

PUBLIC DISCLOSURE

November 2, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mascoma Bank
RSSD # 268006

67 North Park Street
Lebanon, New Hampshire 03766

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

I.	Institution Rating	
	A. Overall Community Reinvestment Act (CRA) Rating	2
	B. Performance Test Ratings Table.....	2
	C. Summary of Major Factors Supporting Rating.....	2
II.	Institution	
	A. Description of Institution	4
	B. Scope of Examination	5
	C. Conclusions with Respect to Performance Tests	7
III.	State of New Hampshire	
	A. Summary	
	i. State Rating	17
	ii. Scope of Examination	18
	iii. Description of Institution's Operations	18
	iv. Conclusions with Respect to Performance Tests	22
IV.	State of Vermont	
	A. Summary	
	i. State Rating	33
	ii. Scope of Examination	34
	iii. Description of Institution's Operations	34
	iv. Conclusions with Respect to Performance Tests	38
	v. State of Vermont Limited Scope Review	48
V.	Appendix	
	A. Maps	A
	B. Scope of Examination Table	D
	C. Summary of State Ratings	E
	D. Glossary	F

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

The following table indicates the performance level of Mascoma Bank (Mascoma or the bank) with respect to the Lending, Investment, and Service Tests.

	MASCOMA BANK		
	PERFORMANCE TESTS		
PERFORMANCE LEVELS	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

**The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

The major components supporting the ratings in the above reference table include:

Lending Test

- The bank demonstrates excellent responsiveness to credit needs in its assessment areas, taking into account the number and amount of home mortgage and small business loans in its assessment areas.
- A high percentage of loans are made in the bank's assessment areas.
- The bank demonstrates an adequate geographic distribution in its assessment areas.
- The bank demonstrates an excellent distribution, particularly in its assessment areas, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.
- The bank demonstrates an excellent record of serving the credit needs of highly economically disadvantaged areas in its assessment areas, low-income individuals, or businesses with gross annual revenues of \$1 million or less, consistent with safe and sound banking practices.
- The bank demonstrates extensive use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.
- The bank demonstrates it is a leader in making community development loans.

Investment Test

- The bank demonstrates a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position.
- The bank demonstrates significant use of innovative or complex qualified investments.
- The bank demonstrates good responsiveness to credit and community development needs.

Service Test

- The bank demonstrates its service-delivery systems are accessible to geographies and individuals of different income levels in its assessment areas.
- To the extent changes have been made, the bank's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals.
- The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences its assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The bank demonstrates it provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Mascoma is a state chartered savings bank headquartered in Lebanon, NH. Established in 1899, the bank is wholly owned by Mascoma Mutual Financial Services Corporation. The bank has five subsidiaries, three of which are certified community development entities (CDEs) that help facilitate the bank's participation in the U.S. Department of Treasury's (Treasury) New Market Tax Credit (NMTC) program. The other subsidiaries execute the bank's wealth management and insurance activities. As a Certified Benefit Corporation (B Corporation), the bank meets certification standards that ensure its activities are helping to build a more inclusive and sustainable economy.

In addition to its headquarters at 67 North Park Street in Lebanon, NH, the bank operates 27 full-service branches, of which 14 are in New Hampshire and 13 are in Vermont. Of the branches in New Hampshire, nine are in Grafton County, two are in Cheshire County, two are in Sullivan County, and one each in Coos County and Merrimack County. The branches in Grafton County are located in Hanover (2), Bethlehem, Canaan, Enfield, Lebanon, Littleton, Lyme, and West Lebanon. The branches in Cheshire County are in Keene and Walpole; the branches in Sullivan County are in Charlestown and Claremont; the branch in Coos County is in Lancaster; and the branch in Merrimack County is in New London. All branches in New Hampshire are located in a non-metropolitan statistical area (non-MSA).

Of the branches in Vermont, seven are in Windsor County, three are in Orange County, and three are in Chittenden County. The branches in Windsor County are in White River Junction (2), Hartland, Norwich, Springfield, Windsor, and Woodstock; the branches in Orange County are in Bethel, Chelsea, and South Strafford; and the branches in Chittenden County are in Burlington (2) and South Burlington. Windsor and Orange counties are in a non-MSA and Chittenden County is in the Burlington-South Burlington, VT metropolitan statistical area (MSA). The three branches in Chittenden County were opened since the last evaluation. The bank also has a loan production office in Burlington, VT, and in Portland, ME.

The bank offers personal products and services such as checking and savings accounts, online and mobile banking, mortgages, home equity loans, and consumer loans. Business products and services including checking and savings accounts, cash management services, and commercial real estate loans. Information about the bank's products and services can be found at www.mascomabank.com.

As of June 30, 2020, bank assets totaled \$2.15 billion, loans totaled \$1.8 billion, and deposits totaled \$1.9 billion. Since the last evaluation, bank assets increased by 26.5 percent, which is attributed to a \$424.1 million increase of the bank's loan portfolio. The increase in the dollar volume of loans is partly attributed to a \$179.4 million increase in closed-end one-to-four family loans and to a \$131.2 million increase in commercial and industrial loans.

Table 1 shows the bank's loan portfolio distribution as of June 30, 2020. Residential loans, which include 1-4 family open- and closed-end loans, and multifamily residential properties, have decreased slightly from 58.5 percent to 55.8 percent of the loan portfolio by dollar volume. Commercial loans, which include commercial real estate and commercial and industrial loans, have increased slightly since the last examination, from 36.0 percent to 38.6 percent.

Table 1 Loan Distribution as of June 30, 2020		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	61,515	3.3
Revolving 1-4 Family Residential	48,293	2.6
1-4 Family Residential	849,097	46.1
Multi-Family (5 or more) Residential	131,805	7.2
Commercial RE	470,207	25.5
Farmland	226	0.0
Total Real Estate Loans	1,561,143	84.7
Commercial and Industrial	241,493	13.1
Consumer	7,419	0.4
Other revolving	397	0.0
Obligations of states and political subdivisions	33,676	1.8
Less unearned income	(1,263)	(0.1)
Total Loans	1,842,865	100.0

Call Report as of June 30, 2020.

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

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank has demonstrated an ability to meet the credit needs in the portion of the assessment area that it can reasonably serve. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of the assessment areas in which it operates.

SCOPE OF EXAMINATION

Mascoma's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Large Institutions.¹ These procedures evaluate banks under three tests: the Lending Test, the Investment Test, and the Service Test.

The bank's performance was evaluated in three assessments areas: the New Hampshire assessment area, the Vermont assessment area, and the Burlington assessment area. The New Hampshire and Vermont assessment areas were evaluated using full examination procedures and the Burlington assessment area was evaluated using limited scope procedures.

The Lending Test evaluates the bank's lending performance pursuant to the following criteria: lending activity, assessment area concentration of loans, geographic distribution of loans, borrower's profile, responsiveness of credit needs, community development lending activity, and product innovation. The Investment Test evaluates the bank's performance pursuant to the following criteria: investment and grant activity, responsiveness to credit and community development needs, and community development initiatives. The Service Test evaluates the bank's performance pursuant to the following criteria: accessibility of delivery systems, changes in branch locations, reasonableness of business hours and services, and community development services. The data used for the evaluation and the applicable timeframes are discussed below.

¹ "Large institutions" are banks or savings associations with assets of at least \$1.305 billion as of December 31 of both of the prior two calendar years.

