

# **PUBLIC DISCLOSURE**

August 10, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Martha's Vineyard Savings Bank  
RSSD # 196800

78 Main Street  
Edgartown, Massachusetts 02539

Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, Massachusetts 02210

NOTE: 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.

## TABLE OF CONTENTS

Institution's Community Reinvestment Act (CRA) Rating.....	2
Scope of Examination .....	3
Description of Institution .....	4
Description of Assessment Area .....	5
Conclusions with Respect to Performance Tests .....	9
Appendix: Glossary of Terms .....	A

**INSTITUTION'S CRA RATING: This institution is rated OUTSTANDING.**

**The Lending Test is rated: SATISFACTORY**

**The Community Development Test is rated: OUTSTANDING**

Martha's Vineyard Savings Bank (MVSb or the bank) demonstrates excellent responsiveness to the credit needs of its assessment area. The following components support this rating:

**Lending Test**

- A more than reasonable loan-to-deposit ratio (LTD) considering seasonal variations given the bank's size, financial condition, the credit needs of the bank's assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments.
- A substantial majority of loans and, as appropriate, other lending-related activities, are in the bank's assessment area.
- A distribution of loans to and, as appropriate, other lending activities for individuals of different income levels (including low-and moderate-income individuals) that is reasonable given the demographics of the bank's assessment area.
- An excellent geographic distribution of loans given the bank's assessment area.
- There were no complaints regarding the bank's performance in helping to meet the credit needs of its assessment area during the evaluation period.

**Community Development Test**

- The bank's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

## SCOPE OF EXAMINATION

MVSB's performance evaluation was conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions.<sup>1</sup> These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment area concentration of loans, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints. The Community Development Test measures the number and amount of community development loans, the number and amount of qualified investments, the extent to which the bank provides community development services, and the bank's responsiveness through such activities. The data and applicable timeframes used for the evaluation are discussed below.

The Lending Test was based on home mortgage loans originated from July 1, 2016 to December 31, 2019. Home mortgage data for 2018 and 2019 is presented in the lending tables for the Borrower Profile and Geographic Distribution criteria, although home mortgage data for 2016 and 2017 was also evaluated. While both the number and dollar volume of the bank's home mortgage loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand. The bank's net LTD ratio was calculated from FFIEC Call Reports as of September 30, 2016 through June 30, 2020. Small business loans were not included in this evaluation.

Home mortgage loan data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). HMDA reporting requirements changed in 2018; therefore, this evaluation does not compare the bank's 2016 and 2017 home mortgage lending performance to its 2018 and 2019 home mortgage lending performance. Additionally, this evaluation does not consider the new loan purposes of "other" and "not applicable". The bank's home mortgage loan performance was compared to applicable aggregate data. Aggregate data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment area. The 2017 aggregate data was obtained from the FFIEC's HMDA data, and the 2018 and 2019 aggregate data was obtained from the Consumer Finance Protection Bureau (CFPB). The new loan purposes of "other" and "not applicable" were excluded from the 2018 and 2019 aggregate. The bank's home mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS).

The Community Development Test included a review of community development loans, investments, and services for the period of October 25, 2016 through August 10, 2020. The Community Development Test is evaluated in the context of community needs and the capacity of the bank.

---

<sup>1</sup> Intermediate small institution" means a bank or savings association with assets of at least \$326 million as of December 31 of both of the prior two calendar years and less than \$1.305 billion as of December 31 of either of the prior two calendar years.

## DESCRIPTION OF INSTITUTION

MVSB is a state-chartered mutual savings bank headquartered at 78 Main Street in Edgartown, Massachusetts. In addition to its headquarters, the bank operates eight full-service branches. The bank operates six branches on the island of Martha's Vineyard located in Chilmark, Edgartown, Oak Bluffs (2), Vineyard Haven, and West Tisbury. In addition, the bank operates two branches in Falmouth on Cape Cod. All branch locations have a deposit-taking ATM. In addition, the bank maintains six remote ATMs. The bank is not owned by a holding company and has one wholly owned subsidiary, Martha's Vineyard Investment Advisors, that offers brokerage services.

As of June 30, 2020, the bank reported total assets of \$969.3 million. This is an increase from total assets of \$738.2 million, as of June 30, 2016. MVSB is primarily a home mortgage lender with residential real estate loans, including multifamily loans, totaling 57.0 percent of the loan portfolio. Residential real estate loans mainly consist of 1-4 family closed-end loans secured by first liens. Commercial lending is the bank's second largest business line with commercial real estate, construction and land development, and commercial and industrial loans together totaling \$339.8 million, or 42.3 percent of the loan portfolio. The bank also originates consumer loans and loans to depository institutions. The bank has seen steady growth across its loan portfolio during the evaluation period. Table 1 shows the loan portfolio composition by dollar volume, as of June 30, 2020.

