

# **PUBLIC DISCLOSURE**

December 6, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Charles River Bank**  
Certificate Number: 26602

70 Main Street  
Medway, MA 02053

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

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

- The loan-to-deposit ratio is adequate given the institution's size, financial condition, and assessment area needs.
- The bank originated a majority of its home mortgage loans by number and dollar volume, within its assessment area.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- The distribution of borrowers reflects good penetration among individuals of different income levels.
- The bank did not receive any CRA related complaints during the evaluation period.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated November 28, 2016, to the current evaluation dated December 6, 2021. Examiners used the Federal Financial Institutions Examination Council's (FFIEC) Interagency Small Bank procedures to evaluate Charles River Bank's CRA performance. This procedure includes the CRA Small Bank Lending Test.

The Lending test was based on home mortgage loans originated by the bank within its assessment area in 2019 and 2020. Examiners used aggregate data and the 2015 American Community Survey (ACS) demographic data to analyze performance under the Lending Test.

### **Loan Products Reviewed**

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

Examiners evaluated the bank's home mortgage lending performance from January 1, 2019, to December 31, 2020. Loan data for 2019 and 2020 was obtained from the Home Mortgage Disclosure

Act (HMDA) Loan Application Registers (LARs) for the respective periods. The bank reported 141 home mortgage loans totaling \$32.8 million in 2019 and 327 loans totaling \$92.9 million in 2020. The bank's home mortgage lending performance was compared to the 2019 and 2020 aggregate lending data and demographic data.

Demographic information referenced in this evaluation was obtained using 2015 American Community Survey (ACS) data, D&B, and the U.S. Bureau of Labor Statistics (BLS). Financial data about the bank came from the September 30, 2021, Report of Income and Condition (Call Report). Although the total dollar amounts of loans are discussed, the evaluation focuses on the bank's lending performance by the number of loans originated during the review period.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Charles River Bank is a state-chartered co-operative bank headquartered in Medway Massachusetts established in 1915. The bank received a "Satisfactory" rating at its previous Division of Banks CRA Performance Evaluation dated November 28, 2016, based on the Interagency Small Institution CRA Examination Procedures and the Division's CRA Regulation at 209 CMR 46.

### **Operations**

The bank's main office and branch location is 70 Main St in Medway, MA. The bank maintains two other branch locations, located in Bellingham and Mendon. The main branch and the Mendon branch are located in upper-income tracts, and the Bellingham branch is located in a middle-income tract. The bank also operates a limited-service branch at Medway High School (temporarily closed due to COVID-19). Hours and operations are consistent at each of the bank's branches, from 8:30am to 4:00pm Monday through Friday, and 9:00am to 1:00pm on Saturday.

The bank offers a variety of loan products, including home mortgage, commercial, auto, and consumer loans, along with a range of deposit services including checking and savings options for personal and business purposes. Customers have access to financial services through the bank's online and mobile banking, and can apply for loans, open new accounts, and make loan payments or deposit transactions. The bank also provides customers with a peer -to- peer payment system for simple transactions.

### **Ability and Capacity**

Charles River Bank's assets totaled approximately \$327.8 million as of September 30, 2021, including total loans of approximately \$203.8 million and total deposits of \$301.6 million. Residential loans represent the primary credit product with approximately 67.8 percent of the loan portfolio, followed by commercial loans at 28.8 percent. Please see the following table for further detail regarding the loan portfolio.