The Lending Test was based on residential mortgage loans and small business loans originated from January 1, 2018 to December 31, 2019. More emphasis was placed on residential mortgage loans compared to small business loans for each performance criterion based on the number of originations during the evaluation period. While both the number and dollar volume of the bank's residential mortgage and small business 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 lending performance in the Burlington assessment area was assessed for 2019, as the bank did not have an assessment area in the MSA in 2018.

Although the bank was not required to collect and report loan data under the Home Mortgage Disclosure Act (HMDA) during the evaluation period, the analysis of the bank's residential mortgage lending was conducted utilizing loans that would have been reported under HMDA had the bank been required to collect and report the data. Residential loans with a purpose of "other" and/or "not applicable" were excluded from the evaluation. The bank's residential lending activity was compared to the aggregate of all lenders operating within the assessment areas. Aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB) and consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the assessment areas. The bank's residential mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS).

Small business loans included commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. The bank's small business lending performance was compared to aggregate small business data obtained from the FFIEC and also to demographic information obtained from Dun & Bradstreet, Inc., Short Hills, NJ (D&B).

The review period for the Investment Test and the Service Test was August 14, 2018 through November 2, 2020. Qualified investments and community development services were evaluated in the context of community needs and the capacity of the bank.

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 this practice assists examiners in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available.

Three community contacts were conducted in conjunction with this examination, one within each assessment area. Although operating in different states and/or markets, the contacts expressed parallel sentiments as the Upper Valley region, which includes contiguous towns in New Hampshire and Vermont along the Connecticut River, is considered homogeneous in terms of needs and opportunities. They noted some of the most significant challenges facing their economies were aging populations, workforce shortages, and a lack of affordable housing. The contacts also noted that housing costs and internet connectivity were obstacles for attracting new residents and businesses into the Upper Valley region and also Chittenden County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Mascoma's performance under the Lending Test is rated Outstanding. The Lending Test is rated High Satisfactory for both New Hampshire and Vermont. The Outstanding rating overall is primarily attributed to lending activities that were not designated at the assessment area or state level as these lending programs are generally targeted to areas beyond a regional area that include the states and assessment areas. Specifically, the leadership demonstrated in making community development loans and extensive use of innovative and flexible lending practices at the institution level resulted in an Outstanding rating.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance at the institution level and within each assessment area.

Lending Activity

The bank demonstrates excellent responsiveness to credit needs in its assessment areas, taking into account the number and amount of home mortgage and small business loans in its assessment areas.

During the evaluation period, the bank originated a total of 3,452 residential and small business loans, of which 3,012 were located in the assessment areas. Of the loans in the assessment areas, 1,757 were residential loans and 1,255 were small business loans. Residential originations increased from 744 in 2018, to 1,013 in 2019, with home purchase, refinance, and home improvement loans all experiencing notable increases. Small business loans remained stable from 2018 with 635 loans, to 2019 with 620 loans.

Although the bank was not a HMDA reporter during the evaluation period, examiners compared Mascoma to other HMDA reporters in the assessment areas. The bank was the top residential lender in both the New Hampshire and Vermont assessment areas during the evaluation period. In the New Hampshire assessment area, the bank originated 431 loans in 2018 and 540 loans in 2019. In the Vermont assessment area, the bank originated 276 loans in 2018 and 384 loans in 2019. For small business loans, the bank ranked 4th in the New Hampshire assessment area in 2018 and 2019, with 371 loans and 354 loans, respectively. In the Vermont assessment area, the bank ranked 2nd with 246 originations in 2018, and 3rd in 2019, with 241 originations.

Distribution of Lending within the Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment areas. The bank originated a high percentage of loans inside the assessment areas. Table 2 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period.

Table 2 Lending Inside and Outside the Assessment Areas										
Loan Type	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
Home Purchase	1,039	84.1	228,908	84.7	197	15.9	41,346	15.3	1,236	270,254
Refinancing	585	90.4	107,028	88.2	62	9.6	14,362	11.8	647	121,390
Home Improvement	133	88.7	17,308	77.9	17	11.3	4,920	22.1	150	22,228
Residential Total	1,757	86.4	353,244	85.4	276	13.6	60,628	14.6	2,033	413,872
Small Business Total	1,255	88.4	160,909	84.2	165	11.6	30,233	15.8	1,420	191,142
Total	3,012	87.2	514,153	85.0	441	12.8	90,861	15.0	3,453	605,014

HMDA and small business data for 2018 & 2019

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

Overall, the bank originated 3,453 residential and small business loans, of which 3,012 loans, or 87.2 percent, were inside the assessment areas.

Residential Lending

The bank originated 2,033 residential mortgage loans, of which 1,757 loans, or 86.4 percent, were inside the assessment areas. In 2018, the bank originated 841 residential mortgage loans, of which 744 loans, or 88.5 percent, were inside the assessment areas. In 2019, the bank originated 1,192 residential mortgage loans, of which 1,013 loans, or 85.0 percent, were inside the assessment areas. Home purchase, refinance, and home improvement loans all experienced notable increases from 2018 to 2019.

Small Business Lending

The bank originated 1,420 small business loans, of which 1,255 loans, or 88.4 percent, were inside the assessment areas. In 2018, the bank originated 713 small business loans, of which 635 loans, or 89.1 percent, were inside the assessment areas. In 2019, the bank originated 707 small business loans, of which 620 loans, or 87.7 percent, were inside the assessment areas.

Geographic Distribution

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. Overall, the bank demonstrated an adequate geographic distribution of loans in its assessment areas, including an adequate distribution of loans in both New Hampshire and Vermont. In both states the distribution of residential mortgage loans and small business loans were adequate. The bank's geographic distribution of loans in the Burlington assessment area exceeded that of the bank's performance in the Vermont assessment area for both residential mortgage loans and small business loans.

Borrower Distribution

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The bank demonstrated an excellent distribution, particularly in its assessment areas, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank. In New Hampshire, the bank demonstrated a good distribution of residential loans and an excellent distribution of small business loans, which resulted in an excellent distribution overall for New Hampshire. In the Vermont assessment area, the bank demonstrated an adequate distribution of residential loans and an excellent distribution of small business loans, which resulted in a good distribution for the Vermont assessment area. In the Burlington assessment area, the distribution of loans to borrowers

of different income levels was consistent with the bank's performance in the Vermont assessment area; however, the bank's residential lending performance was below that of the Vermont assessment area.

Community Development Lending Activities

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) The number and amount of community development loans in the institution's assessment area(s); 2) the extent to which community development lending opportunities have been made available to the institution; 3) the responsiveness to the opportunities for community development lending; 4) the extent of leadership the institution has demonstrated in community development lending; and 5) the innovativeness or complexity involved.

The bank is a leader in making community development loans. Overall, the bank originated 37 community development loans, totaling \$34.0 million. In addition to loans originated inside the assessment areas, the bank originated 5 loans, totaling \$12.7 million, in a statewide and/or regional area that included the assessment area and were qualified on the basis that the bank had been responsive to the community development needs and opportunities in its assessment areas. The impact and volume of community development loans at the institution level resulted in the excellent conclusion for community development lending.

Based on community development loans originated by and in conjunction with Mascoma Community Development (MCD), the bank has been responsive to opportunities, exhibited leadership, and has utilized innovative and complex strategies to engage in community development lending. MCD is a subsidiary of Mascoma and is a certified CDE with the primary mission of community development. MCD is responsible for managing the bank's NMTC program activities. The NMTC program is administered by the Community Development Financial Institutions Fund of the Treasury and encourages investment of private capital for economic development in both rural and urban low-income communities². Typical projects involve the acquisition, rehabilitation, or construction of commercial real estate developments or the expansion of operating businesses in low-income communities.