<b>Table 1</b> <b>Loan Portfolio Composition as of June 30, 2020</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans</b>
Residential Real Estate	458,057	57.0
Commercial	339,813	42.3
Consumer	3,150	0.4
Other	2,948	0.4
Agricultural	0	0.0
<b>Total Loans</b>	<b>803,968</b>	<b>100.0</b>

*Call Report as of June 30, 2020.*

*Total percentages shown may vary by 0.1 percent due to automated rounding differences.*

The bank offers a standard array of retail loan and deposit products. Loan products include fixed- and adjustable-rate residential mortgage loans, home equity loans and lines of credit, home improvement loans, construction loans, consumer overdraft lines of credit, installment loans, commercial real estate loans, and commercial and industrial loans, including Small Business Administration (SBA) loans. Deposit products include personal and business checking accounts, statement savings and money market accounts, and certificates of deposit. The bank's website, [www.mvbank.com](http://www.mvbank.com), provides branch and ATM location information and a listing of loan and deposit services. Along with traditional delivery methods, the bank offers alternative delivery systems, such as online banking, and accepts deposit account applications through its website.

MVSB operates in a competitive geographic area where several community banks and credit unions, as well as larger regional and national banks, maintain a branch presence. According to the FDIC Deposit Market Share Report, as of June 30, 2019, there were nine financial institutions offering deposit services within Dukes County and Falmouth. The bank ranked first for deposit market share, at 30.1 percent. Rockland Trust Company, Rockland, MA ranked

second, at 18.3 percent, and The Cape Cod Five Cents Savings Bank, Orleans, MA, ranked third, at 13.7 percent. Within just the island of Martha's Vineyard, where the bank maintains seven of its nine branches, the bank has a majority of the deposit market share, at 62.8 percent, which again ranked first. Three other institutions maintain a branch presence on the island: Rockland Trust Company, Santander Bank, N.A., Boston, MA, and The Cape Cod Five Cents Savings Bank.

The bank also operates in a competitive environment for home mortgage loans. According to HMDA aggregate data, 261 financial institutions originated a HMDA-reportable loan within Dukes County and Falmouth. MVSB ranked second with 236 originations. The Cape Cod Five Cents Savings Bank, a larger regional bank, ranked first with 470 originations. Rockland Trust Company, another larger regional bank, ranked third with 138 originations. The bank also faces strong competition for loans from mortgage companies, notably Quicken Loans, Inc., Detroit, MI, and larger national banks, including Citizens Bank, N.A., Providence, RI, and Santander Bank, N.A.

MVSB was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on October 25, 2016 using the FFIEC Examination Procedures for Intermediate Small Institutions. The bank received an overall rating of Satisfactory. Both the Lending Test and the Community Development Test were rated Satisfactory. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its communities.

## **DESCRIPTION OF ASSESSMENT AREA**

MVSB's assessment area consists of the entirety of Dukes County, which is not located in a Metropolitan Statistical Area (MSA), and the town of Falmouth in Barnstable County, which is located in the Barnstable Town, MA MSA. Dukes County consists of the towns of Aquinnah, Chilmark, Edgartown, Oak Bluffs, Vineyard Haven, and West Tisbury on the island of Martha's Vineyard, as well as the town of Gosnold on the Elizabeth Islands, the uninhabited island of Nomans Land, and other islets. Martha's Vineyard is a popular vacation destination known for quaint villages, lighthouses, and sandy beaches. Falmouth is located on southwest Cape Cod, and its village of Woods Hole serves as the main ferry point to Martha's Vineyard. Seasonal ferry service to Martha's Vineyard is also available from Hyannis and New Bedford, MA; Quonset Point, RI; New York City, NY; and Highlands, NJ.

The assessment area consists of 12 census tracts of which one is moderate-income, eight are middle-income, and two are upper-income. There is one unknown-income census tracts in the assessment area. This census tract consists of the ocean and has no population or housing units. There are no low-income census tracts in the assessment area. The one moderate-income census tract is located in Vineyard Haven. The two upper-income census tracts are located in Falmouth. Tables 2 and 3 detail the assessment area demographics.

**Table 2**  
**Assessment Area Demographics 2018**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,620	21.0
Moderate-income	1	8.3	815	6.5	121	14.8	1,778	14.3
Middle-income	7	58.3	8,088	64.9	540	6.7	2,639	21.2
Upper-income	3	25.0	3,556	28.5	184	5.2	5,422	43.5
Unknown-income	1	8.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>12,459</b>	<b>100.0</b>	<b>845</b>	<b>6.8</b>	<b>12,459</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,035	867	5.7	28.6	470	15.5	1,698	55.9
Middle-income	24,989	10,150	66.6	40.6	2,826	11.3	12,013	48.1
Upper-income	11,265	4,224	27.7	37.5	1,108	9.8	5,933	52.7
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>39,289</b>	<b>15,241</b>	<b>100.0</b>	<b>38.8</b>	<b>4,404</b>	<b>11.2</b>	<b>19,644</b>	<b>50.0</b>

2018 FFIEC Census data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

**Table 3**  
**Assessment Area Demographics 2019**

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	2,799	22.5
Moderate-income	1	8.3	815	6.5	121	14.8	1,883	15.1
Middle-income	8	66.7	9,314	74.8	681	7.3	2,814	22.6
Upper-income	2	16.7	2,330	18.7	43	1.8	4,963	39.8
Unknown-income	1	8.3	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>12,459</b>	<b>100.0</b>	<b>845</b>	<b>6.8</b>	<b>12,459</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	3,035	867	5.7	28.6	470	15.5	1,698	55.9
Middle-income	29,556	11,572	75.9	39.2	3,116	10.5	14,868	50.3
Upper-income	6,698	2,802	18.4	41.8	818	12.2	3,078	46.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>39,289</b>	<b>15,241</b>	<b>100.0</b>	<b>109.6</b>	<b>4,404</b>	<b>11.2</b>	<b>19,644</b>	<b>50.0</b>

