higher than or similar to that of comparable institutions.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2021 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>StonehamBank</b>	<b>684,707</b>	<b>98.33%</b>
Winchester Co-operative Bank	798,947	79.2%
The Savings Bank	722,476	85.8%
Reading Co-operative Bank	722,466	91.2%
Winchester Savings Bank	627,989	86.8%
<i>Source Reports of Condition and Income 12/31/2018 - 09/30/2021</i>		

### Assessment Area Concentration

The bank originated a majority of home mortgage and sampled small business loans, by number, within the assessment area. As previously mentioned, the bank's total home mortgage originations more than doubled from 2019 to 2020 as a result of the low-interest rate environment. The increase is consistent for home mortgage lending inside the assessment area from 2019 to 2020 as well. Despite increased home mortgage lending in 2019, the bank did not make a majority of home mortgage loans, by number and dollar amount, within the assessment

area. Bank management acknowledged that the bank had a large, scattered dispersion of home mortgage loans outside the assessment area. Additionally, in 2020, the bank did not make a majority of home mortgage and small business loans, by dollar amount, within the assessment area. Please see the following table for further information.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2018	101	52.1	93	47.9	194	35,440	52.1	32,552	47.9	67,992
2019	130	46.6	149	53.4	279	47,093	40.9	67,936	59.1	115,029
2020	284	50.7	276	49.3	560	94,287	45.8	111,598	54.2	205,885
<b>Subtotal</b>	<b>515</b>	<b>49.9</b>	<b>518</b>	<b>50.1</b>	<b>1,033</b>	<b>176,821</b>	<b>45.5</b>	<b>212,086</b>	<b>54.5</b>	<b>388,906</b>
Small Business										
2020	31	60.8	20	39.2	51	2,617	41.3	3,720	58.7	6,338
<b>Subtotal</b>	<b>31</b>	<b>60.8</b>	<b>20</b>	<b>39.2</b>	<b>51</b>	<b>2,617</b>	<b>41.3</b>	<b>3,720</b>	<b>58.7</b>	<b>6,338</b>
<b>Total</b>	<b>546</b>	<b>50.4</b>	<b>538</b>	<b>49.6</b>	<b>1,084</b>	<b>179,438</b>	<b>45.4</b>	<b>215,806</b>	<b>54.6</b>	<b>395,244</b>
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

## **Geographic Distribution**

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

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

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. The following table shows that in 2019, the bank did not originate any loans in low-income census tracts, falling below aggregate performance and the percentage of owner-occupied units. However, only 1.2 percent of owner-occupied housing units in the assessment area are located in low-income census tracts, limiting the bank’s home mortgage lending opportunities. In 2020, the bank’s lending in low-income census tracts increased by number, bringing performance closer to aggregate performance and the percentage of owner-occupied units.

In 2019, the bank’s lending in moderate-income census tracts fell significantly below aggregate performance and the percentage of owner-occupied units. The percentage of lending in moderate-income census tracts declined by 0.5 percent in 2020; however, the number of loans originated in moderate-income census tracts increased. Aggregate performance decreased by a similar percentage in 2020, by 0.6 percent.

This conclusion is further supported by market share data. In 2020, StonehamBank ranked 40<sup>th</sup> out of 116 lenders that originated or purchased a home mortgage loan in low-income census tracts (market share of 0.6 percent). StonehamBank was the seventh-highest ranked community bank for lending in low-income census tracts, with Eastern Bank (market share of 2.4 percent) and North Shore Bank, A Co-operative Bank (market share of 1.8 percent) leading community banks. Furthermore, in 2019, the bank ranked 123<sup>rd</sup> out of 262 lenders for lending in moderate-income census tracts (market share of 0.1 percent). The bank slightly improved its ranking to 121<sup>st</sup> out of 285 lenders for lending in moderate-income census tracts (market share of 0.1 percent) in 2020. However, approximately 26 community banks ranked higher than StonehamBank, such as The Savings Bank, Dedham Institution for Savings, Cambridge Savings Bank, and Winchester Savings Bank.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.2	1.3	0	0.0	0	0.0
2020	1.2	1.2	3	1.1	1,539	1.6
Moderate						
2019	12.5	12.1	3	2.3	1,171	2.5
2020	12.5	11.5	5	1.8	1,384	1.5
Middle						
2019	65.5	65.2	112	86.2	39,675	84.2
2020	65.5	64.5	231	81.3	76,113	80.7
Upper						
2019	20.8	21.4	15	11.5	6,248	13.3
2020	20.8	22.7	45	15.8	15,252	16.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>47,093</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>284</b>	<b>100.0</b>	<b>94,288</b>	<b>100.0</b>
Source 2015 ACS; Bank Data, 2018, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. The following table shows that in 2020, the bank did not originate any sampled small business loans in low- or moderate income census tracts. As mentioned previously, during the evaluation period, the bank was a significant PPP lender during the COVID 19

pandemic. As a result, the sample of small business loans consists mostly of PPP loans. Additionally, the bank supported any and all qualifying businesses, regardless of their geographic locations. Nonetheless, the bank’s performance is still poor.