Although MCD allocates NMTCs to private investors, Mascoma has also been a direct investor into CDE loan pools that have been established as subsidiaries of MCD. It is also of note that Mascoma utilizes a leveraged lending model to facilitate its NMTC activities, meaning the bank originates loans in conjunction with MCD loans to help maximize the tax credits and returns to the investor. The establishment of MCD and its activities regarding the NMTC program helps illustrate the bank's extensive use of innovative and flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals and geographies.

During the evaluation period, MCD and Mascoma originated 7 NMTC loans, totaling \$15.1 million. All NMTC loans were originated outside of the New Hampshire and Vermont assessment areas, but within broader statewide areas that included the assessment areas. Three loans totaling \$3.5 million were in the Burlington assessment area. Of these 7 loans, Mascoma

² The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years.

was the investor for 3 loans, totaling \$4.9 million, and Mascoma also originated 3 leveraged loans, totaling \$5.2 million. The remaining NMTC loans were originated by MCD, but funded by private investors.

The following is a summary of community development loans allocated at the institution level:

- A \$5.05 million loan from MCD for the purchase and renovation of a 58,244 square foot historic building for commercial office and retail space, a community health care center, and residential rental housing in Bennington, VT. The bank also originated a \$3.6 million bridge loan for historic tax credit equity funding related to this project.
- A \$2.0 million loan from MCD for the acquisition and improvement of a downtown mixed-use building in Concord, NH. The bank also originated a \$907,000 commercial mortgage for the acquisition of the building.
- A \$1.1 million Paycheck Protection Program (PPP) loan to a business in Portland, ME. This loan is qualified as revitalization and stabilization as it helps maintain jobs for a business within a moderate-income tract. The bank is receiving credit for this loan as it has demonstrated an excellent responsiveness to the credit and community development needs within its assessment area, and its PPP lending encompasses a regional area that includes the assessment areas.

In New Hampshire, the bank made an adequate level of community development loans with 15 loans for \$5.7 million. In Vermont, the bank made a relatively high level of community development loans, with 13 loans for \$9.4 million. The bank's performance in making community development loans in the Burlington assessment area was consistent with its performance in the Vermont assessment area, with 4 loans totaling \$6.2 million. Of the 4 loans in the Burlington assessment area, 2 loans were originated by MCD under the NMTC program, 1 loan was originated by Mascoma as a leveraged loan for the NMTC program, and the last loan was a PPP loan for \$2.7 million in a moderate-income tract.

The bank demonstrates extensive use of innovative and/or flexible loan programs to help meet the credit needs of low- and moderate-income borrowers and small businesses, including in New Hampshire and Vermont. The following is a description of innovative and/or flexible lending programs offered by the bank:

- *Paycheck Protection Program (PPP)* - In response to the COVID-19 pandemic in 2020, the bank originated 1,479 PPP loans, totaling \$140.9 million. These loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria. As a large bank, Mascoma will be required to report these PPP loans as small business loans if they are in amounts of \$1 million or less; they will, therefore, be included in the bank's next CRA evaluation. PPP loans in amounts greater than \$1 million were considered as community development loans for this evaluation if they had a primary purpose of community development as defined under the CRA. The volume of PPP loans originated, which nearly exceeded the volume of small business loans originated in 2018 and 2019 combined, demonstrates the bank's excellent

responsiveness in serving the credit needs of all its assessment areas.

- *Loan Forbearance* – In response to the COVID-19 pandemic in 2020, the bank permitted loan forbearances on commercial, residential, and consumer loans. In total, the bank granted 635 forbearances on a total loan balance of \$281.9 million. Of the total, approximately 82.0 percent by dollar volume were on commercial loans, and 18.0 percent by dollar volume on residential loans. In March, 2020, a Joint Statement on CRA Consideration for Activities in Response to COVID-10 was published by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency (the Agencies). In this guidance, the Agencies emphasized that prudent efforts to modify the terms on new or existing loans for affected small businesses will receive CRA consideration as such efforts can ease cash flow pressures, improve capacity to service debt, and help recover financial capacity. Based on additional interagency guidance from May 2020, activities such as loan forbearances are deemed particularly responsive as they promote stability for low- or moderate-income homeowners who are experiencing financial hardship due to COVID-19. Examiners consider the bank's actions in granting loan forbearances during the COVID-19 pandemic as particularly responsive to the credit needs across all its assessment areas.
- *Emergency Loan Program* - In 2019, the bank leveraged its position as a lender participating in the United Way Income Advance loan program and expanded participation by implementing its own in-house program for its commercial banking customers. It is a no-questions-asked, 0% interest, unsecured emergency loan program for employees of the bank's commercial customers that range in amounts up to \$1,500. Loan payments are automatically deducted from the employee's paycheck and after the loan is paid the deductions continue into a savings account to help the borrower to build their savings. In 2019, the bank originated 27 loans, totaling \$41,500, to low- and moderate-income borrowers in the assessment areas. The emergency loan program is another example of the bank's excellent responsiveness in serving the credit needs of its assessment areas.
- *VA, FHA, and USDA Lending* - On a brokered loan basis, the bank originates Veterans Affairs (VA), Federal Housing Administration (FHA), and U.S. Department of Agriculture Rural Development (USDA) loans. VA loans are backed by the U.S. Department of Veterans Affairs and offer favorable loan terms and can accommodate no down payment on home purchases. FHA loans offer favorable interest rates, low down payment requirements, favorable credit history requirements, and reduced closing costs. USDA loans are no down payment, low interest, fixed-rate homeownership loans provided to qualified persons through private financial institutions and guaranteed by the USDA. The program aims to assist approved lenders in providing low- and moderate-income households the opportunity to own adequate, decent, safe, and sanitary dwellings as their primary residence in eligible rural areas. During the evaluation period, the bank originated 15 loans, for \$4.4 million, to low- and moderate-income borrowers through these three programs.
- *80-20 Purchase Money Jr. Lien Program* - This loan program is intended to benefit borrowers looking to purchase a primary residence who do not have a sizeable down payment. The program provides insured second lien mortgages that are a more cost effective option than paying for private mortgage insurance and also allow the borrower

to finance up to 100 percent of the property value. During the evaluation period, the bank originated 26 loans, totaling \$740,940, to low- and moderate-income borrowers under this program.

- *Manufactured Home Lending* - Manufactured homes can be financed for homes located on a borrower's own land or in a manufactured home park, which often has a lower monthly cost than rental housing in a traditional apartment. Owning a manufactured home allows the borrower to build wealth through equity and ensures stability in their housing. Within the bank's assessment areas, manufactured homes represent an affordable housing option as real estate prices make traditional home ownership unattainable based on median family income, and there is also a well-known lack of workforce housing. During the evaluation period, the bank originated 77 manufactured home loans, totaling \$4.8 million. Of the total, 54 loans, or 70.0 percent, by number were originated to low- and moderate-income borrowers.
- *United Way Income Advance* - This partnership between United Way and employers is focused on giving employees the resources they need to gain, keep, and grow in stable employment. The Income Advance Loan program is a partnership between employers and financial institutions to help employees meet emergency needs, and begin saving and building credit. Mascoma processes these applications, and loan amounts can be up to \$3,000. The bank provided loans for 11 different companies within the assessment areas. During the evaluation period, the bank originated 125 loans, totaling \$126,900, to low- and moderate-income borrowers in the assessment areas.
- *Equity Builder Program (EBP)* - As a member of the Federal Home Loan Bank of Boston (FHLBB), Mascoma participates in the EBP, which provides low- and moderate-income borrowers with down payment, closing cost, home-buyer counseling, and rehabilitation assistance. During the evaluation period, the bank provided three grants, totaling \$43,363, under this program.