2019 FFIEC Census data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

### Population

The assessment area has a population of 48,598 individuals. The assessment area includes 19,645 households, of which 12,459 are families. The majority, 39.8 percent, of families are upper-income. Middle-income families represent 22.6 percent of the assessment area. Moderate- and low-income families represent 15.1 percent and 22.5 percent, respectively, of the assessment area. As there are no low- and one moderate-income census tracts in the assessment area, low- and moderate-income individuals, who are more than one-third of the population, experience the economic disparity of living in mainly middle- or upper-income census tracts. Population growth in the assessment area is stable; however, according to the Martha's Vineyard Commission, the population of the island increases more than threefold in the summer with seasonal residents and visitors. The assessment area also has a larger population of individuals age 65 and over, relative to Massachusetts, reflective of Martha's Vineyard being a popular retirement destination.

### Housing

There are 39,289 housing units in the assessment area of which a significant majority, 96.1 percent, are 1-4 family housing, 3.7 percent have five or more units, and 0.1 percent are mobile homes. Housing unit statistics show a high vacancy rate due to the number of second homes in the area, which reflects the seasonal nature of the assessment area. Only 38.8 percent of housing units are owner-occupied, while 50.0 percent are vacant and 11.2 percent are rental units. Within Dukes County, the percentage of vacant units is even higher at 65.6 percent. By comparison, vacant units comprise 9.8 percent of housing units in Massachusetts. Housing costs are high in the assessment area. Based on the ACS, the median housing value was \$452,538 in the assessment area and \$660,800 in Dukes County, nearly twice the median housing value of \$333,100 in Massachusetts. Recent data obtained from The Warren Group, Boston, MA, indicates that housing prices continue to rise. For calendar year 2019, the average median home sales price in Dukes County was \$719,500. At a town level, median home sales prices ranged from a high of \$1.1 million in Aquinnah to a low of \$642,000 in Oak Bluffs. The median home sales prices for Falmouth was \$424,250. These high housing costs make it difficult for low- and moderate-income residents to obtain home mortgage financing.

### Income

The FFIEC adjusts the Median family income (MFI) of areas annually, based on estimates. MFI is used to classify the income level of a borrower within each area. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. Table 4 displays the MFI incomes for the assessment area.

Table 4 Median Family Income				
MSA/MD	MFI			
	2016	2017	2018	2019
Barnstable Town, MA MSA	77,100	90,200	86,200	91,300
Non-MSA Massachusetts	77,600	80,000	80,700	102,600

FFIEC Median Family Income Estimates.



The MFI for the Barnstable Town, MA MSA increased during the evaluation period. The MFI for non-MSA Massachusetts, which includes Dukes County, also increased during the evaluation period with a marked increase in 2019. Based on the ACS, the MFI for the assessment area was \$83,184, which is in line with Massachusetts. However, the percentage of families in Dukes County living below the poverty level is 9.2 percent, which is above the Massachusetts average of 8.2 percent and well above the Barnstable Town, MA MSA average of 5.2. This percentage is 14.9 percent in Vineyard Haven. This suggests that, while relatively affluent overall, many residents in Dukes County experience economic insecurity.

### *Employment Statistics*

According to the ACS, the unemployment rate in the assessment area was 6.4 percent, which was lower than the unemployment rate for Massachusetts. The cornerstone of the economy on Martha's Vineyard is providing services to seasonal residents and visitors. As a result, the unemployment rate experiences seasonal fluctuations, generally rising in the winter and early spring. According to data released by the U.S. Bureau of Labor Statistics, the non-seasonally adjusted unemployment rate for Dukes County during 2019 ranged from a low of 1.8 percent in August to a high of 8.5 percent in February. More recently, the non-seasonally adjusted unemployment rate for Dukes County has risen sharply due to the COVID-19 pandemic, peaking at 22.6 percent in April of 2020. This has led to increased food insecurity and homelessness on the island.

### **Community Contacts**

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit needs in the bank's assessment area. Relevant information obtained from these contacts assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available.

Two community contacts were conducted as part of the evaluation. Both contacts are executives of different organizations that provide affordable housing in Dukes County. The contacts have extensive experience developing affordable housing and promoting housing security. Specific activities of the organizations include obtaining land, developing housing, and providing affordable homes for low- and moderate-income individuals to rent or purchase. The contacts noted a strong need for permanent affordable housing on Martha's Vineyard. Due to high median housing costs on the island, many low- and moderate-income residents are not able to purchase a home as the median household income needed to afford these prices is approximately four times the actual median household income. Housing prices continue to rise as year-round housing units are increasingly becoming seasonal homes, resulting in a shrinking housing stock for residents. The COVID-19 pandemic has accelerated this trend, as telecommuting has spurred demand for seasonal homes. Facing a shrinking housing stock, many residents are displaced or resort to substandard rentals, particularly during the summer months when demand for seasonal rentals is highest. One of the dire consequences of this lack of housing security on the island is the continuing spike in homelessness, prompting a need for shelters and food assistance. Rising homelessness is the main public health issues on the island, according to one contact.