<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>
Low					
2020	3.5	0	0.0	0	0.0
Moderate					
2020	12.9	0	0.0	0	0.0
Middle					
2020	65.1	26	83.9	2,391	91.3
Upper					
2020	18.5	5	16.1	227	8.7
Not Available					
2020	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>2,617</b>	<b>100.0</b>
<i>Source 2020 D&amp;B Data; Bank Data</i>					

### **Borrower Profile**

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank’s excellent home mortgage performance and reasonable small business performance support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1.0 million or less.



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

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's performance in lending to low-income borrowers slightly exceeded aggregate in 2019. However, in 2020, the bank's lending to low-income borrowers nearly quadrupled, exceeding aggregate by almost 3.0 percent. In both years, the bank's lending to low-income borrowers fell significantly below the percentage of low-income families in the assessment area. However, this is expected, as low-income families in the assessment area, earning less than \$59,400, would most likely not qualify for a mortgage under conventional underwriting guidelines, especially considering the median housing value of \$390,922. Furthermore, the percentage of low-income families also includes those families living below the poverty line. As such, the bank has limited lending opportunities to low-income families in the assessment area, helping to explain the large disparity between the percentage of low-income families and the bank's lending to low-income families.

In 2019, the bank's lending to moderate-income borrowers significantly exceeded both aggregate and the percentage of moderate-income families in the assessment area. In 2020, the bank's lending to moderate-income borrowers more than doubled, exceeding both aggregate and the percentage of moderate-income borrowers by nearly 10.0 percent.

Market share data further supports this conclusion. In lending to low-income borrowers, the bank significantly improved its ranking from 47<sup>th</sup> out of 169 lenders in 2019 (market share of 0.5 percent) to 20<sup>th</sup> out of 195 lenders in 2020 (market share of 1.2 percent). Furthermore, in 2020, the bank climbed to the third-highest ranked community bank in lending to low-income borrowers, with Eastern Bank ranking 5<sup>th</sup> overall (market share of 3.5 percent) and Century Bank and Trust Company ranking 19<sup>th</sup> overall (market share of 1.3 percent), just once place higher than StonehamBank. In lending to moderate-income borrowers, the bank also improved its ranking from 36<sup>th</sup> out of 246 lenders in 2019 (market share of 0.6 percent) to 23<sup>rd</sup> out of 280 lenders in 2020 (market share of 1.0 percent). Notably, in 2020, the bank was the second-highest ranked community bank in lending to moderate-income borrowers, with Eastern Bank, a significantly larger institution, leading community banks (market share of 2.0 percent).

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	19.9	4.5	6	4.6	923	2.0
2020	19.9	4.5	21	7.4	3,202	3.4
<b>Moderate</b>						
2019	17.7	18.6	30	23.1	7,257	15.4
2020	17.7	19.5	81	28.5	22,384	23.7
<b>Middle</b>						
2019	23.0	27.0	40	30.8	14,093	29.9
2020	23.0	26.4	82	28.9	27,545	29.2
<b>Upper</b>						
2019	39.5	38.7	44	33.8	19,295	41.0
2020	39.5	38.9	86	30.3	33,214	35.2
<b>Not Available</b>						
2019	0.0	11.2	10	7.7	5,526	11.7
2020	0.0	10.7	14	4.9	7,942	8.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>47,093</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>284</b>	<b>100.0</b>	<b>94,287</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2018, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. The following table shows that in 2020, the bank originated 6.5 percent of sampled small business loans to businesses with GARs of \$1.0 million or less, falling significantly below the percentage of businesses with GARs of \$1.0 million or less in the assessment area. However, 2020 was a unique year given the large amount of PPP lending by the bank. As shown in the table, the large number of sampled small business loans in the “Revenue Not Available” category reduces the numbers in the other categories. Under the PPP, the bank was not required to consider or collect GARs during the application process. In fact, an analysis of the bank’s sampled small business loans shows that for all 46 sampled PPP loans, the bank did not collect or consider GARs. Therefore, the “Revenue Not Available” category largely reflects these sampled PPP loans within the assessment area. Furthermore, three of the five (60.0 percent) sampled small business loans that were not PPP loans had GARs of \$1.0 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Stoneham Bank AA 2021</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2020	85.2	2	6.5	926	35.4
>\$1,000,000					
2020	6.2	0	0.0	0	0.0
Revenue Not Available					
2020	8.6	29	93.5	1,692	64.6
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>2,617</b>	<b>100.0</b>
<i>Source 2020 D&amp;B Data; Bank Data;</i>					