INVESTMENT TEST

Mascoma's performance under the Investment Test is rated High Satisfactory. The Investment Test for New Hampshire is also rated High Satisfactory and the Investment Test for Vermont is rated Low Satisfactory.

The Investment Test evaluates the institution's record of meeting the credit needs of its assessment area through its use of qualified investments³ that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The institution's investment performance is evaluated pursuant to the following criteria: 1) the number and dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

³ A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

The bank demonstrated a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position. Qualified investments totaled \$7.6 million, of which \$6.1 million were in the form of equity and/or tax credit investments, and \$1.5 million was in the form of donations. Investments at the bank level, which were not attributed to any specific assessment area, totaled \$3.1 million and consisted of \$2.3 million in equity and/or tax credit investments, and \$853,918 in donations.

Qualified investments made at the institution level include the following:

- In 2019, the bank made a \$2.0 million investment into a three-state, multi-investor housing equity fund serving Vermont, New Hampshire, and Maine. The fund is intended to increase capital for affordable housing by raising equity through syndicating federal low-income housing tax credits (LIHTC), historic tax credits, and affordable housing tax credits.
- A \$259,000 investment in the Housing Trust of Rutland, VT, for the purchase and renovation of a 40-unit subsidized housing development located in Fair Haven, VT. The bank received credit for this investment, which is outside its assessment area, as it has been responsive to the community development needs and opportunities in its assessment areas.
- A \$16,625 in-kind investment of Banzai, Inc, Provo, UT (Banzai) financial literacy software and materials for several schools. The program is free for schools and students as it is subsidized by financial institutions. Schools in the assessment areas can leverage Banzai as part of their financial literacy curriculum. A description of Banzai is included under the Service Test.

The significant level of qualified investments at the institution level was also driven by the bank's annual investment into the Mascoma Bank Foundation (foundation). The foundation was established in 1988, with the purpose of giving back to its communities in the form of grants. The foundation provides capital funding to non-profit organizations within the bank's market area with the goal of contributing to the long-term benefit of its communities. Typical projects include facility and infrastructure improvements, new construction, capital campaigns, and capital items outside normal operating budgets.

The foundation is not an affiliate of the bank and therefore examiners were unable to qualify individual grants made from the foundation. However, examiners qualified the bank's annual contributions to the foundation on the basis that the primary purpose of the foundation is community development. During the evaluation period, the examiners qualified two annual contributions from the bank to the foundation, totaling \$757,745.

In New Hampshire and Vermont, the bank demonstrated an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Qualified investments in New Hampshire totaled \$1.6 million and consisted of \$1.3 million in equity and/or tax credit investments and \$264,691 in donations. Qualified investments in Vermont totaled \$2.2 million and consisted of \$1.9 million in equity and/or tax credit investments and \$283,966 in donations. The bank's level of qualified investments in the Burlington assessment area was consistent with its performance in Vermont, and totaled \$666,287, of which \$567,137 was in the form of equity and/or tax credit investments and \$99,150 in donations.

The bank demonstrated significant use of innovative or complex qualified investments at the institution level and in New Hampshire. The bank demonstrated occasional use of innovative or complex qualified investments in Vermont. The bank's use of innovative or complex qualified investments in the Burlington assessment area was consistent with the bank's significant use in Vermont.

The bank demonstrated good responsiveness to credit and community development needs overall and within New Hampshire and Vermont. The bank's responsiveness in the Burlington assessment area was consistent with the bank's responsiveness in Vermont.

SERVICE TEST

Mascoma's performance under the Service Test is rated High Satisfactory. The bank's performance under the Service Test for New Hampshire and Vermont are both also rated High Satisfactory.

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Retail Banking Services

Retail banking services evaluate the availability and effectiveness of an institution's systems for delivering retail banking services, pursuant to the following criteria: 1) the current distribution of the institution's branches among low-, moderate-, middle-, and upper-income geographies; 2) in the context of its current distribution of branches, the record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's service delivery systems are accessible to geographies and individuals of different income levels, including in New Hampshire and Vermont. The bank's service-delivery systems in the Burlington assessment area exceeded that of Vermont based on the operation of two branches in moderate-income tracts relative to the number of branches in that assessment area and area demographics.

To the extent changes have been made, the bank's record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate- income individuals. The bank did not open or close any branches in the New Hampshire and Vermont assessment areas during the evaluation period; therefore, branch openings and/or closures did not adversely affect the accessibility of delivery systems. Branch openings in the Burlington assessment area have improved the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. During the evaluation period, the bank opened three branches in the Burlington assessment area, two of which were located in moderate-income census tracts in

the city of Burlington. The branch openings in the city of Burlington demonstrated the activities in this assessment area exceeded that of Vermont as the branch openings benefitted moderate-income tracts and also serve as the basis for the bank level conclusion of the bank's record of opening and closing branches.

Bank services, including those in New Hampshire and Vermont, (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment areas, particularly low- and moderate-income geographies and low- and moderate-income individuals. Bank services in the Burlington assessment area exceeded that of Vermont as they are open for longer hours per week and services are being tailored to the conveniences and needs of individuals and families in the neighborhoods of Burlington.

In response to the COVID-19 pandemic in 2020, the bank waived fees for mortgage late charges, commercial late charges, maintenance fees on checking and savings accounts, ATM fees, and overdraft fees. It is estimated that the bank relinquished nearly 22.5 percent of budgeted non-interest income from April to November, 2020. The bank's action in waiving fees during the COVID-19 pandemic demonstrates excellent responsiveness to the needs of low- and moderate-income individuals and small businesses.

The bank provides a relatively high level of community development services, including high levels in New Hampshire and Vermont. The bank's level of community development services in the Burlington assessment area was below that of Vermont.

Community Development Services

Community development services are evaluated pursuant to the following criteria: 1) the extent to which the institution provides community development services; and 2) the innovativeness and responsiveness of community development services.

The bank provides a relatively high level of community development services, including high levels in New Hampshire and Vermont. The bank's level of community development services in the Burlington assessment area is below that of the Vermont assessment area.

Employee Services

Northern New England Housing Investment Test (NNEHIF) - NNEHIF is a non-profit corporation that promotes housing and community development by providing equity capital, technical assistance, and consulting to affordable housing developers. A managing director at the bank is a member of the Vermont and New Hampshire investment committee.

Educational Programs and Seminars

The bank partners with Banzai, an online financial literacy provider, with the primary objective of helping students become more prepared for the financial decisions they will make after high school. The bank provides software licenses to students, printed materials, and technical and educational support for approximately 23 schools in New Hampshire and Vermont. Program materials have also been made available to parents of students, community members, and to all deposit account holders at the bank via the Banzai Direct Program. Bank employees also make themselves available to provide in-class support to students working through the program.

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.