During the conversation with the contacts, the performance of local financial institutions was discussed. MVSb was specifically mentioned as an active community partner. Overall, the

contacts felt the local banks were helping to solve the affordable housing issue by financing the purchase of land and assisting in the construction of affordable housing. However, demand for affordable housing is still strong, with approximately 300 residents currently on a waitlist, so it is important that financial institutions continue to look for ways to provide financing to convert land or properties into affordable housing. An investment fund was one opportunity discussed. The contacts also noted that workshops for first-time homebuyers and financial literacy seminars for both homebuyers and renters are important credit needs, as maintaining a budget is important when individuals or families are applying for affordable housing. Seminars and workshops like these were seen as an opportunity for financial institutions to provide assistance and expertise.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

MVSB's performance under the Lending Test is rated Satisfactory. The following information further details the data reviewed, as well as the conclusions on the bank's performance.

#### Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. LTD figures are calculated from quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

MVSB's LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The average LTD ratio during the 16 quarters under evaluation was 112.5 percent. The bank's quarterly LTD ratio ranged from a low of 101.6 percent, as of June 30, 2020, the most recent quarter of the evaluation period, to a high of 122.7 percent, as of June 30, 2017. The bank's LTD ratio is bolstered by stable loan demand and borrowings from the Federal Home Loan Bank. Further, in addition to originating home mortgage loans for its own portfolio, the bank originates loans for sale to the secondary market, including to the Federal Home Loan Bank. The bank sold approximately \$300 million in home mortgage loans to the secondary market during the evaluation period.

Table 5 provides a comparison of the bank's average LTD ratio during the evaluation period to institutions operating within or near the assessment area that have a similar asset size and lending focus. As shown, the bank's average LTD ratio is higher than that of similarly situated institutions.

<b>Table 5</b>		
<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets \$(000s)*</b>	<b>Average LTD Ratio (%)**</b>
<b>Martha's Vineyard Savings Bank</b>	<b>969,258</b>	<b>112.5</b>
Cape Code Co-operative Bank	1,083,686	100.3
Bridgewater Savings Bank	712,386	89.6
Fall River Five Cents Savings Bank	1,186,866	87.6
Seamens Bank	441,904	81.0

\*Call Report as of June 30, 2020.

\*\*Call Reports as of September 30, 2016 through June 30, 2020.

### Assessment Area Concentration

This criterion evaluates the concentration of loans originated within the assessment area. A substantial majority of loans were originated inside the assessment area. During the evaluation period, the bank originated 820 home mortgage loans, of which 746, or 91.0 percent, were inside the assessment area. Lending inside the assessment area was consistent during the evaluation period. In 2016 and 2017, the bank originated 372 home mortgage loans, of which 330, or 88.7 percent, were inside the assessment area. In 2018 and 2019, the bank originated 448 home mortgage loans, of which 416, or 92.9 percent, were inside the assessment area. This percentage was 96.1 percent in 2018 and 90.8 percent in 2019. The concentration of loans across loan types was also generally consistent, with home improvement loans most heavily concentrated within the assessment area. Loans outside the assessment area were primarily originated in the towns bordering Falmouth. Table 6 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period.

<b>Table 6</b>								
<b>Lending Inside and Outside the Assessment Area</b>								
<b>2016 &amp; 2017 Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Purchase	135	86.5	86,527	91.0	21	13.5	8,524	9.0
Home Improvement	95	92.2	42,725	94.1	8	7.8	2,697	5.9
Multifamily Housing	0	0.0	0	0.0	2	100.0	1,300	100.0
Refinancing	100	90.1	55,782	95.0	11	9.9	2,963	5.0
<b>Total</b>	<b>330</b>	<b>88.7</b>	<b>185,034</b>	<b>92.3</b>	<b>42</b>	<b>11.3</b>	<b>15,484</b>	<b>7.7</b>
<b>2018 &amp; 2019 Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Purchase	224	92.2	173,117	96.5	19	7.8	6,356	3.5
Home Improvement	37	97.4	6,168	99.2	1	2.6	50	0.8
Multifamily Housing	4	80.0	8,875	84.9	1	20.0	1,575	15.1
Refinancing	151	93.2	64,805	92.5	11	6.8	5,291	7.5
<b>Total</b>	<b>416</b>	<b>92.9</b>	<b>252,965</b>	<b>95.0</b>	<b>32</b>	<b>7.1</b>	<b>13,272</b>	<b>5.0</b>

HMDA data July 1, 2016 through December 31, 2019.

### Borrower Profile

This performance criterion evaluates the distribution of loans to borrowers of different income levels. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Tables 7 and 8 provide a comparison of the bank's 2018 and 2019 home mortgage lending by loan type compared to assessment area demographics and aggregate performance.