### **Response to Complaints**

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

### **COMMUNITY DEVELOPMENT TEST**

StonehamBank demonstrates adequate responsiveness to assessment area community development needs 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.

### **Community Development Loans**

The bank originated 11 community development loans totaling approximately \$2.5 million during the evaluation period. Community development loans accounted for 0.4 percent of average total assets and 0.5 percent of average net loans during the review period. Since the prior evaluation, the bank increased its community development loans by both number and dollar. In the previous evaluation, the bank originated five community development loans for \$1.2 million. When compared to similarly situated institutions, StonehamBank’s community development lending was in-line with those institutions. The following table illustrates the bank’s community development loans by year or purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
1/10/2019 - 12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	1,500	0	0	6	592	7	2,092
2021	0	0	0	0	0	0	4	374	4	374
YTD 2022	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>10</b>	<b>966</b>	<b>11</b>	<b>2,466</b>

*Source Bank Records*

Below are notable examples of the bank’s qualified community development loan activities:

- In 2020, the bank originated a loan for \$1.5 million for the construction and furnishings for a school and administrative offices of a local community services organization. The organization provides educational consultative services and educational programming to the 11 public school districts that govern this educational collaborative. Fifty-eight percent of the students who attend the school are considered low- or moderate-income.
- In response to the COVID-19 pandemic, the bank originated 10 PPP loans for approximately \$966,000. These loans were administered through the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans help businesses retain workers and staff during the economic crisis due to the pandemic. These loans are particularly responsive as they provide funding for businesses to retain jobs in low- and moderate-income areas during the pandemic.

### **Qualified Investments**

During the evaluation period, StonehamBank made 128 qualified investments and donations totaling approximately \$1.8 million. The dollar amount of qualified investments and donations equates to 0.3 percent of net average assets and 2.4 percent of average total securities during the evaluation period. The bank’s qualified investments and donations decreased since the prior evaluation, which reported 186 qualified investments and donations for \$2.5 million. When compared to similarly situated institutions, StonehamBank’s percentage of qualified investments and donations is similar to that of similarly situated institutions. These qualified donations demonstrate the bank’s responsiveness to the needs of the low- and moderate-income individuals and geographies within the assessment area. The following table illustrates community development donations by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	2	672	0	0	2	627
1/10/2019-12/31/2019	0	0	0	0	1	1,000	0	0	1	1,000
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1,672</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>1,672</b>
Qualified Grants & Donations	15	23	106	77	4	65	0	0	125	165
<b>Total</b>	<b>15</b>	<b>23</b>	<b>106</b>	<b>77</b>	<b>7</b>	<b>1,737</b>	<b>0</b>	<b>0</b>	<b>128</b>	<b>1,837</b>
<i>Source Bank Records</i>										

Below are notable examples of the bank’s qualified investment activity:

*Prior Period Investments*

- During the previous examination period, the bank purchased two bonds issued by the Small Business Administration, specifically earmarked for Small Business Investment Companies (SBIC). The SBICs use the proceeds from the sale of the bonds to make capital or equity investments in small business. The current book value of the bonds \$672,000.

*Donations*

- **Caritas Communities Inc.** – During the evaluation period, the bank made several donations to Caritas Communities. Caritas Communities prevents homelessness by providing low-income individuals and families with permanent affordable housing. This organization serves the Greater Boston area, including the bank’s assessment area.
- **Mystic Valley Elder Services (MVES)** – Mystic Valley Elder Services provides low-income seniors support to live independently with dignity by providing them with quality resources and services. Services provided include financial management, affordable meals, and Medicare support. The bank made several donations to this organization during the evaluation period.
- **North Shore Community Development Coalition (NSCDC)** – The NSCDC focuses on investing resources in low-income or distressed neighborhoods in Salem, Gloucester, Peabody and Beverly. Resources are committed to the community through affordable housing, economic development, community engagement and small business assistance. The bank made donations to the NSCDC throughout the evaluation period.