STATE OF NEW HAMPSHIRE

<i>CRA RATING FOR New Hampshire:</i>	<u><i>Satisfactory</i></u>
<i>The Lending Test is rated:</i>	<u><i>High Satisfactory</i></u>
<i>The Investment Test is rated:</i>	<u><i>High Satisfactory</i></u>
<i>The Service Test is rated:</i>	<u><i>High Satisfactory</i></u>

Lending Test

- The bank demonstrates an adequate geographic distribution in its assessment area.
- The bank demonstrates an excellent distribution, particularly in its assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.
- The bank demonstrates an excellent record of serving the credit needs of highly economically disadvantaged area in its assessment area, low-income individuals, or businesses with gross annual revenues of \$1 million or less, consistent with safe and sound banking practices.
- The bank demonstrates use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.
- The bank demonstrates it has made an adequate level of community development loans.

Investment Test

- The bank demonstrates an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position.
- The bank demonstrates significant use of innovative or complex qualified investments.
- The bank demonstrates good responsiveness to credit and community development needs.

Service Test

- The bank demonstrates its service delivery systems are accessible to geographies and individuals of different income levels in its assessment area.
- To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals.

- The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The bank demonstrates it provides a relatively high level of community development services.

SCOPE OF EXAMINATION

The performance within the state of New Hampshire was evaluated based on performance within the New Hampshire assessment area, which is wholly located in the non-MSA portion of the state. The New Hampshire assessment area was evaluated using full examination procedures. Based on the level of deposits, lending, and other activities, the New Hampshire assessment area was given slightly more weight compared to the Vermont assessment area when arriving at institution ratings. The performance criteria and review periods are consistent with the scope described in the Institution section of this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

The New Hampshire assessment area consists of the entirety of Sullivan County and portions of Cheshire County, Coos County, Grafton County, and Merrimack County. These counties are not located in an MSA. The assessment area covers nearly the entire western portion of the state, from the Massachusetts state boundary to the south, to southern Coos County, which borders Canada to the north. In addition to its headquarters in Lebanon, NH, the bank operates 14 full-service branches. Each full-service branch has an ATM. The bank did not open, close, or relocate any other branches in the assessment area during the review period.

According to the Federal Deposit Insurance Corporation (FDIC) Summary of Deposits report as of June 30, 2019, branch deposits within the New Hampshire assessment area totaled \$1.1 billion, or 70.3 percent, of the bank's total deposits. According to the FDIC Deposit Market Share report as of the same date, there were 22 financial institutions offering deposit services through 145 branches within the counties that comprise the assessment area. The bank ranked 3rd, with a deposit market share of 10.9 percent. The bank is the only community bank with a double-digit deposit market share; national banks, TD Bank, N.A. and Citizens Bank, N.A., ranked 1st and 2nd, respectively, while Bank of America, N.A. ranked 4th. However, the bank does face competition from local and regional community banks, including Bar Harbor Bank & Trust and Bank of New Hampshire, which have a significant branch presence in the counties that comprise the New Hampshire assessment area. In terms of lending presence, 55.7 percent of the bank's home mortgage and small business loans originated within the assessment areas during the review period were in the New Hampshire assessment area.

Relevant demographic data for the New Hampshire assessment area is provided in Table 3 below.

Table 3 Assessment Area Demographics New Hampshire								
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	9,419	20.0
Moderate-income	8	20.0	9,003	19.1	862	9.6	8,811	18.7
Middle-income	24	60.0	29,681	62.9	1,790	6.0	10,251	21.7
Upper-income	8	20.0	8,507	18.0	301	3.5	18,710	39.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	40	100.0	47,191	100.0	2,953	6.3	47,191	100.0
	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	17,605	9,804	18.8	55.7	4,887	27.8	2,914	16.6
Middle-income	57,331	32,964	63.1	57.5	13,146	22.9	11,221	19.6
Upper-income	16,531	9,436	18.1	57.1	3,930	23.8	3,165	19.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	91,467	52,204	100.0	57.1	21,963	24.0	17,300	18.9
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,724	18.8	1,536	18.7	164	20.7	24	15.6
Middle-income	5,432	59.2	4,869	59.1	457	57.6	106	68.8
Upper-income	2,026	22.1	1,830	22.2	172	21.7	24	15.6
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	9,182	100.0	8,235	100.0	793	100.0	154	100.0
	Percentage of Total Businesses			89.7		8.6		1.7

2019 FFIEC Census data and 2019 D&B information

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

Composition

The New Hampshire assessment area consists of 40 census tracts, of which 8 are moderate-income, 24 are middle-income, and 8 are upper-income. Moderate-income census tracts are located in the municipalities of Hinsdale and Winchester in Cheshire County; Dalton and Whitefield (one census tract) in Coos County; Littleton and Haverhill in Grafton County; and Claremont (two census tracts) and Charleston in Sullivan County. Upper-income census tracts are mainly located in the Dartmouth-Lake Sunapee Region of Grafton County, encompassing the towns of Sunapee and New London northwest along I-89 to the towns of Lebanon, Hanover, and Lyme. There are no low- or unknown-income census tracts in the assessment area. The low level of moderate-income census tracts limits opportunities for the origination of residential and small business loans in these tracts.

Population

The assessment area has a population of 184,033 individuals. There are 74,167 households, of which 47,191 are families. The largest portion of families, at 39.6 percent, are upper-income. Middle-income families account for 21.7 percent families, and moderate- and low-income families represent 18.7 percent and 20.0 percent, respectively. Major population centers are located in the Upper Valley along the I-91 corridor, including the city of Lebanon and town of Hanover in Grafton County. Hanover is home to Dartmouth College. The city of Keene in Cheshire County is another population center, and is home to Keene State College. Outside of these population centers, the New Hampshire assessment area is generally rural, consisting of small villages and forests, including the White Mountain National Forest.

New Hampshire has experienced steady population growth. According to an article published in the NH Journal, from 2010 to 2018 the state's population grew by 3.3 percent. While below the national rate of 5.8 percent, the state's population growth was above the New England average of 1.7 percent, and second only to Massachusetts within the region. This population growth may support economic growth, but can also strain the existing housing stock, which may increase the need for affordable workforce housing. The New Hampshire assessment area also has a larger population of individuals age 65 and over, at 17.9 percent, relative to the nation. In Coos County, 21.3 percent of the population is age 65 and over. This aging population creates a need for affordable housing and community development services for seniors. Additionally, the aging population generally resides in an aging housing stock, which increases the volume of homes in need of improvement, rehabilitation, and weatherization.

Income

The FFIEC adjusts the median family income (MFI) of metropolitan and non-metropolitan 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 for the New Hampshire assessment area.

Table 4		
Median Family Income		
MSA/MD	2018	2019
New Hampshire Non-MSA	\$80,600	\$81,600

FFIEC median family estimates.

The MFI for the New Hampshire assessment area was \$80,600 in 2018 and \$81,600 in 2019. This MFI applies to the counties comprising the New Hampshire assessment area in addition to Belknap County and Carrol County in the eastern portion of the state. The poverty rate for the New Hampshire assessment area of 6.3 percent is slightly above the state of New Hampshire as a whole. Poverty rates are highest in the more rural portions of New Hampshire assessment area where poverty rates exceed double digits. This suggests that despite being predominantly middle- and upper-income, many residents in the New Hampshire assessment area experience economic insecurity. As a result, the provision of community development services for low- and moderate-income individuals is a vital need throughout the New Hampshire assessment area.

Services for low- and moderate-income individuals and families are commonly offered through organizations with wide geographic footprints due to the rural nature of the area, as evidenced by bank community development activities.