Table 7 Borrower Distribution of HMDA Loans 2018								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	21.0	4	3.5	1.8	947	1.1	0.7
	Moderate	14.3	10	8.7	10.2	3,547	4.2	5.4
	Middle	21.2	13	11.3	15.2	4,111	4.9	10.1
	Upper	43.5	81	70.4	61.1	68,831	82.4	70.3
	Unknown	0.0	7	6.1	11.7	6,060	7.3	13.5
	Total	100.0	115	100.0	100.0	83,496	100.0	100.0
REFINANCE	Low	21.0	4	7.1	6.5	888	3.9	3.1
	Moderate	14.3	7	12.5	13.5	1,397	6.1	7.1
	Middle	21.2	9	16.1	17.3	2,455	10.7	11.6
	Upper	43.5	32	57.1	51.8	15,740	68.8	67.4
	Unknown	0.0	4	7.1	11.0	2,414	10.5	10.8
	Total	100.0	56	100.0	100.0	22,894	100.0	100.0
HOME IMPROVEMENT	Low	21.0	0	0.0	6.8	0	0.0	3.4
	Moderate	14.3	1	7.7	7.3	40	2.3	5.8
	Middle	21.2	3	23.1	21.4	160	9.3	16.2
	Upper	43.5	9	69.2	63.6	1,515	88.3	72.1
	Unknown	0.0	0	0.0	0.9	0	0.0	2.5
	Total	100.0	13	100.0	100.0	1,715	100.0	100.0
MULTIFAMILY	Low	21.0	0	0.0	0.0	0	0.0	0.0
	Moderate	14.3	0	0.0	0.0	0	0.0	0.0
	Middle	21.2	0	0.0	0.0	0	0.0	0.0
	Upper	43.5	0	0.0	0.0	0	0.0	0.0
	Unknown	0.0	1	100.0	100.0	3,475	100.0	100.0
	Total	100.0	1	100.0	100.0	3,475	100	100.0
HMDA TOTALS*	Low	21.0	8	4.3	4.2	1,835	1.6	1.7
	Moderate	14.3	18	9.7	11.2	4,984	4.5	6.0
	Middle	21.2	25	13.5	16.6	6,726	6.0	10.8
	Upper	43.5	122	65.9	57.5	86,086	77.2	68.9
	Unknown	0.0	12	6.5	10.5	11,949	10.7	12.6
	Total	100.0	185	100.0	100.0	111,580	100.0	100.0

2018 FFIEC Census data, 2018 bank HMDA data, 2018 aggregate HMDA data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publically available data. Aggregate percentages may include loan types not required to be reported by the bank.

Table 8 Borrower Distribution of HMDA Loans 2019								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	22.5	4	3.7	2.3	734	0.8	0.9
	Moderate	15.1	5	4.6	12.3	1,142	1.3	6.5
	Middle	22.6	16	14.7	15.2	6,764	7.5	10.2
	Upper	39.8	74	67.9	55.3	72,559	81.0	66.1
	Unknown	0.0	10	9.2	14.9	8,422	9.4	16.4
	Total	100.0	109	100.0	100.0	89,621	100.0	100.0
REFINANCE	Low	22.5	4	4.2	5.0	335	0.8	1.9
	Moderate	15.1	14	14.7	12.7	3,204	7.6	6.1
	Middle	22.6	31	32.6	17.6	11,484	27.4	10.7
	Upper	39.8	45	47.4	50.4	26,421	63.0	65.8
	Unknown	0.0	1	1.1	14.3	467	1.1	15.5
	Total	100.0	95	100.0	100.0	41,911	100.0	100.0
HOME IMPROVEMENT	Low	22.5	2	8.3	7.4	50	1.1	6.2
	Moderate	15.1	5	20.8	15.3	496	11.1	12.6
	Middle	22.6	5	20.8	23.1	317	7.1	14.8
	Upper	39.8	11	45.8	50.7	3,565	80.1	58.9
	Unknown	0.0	1	4.2	3.5	25	0.6	7.6
	Total	100.0	24	100.0	100.0	4,453	100.0	100.0
MULTIFAMILY	Low	22.5	0	0.0	0.0	0	0.0	0.0
	Moderate	15.1	0	0.0	0.0	0	0.0	0.0
	Middle	22.6	0	0.0	0.0	0	0.0	0.0
	Upper	39.8	0	0.0	0.0	0	0.0	0.0
	Unknown	0.0	3	100.0	100.0	5,400	100.0	100.0
	Total	100.0	3	100.0	100.0	5,400	100.0	100.0
HMDA TOTALS	Low	22.5	10	4.3	4.1	1,119	0.8	1.5
	Moderate	15.1	24	10.4	12.7	4,842	3.4	6.3
	Middle	22.6	52	22.5	17.1	18,565	13.1	10.5
	Upper	39.8	130	56.3	52.3	102,545	72.5	64.9
	Unknown	0.0	15	6.5	13.8	14,314	10.1	16.7
	Total	100.0	231	100.0	100.0	141,385	100.0	100.0

2019 FFIEC Census data, 2019 bank HMDA data, 2019 aggregate HMDA data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publically available data. Aggregate percentages may include loan types not required to be reported by the bank.

In 2018, the bank originated 8 home mortgage loans, or 4.3 percent, to low-income borrowers, which was in line with the aggregate of 4.2 percent. In 2019, the bank originated 10 home mortgage loans, or 4.3 percent, to low-income borrowers, which was again in line with the aggregate of 4.1 percent. Lending to low-income borrowers was similarly in line with the aggregate in the last two quarters of 2016 and in 2017. In all years, the bank lagged the demographic indicator; however, the bank may not meet the percentage distribution of low-income families because families with low-income levels may not qualify for a home mortgage loan. This is particularly evident on the island of Martha's Vineyard where, according to community contacts, shrinking housing stock and high housing costs make it challenging for many low-income residents to obtain home mortgage financing.