<b>Loan Portfolio Distribution as of 9/30/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	12,583	6.2
Secured by Farmland	0	0.00
Secured by 1-4 Family Residential Properties	116,255	57.0
Secured by Multifamily (5 or more) Residential Properties	9,281	4.6
<b>Total Residential Real Estate Loans</b>	<b>138,119</b>	<b>67.8</b>
Secured by Nonfarm Nonresidential Properties	52,446	25.7
Commercial and Industrial Loans	6,372	3.1
<b>Total Commercial Loans</b>	<b>58,818</b>	<b>28.8</b>
Agricultural Loans	0	0.0
Consumer Loans	6,946	3.4
Other Loans	8	0.0
<b>Total Loans</b>	<b>203,891</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Charles River Bank designated a single assessment area that comprises portions of Middlesex, Norfolk, and Worcester Counties in Massachusetts. The assessment area consists of the towns and cities of Bellingham, Blackstone, Franklin, Holliston, Hopedale, Medway, Mendon, Milford, Millis, Millville, Norfolk, Northbridge, Upton, and Uxbridge. The assessment area has not changed since the previous evaluation. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

Charles River Bank's assessment area includes 31 census tracts. The assessment area contains the following income designations:

- 1 moderate-income tract
- 12 middle-income tracts
- 18 upper income tracts

The moderate-income census tract is located in Milford.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	31	0.0	3.2	38.7	58.1	0.0
Population by Geography	186,544	0.0	2.3	34.1	63.6	0.0
Housing Units by Geography	69,079	0.0	2.4	35.0	62.5	0.0
Owner-Occupied Units by Geography	51,382	0.0	0.9	32.5	66.6	0.0
Occupied Rental Units by Geography	14,725	0.0	7.3	42.8	49.9	0.0
Vacant Units by Geography	2,972	0.0	4.0	41.0	55.0	0.0
Businesses by Geography	14,824	0.0	4.7	28.9	66.4	0.0
Farms by Geography	504	0.0	1.2	25.4	73.4	0.0
Family Distribution by Income Level	48,646	13.4	12.6	19.8	54.2	0.0
Household Distribution by Income Level	66,107	16.8	11.4	15.9	55.8	0.0
Median Family Income MSA - 14454 Boston, MA		\$90,699	Median Housing Value			\$335,325
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Gross Rent			\$1,066
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Families Below Poverty Level			3.7%
<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>						

The 2019 and 2020 FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower income criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Boston, MA Median Family Income (14454)</b>				
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
2020 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
<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
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
<i>Source: FFIEC</i>				

## **Competition**

The assessment area is competitive for home mortgage loans among banks, credit unions and non-depository lenders in the area. In 2019, 348 lenders reported 9,335 originated or purchased residential mortgage loans. Charles River Bank ranked 24th in this group with a 1.1 percent market share by number. In 2020, 379 lenders reported 14,366 originated or purchased residential mortgage loans. Charles River Bank ranked 19<sup>th</sup> in this group with a 1.5 percent market share. A majority of the institutions with higher market shares were large national and regional banks and mortgage companies.

## **Community Contact**

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

Examiners contacted a representative from a housing authority which serves the assessment area. The contact identified affordable housing and financial education as areas with the most concern. The contact stated that public housing in the area needs to be renovated. The contact also mentioned that there was a need for financial education in the area, specifically around topics such as monthly money management. The contact stated that local financial institutions were receptive to the lending and community development needs of the assessment area.

Examiners also contacted a representative from a community development corporation which serves the assessment area. The contact identified several needs resulting from the COVID-19 pandemic. Many businesses, especially restaurants and retail stores, have lost revenue due to the pandemic. The contact believed that programs such as rent assistance for struggling businesses would aid with the recovery.

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

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussions with management, and the conversations with the community contact. Examiners determined the primary credit needs of the community to be affordable housing and financial education.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Charles River Bank demonstrated adequate performance under the Lending Test. Loan-to-Deposit, Assessment Area Concentration, and Geographic Distribution primarily support this conclusion.

#### Loan-to-Deposit Ratio

The LTD ratio is adequate given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 83.0 percent over the past 21 calendar quarters from September 30, 2016, to September 30, 2021. The ratio ranged from 67.2 percent as of September 30, 2021, to a high of 93.8 percent as of June 30, 2018. The ratio remained generally stable during the evaluation period, before declining in 2020. The drop in the LTD ratio can be attributed to stimulus check receipts. Charles River Bank’s ratio was lower than comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2021 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Charles River Bank	327,771	83.0
Dean Co-Operative Bank	424,759	83.7
Walpole Co-operative Bank	571,231	108.2

*Source: Reports of Condition and Income 9/30/2016 through 9/30/2021*

#### Assessment Area Concentration

The bank made a majority of home mortgage, by number and dollar volume, within its assessment area. See the following table for details.