## **Community Development Services**

During the evaluation period, StonehamBank employees, officers and directors provided 54 instances of financial expertise or technical assistance to eight community development related organizations in the bank’s assessment area that primarily benefitted low- or moderate-income individuals. When compared to similarly situated institutions, StonehamBank’s community development services are in-line with those institutions. The following table illustrates the bank’s community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/10/2019-12/31/2019	0	18	2	0	<b>20</b>
2020	0	17	2	0	<b>19</b>
2021	0	13	2	0	<b>15</b>
YTD 2022	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>0</b>	<b>48</b>	<b>6</b>	<b>0</b>	<b>54</b>
<i>Source Bank Records</i>					

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

- **Malden Chamber of Commerce** – A vice president of StonehamBank serves on the Board for the Malden Chamber of Commerce. Malden contains primarily LMI geographies. The Malden Chamber of Commerce supports local small businesses and organizations through advocacy, marketing, and business development in the City of Malden. The Chamber is focused on commercial and civic interests of the City of Malden and its surrounding towns.
- **Middlesex 3 Coalition** – The Middlesex 3 Coalition is a 501(c)(6) non-profit entity that fosters economic development, job growth, retention and training, and enhances the quality of life for residents that live on the Route 3 corridor of Middlesex County. A Director of the bank serves on the Board for the Middlesex 3 Coalition.

## **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 institutions overall CRA rating.

## **APPENDICES**

### **DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES**

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

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

#### **MINORITY APPLICATION FLOW**

The bank's HMDA LARs for 2019 and 2020 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 ACS Census Data, the Bank's assessment area contained a total population of 544,740 individuals of which 18.2 percent are minorities. The minority population represented is 4.1 percent Black/African American, 7.4 percent Asian, 0.1 percent American Indian, 4.6 percent Hispanic or Latino, and 2.0 percent other.

The bank's level of lending in 2020 was compared with that of the 2020 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2019 HMDA		2019 Aggregate Data	Bank 2020 HMDA		2020 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.3	0.2
Asian	6	3.5	7.4	8	2.5	8.1
Black/ African American	2	1.2	2.2	5	1.6	1.8
Hawaiian/Pacific Islander	1	0.6	0.1	0	0.0	0.0
2 or more Minority	0	0.0	0.1	1	0.3	0.1
Joint Race (White/Minority)	3	1.8	1.5	4	1.2	1.6
<b>Total Racial Minority</b>	<b>12</b>	<b>7.1</b>	<b>11.5</b>	<b>19</b>	<b>5.9</b>	<b>11.8</b>
White	148	87.0	67.0	286	89.1	66.2
Race Not Available	10	5.9	21.5	16	5.0	22.0
<b>Total</b>	<b>170</b>	<b>100.0</b>	<b>100.0</b>	<b>321</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	1	0.6	3.6	0	0.0	3.1
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	2	0.6	1.1
<b>Total Ethnic Minority</b>	<b>1</b>	<b>0.6</b>	<b>4.7</b>	<b>2</b>	<b>0.6</b>	<b>4.2</b>
Not Hispanic or Latino	159	93.5	73.2	303	94.4	72.5
Ethnicity Not Available	10	5.9	22.1	16	5.0	23.3
<b>Total</b>	<b>400</b>	<b>100.0</b>	<b>100.0</b>	<b>321</b>	<b>100.0</b>	<b>100.0</b>

Source ACS Census 2015, HMDA Aggregate Data 2019 and 2020, HMDA LAR Data 2019 and 2020

In 2019, the bank received 170 HMDA reportable loan applications within its assessment area. Of these applications, 12 or 7.1 percent were received from minority applicants, nine applications or 75.0 percent of which resulted in originations. The aggregate received 11.5 percent of its applications from minority consumers, of which 57.6 percent of which were originated. For the same period, the bank received one or 0.6 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which all applications were



originated, compared to an aggregate ethnic minority application rate of 4.7 percent with a 58.7 percent origination rate.

In 2020, the bank received 321 HMDA reportable loan applications within its assessment area. Of these applications, 19 or 5.9 percent were received from minority applicants, of which 88.8 percent of which resulted in originations. The aggregate received 11.8 percent of its applications from minority consumers, of which 64.1 percent of which were originated. For the same period, the bank received 2 or 0.6 percent of all applications from ethnic groups of Hispanic origin within its assessment area all of which all applications were originated, compared to an aggregate ethnic minority application rate of 4.2 percent with a 61.8 percent origination rate.

The bank's lending in 2019 and 2020 reflect an adequate racial minority application flow.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.