While the bank's lending to low-income borrowers was in line with the aggregate, the bank's lending to moderate-income borrowers was slightly below the aggregate during the evaluation period. In 2018, the bank originated 18 home mortgage loans, or 9.7 percent, to moderate-income borrowers, which was slightly below the aggregate of 11.2 percent. In 2019, the bank originated 24 home mortgage loans, or 10.4 percent, to moderate-income borrowers, which was slightly below the aggregate of 12.7 percent. Market share analysis supports the bank's reasonable performance. In 2018 and 2019, the bank ranked third in terms of the number of home mortgage loans made to low- and moderate-income borrowers within the assessment area. The financial institution that ranked first in both years is a larger regional bank. Other financial institutions competing for loans to low- and moderate-income borrowers include larger national banks and mortgage companies. The bank has been expanding home mortgage products to address housing affordability in the assessment area. For example, the bank has recently introduced an employee workforce housing loan program. These types of loan programs demonstrate the bank's commitment to meeting the credit needs of the community.

### **Geographic Distribution of Loans**

This performance criterion evaluates the distribution of loans to census tracts of all income levels. The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area. Tables 9 and 10 provide a comparison of the bank's 2018 and 2019 home mortgage lending by loan type compared with assessment area demographics and aggregate performance.

Table 9 Geographic Distribution of HMDA Loans 2018								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	14	12.2	6.5	7,702	9.2	8.9
	Middle	66.6	70	60.9	68.1	60,633	72.6	63.9
	Upper	27.7	31	27.0	25.4	15,161	18.2	27.1
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	115	100.0	100.0	83,496	100.0	100.0
REFINANCE	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	9	16.1	7.7	4,736	20.7	8.2
	Middle	66.6	35	62.5	67.2	13,848	60.5	66.9
	Upper	27.7	12	21.4	25.0	4,310	18.8	24.8
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	56	100.0	99.9	22,894	100.0	99.9
HOME IMPROVEMENT	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	1	7.7	7.3	30	1.7	5.8
	Middle	66.6	7	53.8	66.4	1,260	73.5	65.5
	Upper	27.7	5	38.5	26.4	425	24.8	28.7
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	13	100.0	100.0	1,715	100.0	100.0
MULTIFAMILY	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	0	0.0	20.0	0	0.0	14.9
	Middle	66.6	0	0.0	40.0	0	0.0	44.0
	Upper	27.7	1	100.0	40.0	3,475	100.0	41.0
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	1	100.0	100.0	3,475	100.0	100.0
HMDA TOTALS	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	24	13.0	7.1	12,468	11.2	8.6
	Middle	66.6	112	60.5	67.5	75,741	67.9	65.0
	Upper	27.7	49	26.5	25.4	23,371	20.9	26.4
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	185	100.0	100.0	111,580	100.0	100.0

2018 FFIEC Census data, 2018 bank HMDA data, 2018 aggregate HMDA data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publically available data. Aggregate percentages may include loan types not required to be reported by the bank.

Table 10 Geographic Distribution of HMDA Loans 2019								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	21	19.3	6.5	11,399	12.7	7.9
	Middle	75.9	85	78.0	78.6	76,848	85.7	79.0
	Upper	18.4	3	2.8	14.9	1,374	1.5	13.1
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	109	100.0	100.0	89,621	100.0	100.0
REFINANCE	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	0	15.8	5.7	0	14.3	7.5
	Middle	75.9	1	80.0	74.9	1	83.5	74.4
	Upper	18.4	0	4.2	19.4	0	2.2	18.1
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	1	100.0	100.0	1	100.0	100.0
HOME IMPROVEMENT	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	4	16.7	5.7	270	6.1	7.3
	Middle	75.9	20	83.3	76.9	4,183	93.9	70.1
	Upper	18.4	0	0.0	17.5	0	0.0	22.6
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	24	100.0	100.0	4,453	100.0	100.0
MULTIFAMILY	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	0	0.0	0.0	0	0.0	0.0
	Middle	75.9	2	66.7	60.0	3,600	66.7	36.6
	Upper	18.4	1	33.3	40.0	1,800	33.3	63.4
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	3	100.0	100.0	5,400	100.0	100.0
HMDA TOTALS	Low	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	5.7	40	17.3	6.0	17,648	12.5	7.6
	Middle	75.9	183	79.2	76.5	119,648	84.6	75.9
	Upper	18.4	8	3.5	17.5	4,089	2.9	16.5
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	231	100.0	100.0	141,385	100.0	100.0

2019 FFIEC Census data, 2019 bank HMDA data, 2019 aggregate HMDA data.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publically available data. Aggregate percentages may include loan types not required to be reported by the bank.



The assessment area contains one moderate-income census tract, located in Vineyard Haven. The bank's lending performance in this census tract is strong. In 2018, the bank originated 24 home mortgage loans, or 13.0 percent, in the moderate-income census tract, which was well above the aggregate of 7.1 percent and demographic indicator of 5.7 percent. By loan type, refinance loans exceeded the aggregate by the greatest margin. Lending in this census tract increased in 2019. In this year, the bank originated 40 home mortgage loans, or 17.3 percent, in the moderate-income census tract, which was close to triple the aggregate of 6.0 percent and demographic indicator of 5.7 percent. By loan type, home purchase loans exceeded the aggregate by the greatest margin. Lending in this census tract was similarly well above the aggregate and demographic indicator in 2017. The assessment area did not contain a low- or moderate-income census tract in 2016.