Housing

The assessment area contains 91,467 housing units, of which 57.1 percent are owner-occupied. Rental units account for 24.0 percent of total housing units. Within moderate-income census tracts, rental units represent 27.8 percent of total housing units. Vacant units comprise 18.9 percent of total housing units, which is slightly above the state of New Hampshire average of 15.9 percent. In Grafton County, vacant units comprise 32.1 percent of the housing stock. The relatively high vacancy rate is due in part to the number of seasonal and occasional-use homes in the area. One-to-four family housing units comprise 81.6 percent of total housing units. Multifamily housing units comprise just 10.8 percent of the housing stock, suggesting that opportunities to finance larger affordable housing properties may be limited. Mobile homes comprise 7.5 percent of the housing stock. As mentioned under the innovative or flexible lending programs at the institution level, manufactured homes are an affordable housing option for many borrowers within the assessment area given the high cost of housing compared to MFIs.

According to the October 21, 2020 release of the Federal Reserve Board's Beige Book, high prices and substantial inventory shortages characterize residential real estate markets in New England. Data obtained from the New Hampshire Association of Realtors further indicates that housing prices are rising statewide. The median sales price in NH was \$350,000 through October of 2020, representing a 17.5 percent increase year-over-year. This increase was 20.3 percent in Cheshire County, 27.6 percent in Coos County, 18.7 percent in Grafton County, 15.3 percent in Merrimack County, and 29.9 percent in Sullivan County. Rapidly rising home values have created a need for affordable workforce housing, especially for low-income families and people on fixed incomes.

Business Characteristics

According to D&B data, there are 9,182 businesses operating within the assessment area. Of the businesses, the vast majority, at 89.7 percent, have gross annual revenues (GARs) of \$1 million or less. At 59.2 percent, the majority of businesses are located in middle-income census tracts, which is reflective of the overall census tract distribution of the assessment area. Similarly, 18.8 percent of businesses are located in moderate-income census tracts. Primary industries in the assessment area include health care, retail services, hospitality services, manufacturing, and education. Large employers include Dartmouth-Hitchcock Medical Center, Hypertherm, Inc., Mount Sunapee Resort, C&S Wholesale Grocers, Dartmouth College, and Keene State College.

Employment Statistics

Employment within the assessment area is stable. According to the U.S. Bureau of Labor Statistics, the unemployment rate for the United States as of August of 2020 was 8.4 percent, while the unemployment rate for the state of New Hampshire was 6.4 percent. The unemployment rates for the counties within the assessment area also compared favorably to the national unemployment rate, at 5.9 percent in Cheshire County, 6.8 percent in Coos County, 5.2 percent in Grafton County, 5.6 percent in Merrimack County, and 5.4 percent in Sullivan County. Unemployment rates have gradually decreased after rising sharply in the spring and

summer of 2020 due to the COVID-19 pandemic. However, many residents and businesses, as well as the non-profit organizations that support them, continue to face economic hardship.

Community Contacts

A community contact was conducted with a non-profit dedicated to strengthening businesses and the economy in Grafton County, NH. The contact noted a demand for microfinancing for small business start-ups. While the contact cited workforce shortages and an aging population, they felt the employment demographics in the area have started to tick up within the last year. Housing prices are an obstacle to get people to move into the region. The contact felt the most significant issue with workforce development was lack of internet connectivity. The contact stated that area banks responded positively in the wake of the COVID-19 pandemic, and noted that all institutions provided forbearance arrangements and commended the banks' willingness to provide PPP loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE

LENDING TEST

Mascoma's performance under the Lending Test in New Hampshire is rated High Satisfactory.

Geographic Distribution

The bank demonstrates an adequate geographic distribution of loans in its assessment area.

Residential Lending

Table 5 provides a comparison of the bank's residential lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 5 Geographic Distribution of Residential Loans New Hampshire														
Product Type	Census Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	18.8	38	13.1	15.4	3,693	6.7	11.2	24	8.6	14.9	2,267	3.9	11.2
	Middle	63.1	172	59.1	68.1	26,702	48.4	65.8	172	61.6	67.9	30,371	52.4	65.9
	Upper	18.1	81	27.8	16.4	24,749	44.9	23.0	83	29.7	17.2	25,328	43.7	22.9
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	291	100.0	100.0	55,144	100.0	100.0	279	100.0	100.0	57,966	100.0	100.0
REFINANCE	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	18.8	14	11.5	15.0	1,578	7.9	10.4	15	7.9	15.0	1,704	4.9	9.8
	Middle	63.1	73	59.8	64.5	8,973	44.7	62.4	116	61.1	65.3	15,232	43.8	59.3
	Upper	18.1	35	28.7	20.5	9,518	47.4	27.2	59	31.1	19.8	17,810	51.3	30.9
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	122	100.0	100.0	20,069	100.0	100.0	190	100.0	100.0	34,746	100.0	100.0
HOME IMPROVEMENT	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	18.8	2	11.1	13.4	105	6.6	8.7	5	9.3	10.5	170	3.2	10.2
	Middle	63.1	12	66.7	65.4	1,083	68.5	51.3	35	64.8	68.4	2,205	41.9	64.1
	Upper	18.1	4	22.2	21.2	393	24.9	40.1	14	25.9	21.1	2,890	54.9	25.7
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	18	100.0	100.0	1,581	100.0	100.0	54	100.0	100.0	5,265	100.0	100.0
HMDA TOTALS*	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	18.8	54	12.5	15.3	5,376	7.0	11.0	44	8.4	14.8	4,141	4.2	12.3
	Middle	63.1	257	59.6	67.0	36,758	47.9	64.5	323	61.8	67.0	47,808	48.8	61.9
	Upper	18.1	120	27.8	17.7	34,660	45.1	24.5	156	29.8	18.3	46,028	47.0	25.7
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	431	100.0	100.0	76,794	100.0	100.0	523	100.0	100.0	97,977	100.0	100.0

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 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 54 residential mortgage loans, or 12.5 percent, in the moderate-income tracts. At 12.5 percent, the bank's lending percentage was below the percentage of owner-occupied housing units in those tracts, at 18.8 percent, and also below the aggregate's lending percentage in those tracts, at 15.3 percent. In 2019, although the bank's overall lending in the New Hampshire assessment area increased by number of loans, the penetration within moderate-income tracts decreased to 44 loans, or 8.4 percent.

Although the bank's lending percentage in moderate-income tracts was well below the aggregate at 18.4 percent, of note is that 5 of the 8 moderate-income tracts in the assessment area were added as of April 2019, and the bank had not yet fully allocated lending resources to those areas. Additionally, the bank does not have any branches located within the newly added moderate-income tracts and also faces competition from national and local lenders within Littleton and Claremont. There were no conspicuous gaps for residential mortgage loans in the moderate-income census tracts as the bank penetrated each tract in 2018 and 2019.

Small Business Lending

Table 6 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loan is adequate.

Table 6 Geographic Distribution of Small Business Loans by Census Tract New Hampshire								
Census Tract Income Level	2018				2019			
	Total Businesses by Census Tract	Bank		Aggregate	Total Businesses by Census Tract	Bank		Aggregate
	%	#	%	%	%	#	%	%
Low	0.0	0	0.0	0.0	0.0	0	0.0	0.0
Moderate	18.8	58	15.6	18.7	18.8	58	16.4	18.4
Middle	59.2	236	63.6	59.1	59.2	221	62.4	60.2
Upper	22.1	77	20.8	21.5	22.1	75	21.2	20.0
Unknown	0.0	0	0.0	0.7	0.0	0	0.0	1.3
Total	100.0	371	100.0	100.0	100.0	354	100.0	100.0

2018 and 2019 D&B data, 2018 and 2019 bank small business data, 2018 and 2019 aggregate small business data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2018, the bank originated 58 small business loans, or 15.6 percent, within the moderate-income tracts, which was slightly below the aggregate, at 18.7 percent, and the percentages of businesses within those tracts, at 18.8 percent. In 2019, the bank once again originated 58 small business loans, or 16.4 percent, of small business loans in moderate-income tracts, which again was slightly below the aggregate, at 18.4 percent.