<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>		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	103	73.0	38	27.0	141	22,625	68.9	10,200	31.1	32,825
2020	221	67.6	106	32.4	327	55,975	60.2	36,970	39.8	92,945
<b>Total</b>	<b>324</b>	<b>69.2</b>	<b>144</b>	<b>30.8</b>	<b>468</b>	<b>78,600</b>	<b>62.5</b>	<b>47,170</b>	<b>37.5</b>	<b>125,770</b>

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*



**Geographic Distribution**

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. The bank has no low-income census tracts in its assessment area and only one moderate-income census tract within its assessment area.

In 2019, the bank’s performance in the moderate-income census tract led the aggregate by 2.9 percentage points and the demographic comparator by 3.0 percentage points. The bank’s performance declined in 2020, with a lending level consistent with both the aggregate and the demographic comparator. Market data supports the bank’s adequate performance in moderate-income census tracts. In 2019, Charles River Bank had a market share of 4.3 percentage points in the moderate-income census tract of the assessment area, ranking 4<sup>th</sup> out of 45 lenders. The bank’s market share declined to 1.5 percentage points in 2020, with a corresponding market ranking of 20<sup>th</sup> out of 66 lenders.

<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>						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
<b>Moderate</b>						
2019	0.9	1.0	4	3.9	1,060	4.7
2020	0.9	0.9	2	0.9	1,060	1.9
<b>Middle</b>						
2019	32.5	31.7	19	18.4	2,765	12.2
2020	32.5	29.7	60	27.1	14,580	26.0
<b>Upper</b>						
2019	66.6	67.3	80	77.7	18,800	83.1
2020	66.6	69.4	159	71.9	40,335	72.1
<b>Not Available</b>						
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>103</b>	<b>100.0</b>	<b>22,625</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>55,975</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of home mortgage loans to individuals of different income levels is good. In 2019, Charles River Bank led the aggregate by 6.2 percentage points in lending to low-income borrowers while trailing the demographic comparator by 2.7 percentage points. The bank's performance among low-income borrowers declined in 2020, leading the aggregate by 2.4 points and trailing the comparator by 7.1 points. The demand and opportunity for lending to low-income families is relatively limited. First, approximately 3.7 percent of the families in the assessment area have incomes below the poverty level, a subset of the low-income category. Second, a low-income family in the assessment area would not likely qualify for a mortgage under conventional writing standards, considering the median housing value of \$335,325.

In 2019, Charles River Bank trailed the aggregate by 1.5 percentage points and led the comparator by 2.9 percentage points in lending to moderate-income borrowers. The bank's performance increased in 2020, leading the aggregate by 1.7 percentage points and the comparator by 4.6 percentage points.

<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						
2019	13.4	4.5	11	10.7	1,185	5.3
2020	13.4	3.9	14	6.3	2,280	4.1
Moderate						
2019	12.6	17.0	16	15.5	3,270	14.5
2020	12.6	15.5	38	17.2	7,780	13.9
Middle						
2019	19.8	24.2	20	19.4	3,500	15.5
2020	19.8	24.0	58	26.2	14,170	25.3
Upper						
2019	54.2	41.5	46	44.7	11,560	51.1
2020	54.2	45.4	103	46.6	29,465	52.6
Not Available						
2019	0.0	12.8	10	9.7	3,110	13.7
2020	0.0	11.2	8	3.6	2,280	4.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>	<b>22,625</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>55,975</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Market share data supports the bank's performance. In 2019, the bank ranked 12<sup>th</sup> of 116 lenders in lending to low-income borrowers with a market share of 2.3 percent. The bank ranked 25<sup>th</sup>, out of

188 borrowers, in lending to moderate-income borrowers with a market share of 1.0 percent. In 2020, the bank ranked 7<sup>th</sup> of 126 lenders in lending to low-income borrowers with a 2.5 percent market share and 16<sup>th</sup> out of 198 lenders in lending to moderate-income borrowers with a 1.7 percent market share.