The bank's performance is noteworthy considering almost three quarters of housing units in the moderate-income census tract are non-owner-occupied. In fact, a significant majority of the bank's home mortgage loans made in this census tract were owner-occupied, which is important considering the community contact indicated how year-round housing for residents is a community credit need.

The evaluation did not identify any conspicuous gaps in the geographic distribution of home mortgage loans in the assessment area. As discussed, the bank is actively lending in the one moderate-income census tract. Market share analysis supports the bank's excellent performance. The bank ranked second and first in 2018 and 2019, respectively, in terms of the number of home mortgage loans made in the moderate-income census tract. The bank's lending performance in this census tract is also noteworthy considering the other financial institutions competing for loans in this census tract include larger national banks and mortgage companies.

### **Response to Complaints**

There were no complaints regarding the bank's performance in helping to meet the credit needs of its assessment area during the evaluation period.

## **CONCLUSIONS: LENDING TEST**

The bank's performance in meeting the credit needs of its assessment area is demonstrated by a more than reasonable LTD ratio; substantial majority of loans inside the assessment area; and excellent dispersion of loans throughout the assessment area. The bank has also demonstrated reasonable performance lending to borrowers of different incomes, including low- and moderate-income borrowers. This performance criterion was given greatest weight in arriving at the Lending Test rating of Satisfactory.

## **COMMUNITY DEVELOPMENT TEST**

The bank's community development performance demonstrates excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the needs and availability of such opportunities for community development in the assessment area.

### *Community Development Loans*

MVSB originated 14 community development loans, totaling \$9.6 million, during the evaluation period. Community development lending increased from the prior evaluation in 2016, when the bank had nine community development loans totaling \$3.5 million. The majority of the bank's community development loans promoted affordable housing within the assessment area. Community contact interviews indicated that promoting affordable housing is particularly responsive to the needs of low- and moderate-income individuals given the limited housing stock and high housing costs in the assessment area. The following are notable examples of the bank's qualified community development loan activity during the evaluation period:

- In 2017, the bank provided a \$400,000 loan for the purchase of a low-cost transitional sober housing facility. The facility provides daily meals and regular testing to those living in the home.
- In 2019, the bank provided a \$1.5 million loan for the construction of affordable housing units in a moderate-income census tract in the assessment area. The loan provided funding for the construction of three duplex style homes creating six affordable units.
- In 2019, the bank provided a \$2.0 million loan for the construction of affordable housing units in a middle-income census tract. The loan provided funding for 20 affordable housing units all of which are deed restricted.
- In 2020, the bank provided a \$671,000 loan for the construction of affordable housing units. The construction project will result in the creation of seven affordable housing units located in a moderate-income census tract.

In response to the COVID-19 pandemic in 2020, MVSB originated 744 Paycheck Protection Program (PPP) loans totaling \$47.1 million. These loans were administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act. PPP loans are designed to help businesses retain workers and staff during the economic crisis due to the pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria.

These loans were originated within the assessment area, as well as a larger statewide area. Of the 744 PPP loans the bank originated, 648 loans were located within the assessment area. Of the 648 loans originated within the assessment area, 239 loans, totaling \$12.2 million, were originated to businesses in a moderate-income census tract. These PPP loans were particularly responsive as they provide funding to businesses in order to retain jobs in low- and moderate-income areas during the pandemic. For example, the bank originated a PPP loan for approximately \$1 million to an organization that is located in a moderate-income census tract and provides critical community services targeted to low- or moderate-income individuals.

### *Qualified Investments*

MVSB's qualified community development investments consist of donations to organizations that focus on providing affordable housing, increasing economic development, and offering community services that benefit low- and moderate-income individuals. During the evaluation period, the bank made 181 qualified donations, totaling \$686,265.

MVSB identifies food insecurity and homelessness as the two greatest needs within the assessment area, and, accordingly, the bank targeted donations to organizations that provide food to the hungry and shelter to the homeless. As noted by the community contacts conducted as a part of this review, Martha's Vineyard faces rising homelessness, prompting a need for shelters and food assistance. This is a result of increased housing costs on the island and a shortage of year-round rentals, which has forced many residents to become displaced or resort to illegal or substandard rentals, particularly during the summer months when short-term rentals are in demand. These needs were heightened during the COVID-19 pandemic, at which time the bank's board of trustees authorized an additional \$500,000 to distribute to various organizations to meet the immediate needs of the community. As a result, the number and dollar amount of qualified donations in 2020 is much greater than in previous years. The following are examples of organizations the bank donated to during the evaluation period:

Martha's Vineyard Community Services (MVCS) – This organization benefits low- and moderate-income individuals by providing family counseling, mental health and substance abuse programs, early childhood and youth services, and programs and support for the disabled. MVCS also assists with medical and behavioral health travel cost for those in need. MVSB's donation in 2020 was a part of a multi-year commitment for the childcare center.