There were no conspicuous gaps in the bank's small business loan penetration of in the moderate-income tracts. During the evaluation period, the bank penetrated 6 of the 8 moderate-income tracts. For the two moderate-income tracts not penetrated, the bank penetrated the contiguous tracts with small business loans. Additionally, one of the moderate-income tracts not penetrated was added to the assessment area as of 2019.

Borrower Distribution

The bank demonstrates an excellent distribution, particularly in its assessment areas, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Residential Lending

Table 7 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is good.

Table 7 Borrower Distribution of Residential Loans New Hampshire														
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	20.0	21	7.2	6.9	1,789	3.2	3.8	18	6.5	6.3	2,773	4.8	3.4
	Moderate	18.7	65	22.3	22.3	6,096	11.1	17.3	65	23.3	22.1	7,543	13.0	16.4
	Middle	21.7	69	23.7	23.6	9,878	17.9	21.9	65	23.3	24.3	9,912	17.1	21.4
	Upper	39.6	134	46.0	33.3	36,845	66.8	43.8	128	45.9	36.6	37,271	64.3	48.2
	Unknown	0.0	2	0.7	13.9	536	1.0	13.3	3	1.1	10.7	467	0.8	10.6
	Total	100.0	291	100.0	100.0	55,144	100.0	100.0	279	100.0	100.0	57,966	100.0	100.0
REFINANCE	Low	20.0	17	13.9	10.9	929	4.6	6.2	17	8.9	7.4	2,844	8.2	3.5
	Moderate	18.7	25	20.5	22.5	2,651	13.2	17.4	44	23.2	19.1	4,099	11.8	12.5
	Middle	21.7	26	21.3	24.2	3,748	18.7	21.9	47	24.7	21.2	5,572	16.0	17.7
	Upper	39.6	53	43.4	32.8	12,729	63.4	45.4	82	43.2	35.0	22,231	64.0	47.4
	Unknown	0.0	1	0.8	9.6	12	0.1	9.1	0	0.0	17.4	0	0.0	19.0
	Total	100.0	122	100.0	100.0	20,069	100.0	100.0	190	100.0	100.0	34,746	100.0	100.0
HOME IMPROVEMENT	Low	20.0	0	0.0	10.6	0	0.0	4.4	3	5.6	9.5	80	1.5	7.1
	Moderate	18.7	5	27.8	16.8	300	19.0	7.9	9	16.7	21.1	362	6.9	22.1
	Middle	21.7	3	16.7	19.6	278	17.6	12.3	20	37.0	25.3	1,296	24.6	19.1
	Upper	39.6	10	55.6	49.7	1,003	63.4	72.5	22	40.7	43.7	3,527	67.0	50.6
	Unknown	0.0	0	0.0	3.4	0	0.0	2.9	0	0.0	0.5	0	0.0	1.1
	Total	100.0	18	100.0	100.0	1,581	100.0	100.0	54	100.0	100.0	5,265	100.0	100.0
HMDA TOTALS*	Low	20.0	38	8.8	8.1	2,718	3.5	4.3	38	7.3	6.8	5,697	5.8	3.2
	Moderate	18.7	95	22.0	22.0	9,047	11.8	17.0	118	22.6	20.9	12,004	12.3	13.8
	Middle	21.7	98	22.7	23.5	13,904	18.1	21.6	132	25.2	23.1	16,780	17.1	18.3
	Upper	39.6	197	45.7	34.0	50,577	65.9	45.0	232	44.4	36.1	63,029	64.3	43.7
	Unknown	0.0	3	0.7	12.4	548	0.7	12.1	3	0.6	13.1	467	0.5	21.1
	Total	100.0	431	100.0	100.0	76,794	100.0	100.0	523	100.0	100.0	97,977	100.0	100.0

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 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 38 residential mortgage loans, or 8.8 percent, to low-income borrowers. At 8.8 percent, the bank's lending performance was below the percentage of low-income families in the assessment area, at 20.0 percent, but above the aggregate, at 8.1 percent. For the same year, the bank originated 95 residential mortgage loans, or 22.0 percent, to moderate-income borrowers, which was above the percentage of moderate-income families at 21.7 percent and the same as the aggregate, at 22.0 percent. In 2019, the number of loans originated to low-income borrowers remained the same with 38 loans, or 7.3 percent, which remained above the aggregate at 6.8 percent. For the same year, the bank originated 118 residential mortgage loans, or 22.6 percent, to moderate-income borrowers, which was above the aggregate, at 22.6 percent. The bank's good distribution of residential mortgage loans to low- and moderate-income borrowers is likely attributed to its use of innovative or flexible lending practices.

Small Business Lending

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 8 details the bank's lending to small businesses according to revenue size. The bank's performance in lending to businesses with GARs of \$1 million or less is excellent.

Table 8 Distribution of Small Business Loans By Gross Annual Revenue of Business New Hampshire								
Gross Annual Revenues	2018				2019			
	Total Businesses	Bank		Aggregate	Total Businesses	Bank		Aggregate
	%	#	%	%	%	#	%	%
≤ \$1MM	89.7	251	67.7	45.6	89.7	220	62.1	44.7
> \$1MM	8.6	114	30.7		8.6	126	35.6	
N/A	1.7	6	1.6		1.7	8	2.3	
Total	100.0	371	100.0		100.0	354	100.0	

2018 and 2019 D&B data, 2018 and 2019 bank small business data, 2018 and 2019 aggregate small business data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences

In 2018, the bank originated 251 small business loans, or 67.7 percent, to businesses with GARs of \$1 million or less. The bank's lending percentage exceeded the aggregate by 22.1 percentage points. Although the bank's number and percentage of lending of small business loans to businesses with GARs of \$1 million or less decreased in 2019, the bank still exceeded the aggregate by 17.4 percentage points.

The bank made use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies. Below is a summary of loans originated through such programs within the assessment area:

- *VA, FHA, and USDA Lending* –11 total loans, for \$2.9 million, to low- and moderate-income borrowers through these three programs.
- *80-20 Purchase Money Jr. Lien Program* - 16 loans, totaling \$440,010, to low- and moderate-income borrowers.
- *Manufactured Home Lending* - 53 manufactured home loans, totaling \$3.1 million. Of the total, 38 loans, or 72.0 percent, totaling \$1.8 million, were originated to low- and moderate-income borrowers.
- *New Hampshire Housing Finance Authority (NHHFA)* - The bank originates FHA, VA, and USDA Rural Development loans on a brokered basis as a participating lender. The NHHFA promotes, finances, and supports affordable housing through the operation of rental and homeownership programs designed to assist low- and moderate-income persons. During the evaluation period, the bank originated 5 FHA fixed rate loans and 3 USDA loans, for a total of \$1,008,454.
- *New Hampshire Business Finance Authority (NHBFA)* – The NHBFA's mission is to foster economic development and create employment in New Hampshire by working with banks and businesses to develop and implement programs that expand the availability of credit in the state. The Capital Access Program provides a full guarantee on terms loans and lines of credit up to \$200,000 for businesses with annual revenues of less than \$5.0 million. During the evaluation period, the bank originated three loans, totaling \$42,500, as part of this program.