### **Response to Complaints**

Charles River Bank has not received any CRA-related complaints since the previous examination. Therefore, this criterion did not affect the bank's Lending Test rating.

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

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. 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***

Examiners reviewed the bank's 2019 and 2020 HMDA LARs to determine if the bank's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to ACS U.S Census data, the bank's assessment area contained a total population of 186,544 individuals of which 10.3 percent are minorities. The assessment area's minority and ethnic population is 4.2 percent Hispanic or Latino, 1.6 percent Black/African American, 2.6 percent Asian, 0.1 percent American Indian, and 1.9 percent other.

In 2019, the bank received 137 home mortgage loan applications from within its assessment area. Of these applications, 4.4 percent, were received from racial minority applicants. Four of these applications were originated by the bank. The aggregate received 5.7 percent from racial minority applicants and approximately 66.8 percent were originated. For the same period, the bank received five applications, or 3.3 percent, from ethnic groups of Hispanic origin. Of these applications, 4 were originated. Aggregate lenders received 4.8 percent of its applications from ethnic minority applicants and 64.7 percent were originated.

In 2020, the bank received 283 home mortgage loan applications from within its assessment area. Of these applications, fifteen or 5.4 percent were received from racial minority applicants, with a 73.3 percent origination rate. The aggregate received 6.8 percent from racial minority applicants and 66.7 percent were originated. For the same period, the bank received five ethnic minority applications, approximately 1.8 percent. Three of these applications were originated. The aggregate lenders received 4.8 percent of its applications from ethnic minority applicants and 63.0 percent were originated.

The following table exhibits the bank’s minority application flow compared to aggregate lenders in the assessment area.

<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>2019</b>		<b>2019 Aggregate Data</b>	<b>2020</b>		<b>2020 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.1	1	0.4	0.2
Asian	3	2.2	3.2	7	2.5	4.2
Black/ African American	2	1.5	1.1	0	0.0	0.9
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	1	0.7	1.0	7	2.5	1.3
<b>Total Racial Minority</b>	<b>6</b>	<b>4.4</b>	<b>5.7</b>	<b>15</b>	<b>5.4</b>	<b>6.8</b>
White	118	86.1	74.2	232	81.9	72.6
Race Not Available	13	9.5	20.1	36	12.7	20.6
<b>Total</b>	<b>137</b>	<b>100.0</b>	<b>100.0</b>	<b>283</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	<b>4</b>	<b>2.9</b>	<b>3.8</b>	<b>4</b>	<b>1.4</b>	<b>3.7</b>
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.7	1.0	1	0.4	1.2
<b>Total Ethnic Minority</b>	<b>5</b>	<b>3.6</b>	<b>4.8</b>	<b>5</b>	<b>1.8</b>	<b>4.8</b>
Not Hispanic or Latino	117	85.4	74.2	228	80.5	73.1
Ethnicity Not Available	15	11.0	20.9	50	17.7	22.0
<b>Total</b>	<b>137</b>	<b>100.0</b>	<b>100.0</b>	<b>283</b>	<b>100.0</b>	<b>100.0</b>
<i>Source: HMDA Aggregate Data (2019 and 2020), HMDA LAR Data (2019) and (2020)</i>						

The bank’s minority application flow is adequate. The bank’s patterns are comparable to aggregate lenders, and the origination rate does not reflect any pattern of disparate treatment.

## GLOSSARY

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

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution's retail banking services under § 345.24(d).

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

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

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

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or

- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

**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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**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 (e.g., 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.

**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 (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.



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

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

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

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

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

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

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

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 70 Main St, Medway, MA 02053.

- 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.