Island Food Pantry (IFP) – The IFP provides nutritious food to food-insecure locals all year long, which is particularly important as incomes can be dependent on the summer season. MVSB typically makes an annual donation to the IFP; in 2020, the bank has made four significant donations to assist with the increased need for food assistance following the economic downturn caused by the COVID-19 pandemic.

Vineyard Committee on Hunger (VCOH) – The VCOH delivers meals to elderly residents, provides holiday meals to needy individuals for the three major holidays, distributes food through federal and state programs, and supports the IFP with financial assistance.

Falmouth Service Center (FSC) – In addition to its food pantry, the FSC offers financial support, clothing and household items, budget and nutrition workshops, and fuel assistance to low- and moderate-income individuals.

Harbor Homes of Martha's Vineyard (Harbor Homes) – This organization works to stem the risk of homelessness on Martha's Vineyard, which results from the high cost of home ownership on the island that exceeds the budget of most of the local workforce and an increased demand and limited supply of rental housing. Harbor Homes provides safe and secure housing to low-income residents to prevent them from becoming homeless and helps these individuals move toward greater self-sufficiency.

#### *Community Development Services*

Bank employees engaged in community development services through participation on boards of community organizations, conducting first time homebuyer seminars, and other community development services. The following lists a sample of the bank's involvement during the evaluation period:

- Big Brothers Big Sisters of Cape Cod & the Islands (Big Brothers Big Sisters) – The mission of Big Brothers Big Sisters is to partner with under-resourced families to provide

their children with adult mentors in order to help them achieve their full potential. A director of the bank serves on the organization's advisory board.

- Falmouth Housing Trust – The mission of the Falmouth Housing Trust is to enhance the community of Falmouth by developing and maintaining sustainable, affordable workforce housing. A senior residential lender for the bank serves on the organization's board of directors.
- Island Food Pantry – The Island Food Pantry is dedicated towards cultivating a healthy, hunger-free community on Martha's Vineyard by supplying a source of wholesome food to those in a time of need. A bank employee serves on the organization's board.

Bank employees also participated in financial literacy events to support community development services, affordable housing, and economic development. The following lists a few examples of the bank's involvement during the evaluation period:

- South Eastern Economic Development (SEED) Corporation – SEED is focused on promoting economic development in the region and improving the quality of life for residents of Massachusetts and Rhode Island. MVSb partnered with SEED in 2018 for a series of entrepreneurial workshops to local business owners.
- Dukes County Regional Housing Authority & Island Housing Trust – In 2018 and 2020, the bank partnered with the Dukes County Regional Housing Authority and Island Housing Trust to host a workshop on "Pre-Qualification Home Buying Process" to assist lower income families with home ownership.
- The Resource , for Community and Economic Development, Inc. (TRI) – TRI is a non-profit, community development corporation dedicated towards actively and innovatively impacting housing and economic development in Southeastern Massachusetts, Cape Cod, and the Islands. In 2018, the bank partnered with TRI to hold a workshop on providing housing rehabilitation funding for homeowners of low- or moderate-income.

In addition to these community development services, MVSb created a "Lift Certificate" program to assist local businesses impacted by the economic hardship of the COVID-19 pandemic. As part of the "Lift Certificate" program, consumers purchase gift certificates to local businesses through the bank's website and MVSb matches the discount of the issuing business, up to 10 percent, and assumes the cost of setting up and operating the program. The program has over 100 local businesses signed up and has raised over \$400,000 for those local businesses. This program was particularly responsive to the needs of small businesses on the island who depend on seasonal tourism affected by the COVID-19 pandemic.

Lastly, the bank provided retail banking and lending services that were responsive to the needs of low- and moderate-income individuals and small businesses affected by the COVID-19 pandemic. For example, the bank waived overdraft fees and increased ATM withdrawal limits and funds availability. The bank also offered payment accommodations, such as allowing borrowers to defer or skip payments or extending the payment due date. The bank waived late fees for loans in forbearance. These activities eased cash flow pressures on affected borrowers, improved their capacity to service debt, and helped to maintain customers' financial capacity.

## **CONCLUSIONS: COMMUNITY DEVELOPMENT TEST**

The bank's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area through community development loans that support economic development and affordable housing; qualified investments that support community development services; and community development services that help support low- and moderate-income individuals and small businesses. The bank was particularly responsive to the needs of the assessment area in response to the COVID-19 and resulting economic hardship. Overall, the Community Development Test is rated Outstanding.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX

### 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.

**Assessment area:** One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

**Census tract:** A small subdivision of metropolitan and nonmetropolitan counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community contact:** Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the FDIC have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, the FDIC, and the OCC, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**Demographics:** The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

**Distressed nonmetropolitan middle-income geography:** A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which 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).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 who 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

**Housing affordability ratio:** Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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.

**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 family income:** The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

**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 percent 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 percent and less than 80 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan statistical area (nonMSA):** Not part of a metropolitan area. (See metropolitan area.)

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Performance context:** The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.



**Performance criteria:** These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

**Performance evaluation (PE):** A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

**Qualified investment:** A qualified investment is defined as any 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.

**Small businesses/small farms:** A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

**Small loan(s) to business(es):** That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

**Underserved middle-income geography:** A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.

For additional information, please see the Definitions section of Regulation BB at 12 C.F.R. 228.12.