The bank demonstrated an excellent record of serving the credit needs of highly economically

disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of \$1 million or less, consistent with safe and sound operations. Below is a summary of loans originated within the assessment area:

- *PPP* – In 2020, the bank originated 747 PPP loans, totaling \$71.7 million, in the New Hampshire assessment area. Of the 747 loans, 101 loans, totaling \$7.4 million, were in moderate-income tracts. PPP loans are designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. These loans were particularly impactful for businesses with GARs of \$1 million or less who heavily rely on annual revenue for maintaining operations.
- *Emergency Loan Program* – In 2019, the bank originated 22 loans, totaling \$32,500, to borrowers through this program. The creation and implementation of this program highlights the bank's responsiveness to recognizing and servicing the credit needs of its assessment areas.
- *United Way Income Advance* – During the review period, the bank originated 96 loans, totaling \$97,600, to low- and moderate-income borrowers.

Community Development Lending

The bank made an adequate level of community development loans. The bank originated 15 community development loans, totaling \$5.7 million, in the New Hampshire assessment area. Of the total, 12 loans, totaling \$4.5 million, were qualified as community development services, of which 1 loan, totaling \$4.0 million, accounted for the substantial majority of community development lending by dollar volume within the assessment area. Of note is that the bank did not originate any community development loans as part of the NMTC program within the assessment area, however, there were some NMTC loans originated within the state of New Hampshire. Based on the geographic reach of the NMTC program, which extends beyond a regional area that includes the assessment area and corresponding state, NMTC loans outside the assessment area were allocated at the institutional level. Table 9 provides a summary of the bank's community development lending.

Table 9 Qualified Community Development Loans New Hampshire								
Community Development Category	2018 (as of August 13)		2019		2020 YTD		Review Period	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	\$2,000	0	\$0	1	\$925,000	2	\$927,000
Community Services	1	\$20,000	10	\$479,588	1	\$4,020,400	12	\$4,519,988
Revitalization/Stabilization	0	\$0	1	\$250,000	0	\$0	1	\$250,000
Total	2	\$22,000	11	\$729,588	2	\$4,945,400	15	\$5,696,988

Bank provided community development loan data

The following is a summary of some of the more responsive and impactful community development loans qualified in the assessment area:

- In 2020, a \$4.0 million PPP loan to a hospital in a moderate-income tract. Per recent interagency guidance specific to the COVID-19 pandemic, qualifying community development activities include loans that support access to healthcare, particularly for

low- and moderate-income individuals and communities.

- In 2020, the bank originated a \$925,000 commercial real estate mortgage loan for the purchase of a 24-unit low-income affordable housing property in Keene, NH. The mission of the borrowing organization is to provide and advocate for affordable housing and supportive services that strengthen and empower low- to moderate-income households in the region. Community contacts indicated that affordable housing is a critical need in the assessment area.
- A \$250,000 loan to a municipality for critical infrastructure repairs due to severe flooding in July 2019. The county in which the municipality is located was included in a Federal Emergency Management Agency (FEMA) designated disaster declaration as requiring public assistance for the repair of roads and bridges. The loan was qualified as revitalization and stabilization as it provides financing for essential community-wide infrastructure.
- In 2019, the bank originated a \$118,500 commercial real estate mortgage loan for the refinance of an apartment building that houses and provides supportive services for individuals recovering from substance abuse. The subject property is located in a moderate-income tract.

INVESTMENT TEST

Mascoma's performance under the Investment Test in New Hampshire is rated High Satisfactory.

The bank demonstrates an adequate level of qualified investment, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Overall, the bank made \$1.6 million in qualified investments during the evaluation period in the New Hampshire assessment area. Of the total, \$1,331,581 were tax credit investments and \$264,691 were donations.

Equity Investments

The bank's significant use of innovative or complex qualified investments is demonstrated by the use of tax credit investments, and in particular, the level of new investments during the evaluation period. The bank utilized LIHTCs and other tax credit investments opportunities. The LIHTC program, which is administered by the Internal Revenue Service, creates financing incentives for the acquisition and development or rehabilitation of affordable rental housing. During the evaluation period, the bank had a total of \$1,331,581 in qualified investments, of which \$1,130,000 were made during the evaluation period.

The following are examples of qualified tax credit investments made by the bank in the New Hampshire assessment area.

- The bank has made \$1,301,581 in LIHTC investments, of which \$1,100,000 were made during the evaluation period. As explained by the community contact, affordable housing is a critical needs within the assessment area and these investments exhibit the bank's responsiveness to those needs in an innovative and flexible way.

- The bank received a \$25,000 tax credit for its investment for the redevelopment of a vacant opera house in a moderate-income tract which helped create an arts and music education program.
- The bank received a \$5,000 tax credit for its investment to an organization focused on the economic development of Grafton County, NH.

Grants and Donations

Table 10 displays qualified grants and donations by year and community development purpose.

Table 10 Qualified Community Development Donations New Hampshire								
Community Development Category	2018 (as of August 13)		2019		2020 YTD		Review Period	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	250	4	5,450	3	8,750	8	14,450
Community Services	18	41,450	69	91,691	45	65,225	132	198,366
Economic Development	3	2,450	4	7,000	3	10,550	10	20,000
Revitalization/Stabilization	3	22,400	5	6,250	3	3,225	11	31,875
Total	25	66,550	82	110,391	54	87,750	161	264,691

Bank provided qualified investment data.

The bank provided 161 donations, totaling \$264,691, in the New Hampshire assessment area. Of the total, the greatest by number and by dollar volume were qualified as supporting community development services.

The following is a sample of the organizations that benefited from the bank's contributions.

- **Keene Housing Kids Collaborative (KHKC)** – KHKC is non-profit organization that collaborates with education service providers to enable children living in housing owned or managed by Keene Housing to engage in educational programming. Keene Housing provides affordable housing and supportive services through a combination of federally funded Housing Choice Voucher programs and Keene Housing's affordable housing portfolio. The bank provided 8 donations, totaling \$17,650, during the evaluation period.
- **Headrest, Inc.** – Headrest, Inc. is a non-profit organization whose mission is to assist those affected by substance use disorder, experiencing a crisis, or in need of support by providing effective programs and treatments. This organization's has a primary purpose of community development as it provides substance abuse treatment to a client base that is predominately low- and moderate-income. The bank provided 4 donations, totaling \$5,350.
- **The Community Kitchen, Inc.** – This organization provides meals through a food pantry and a hot meals program. The organization partners with agencies and businesses in Cheshire County to help support the programs with fresh farm and garden produce. The bank provided 2 donations, totaling \$3,000.

- **Affordable Housing Education and Development (AHEAD)** – AHEAD is an organization whose mission is to create pathways to safe, affordable housing which strengthens and revitalizes rural communities. During the evaluation period, the bank made 5 donations, totaling \$8,450, to this organization.

The bank's good responsiveness to credit and community development needs is demonstrated by its investment in affordable housing tax credits and the wide range of community development services supported by donations. The community contact indicated that affordable housing is a critical need in the assessment area and the bank's new LIHTC investments demonstrated that the bank is working to meet credit and community development needs in the assessment area. Additionally, community development service donations helped support a variety of qualified activities targeted to low- and moderate-income individuals such as child care, social services, education, workforce development, health programs, substance recovery, homeless shelters, soup kitchens, and youth programs.

SERVICE TEST

Mascoma's performance under the Service Test in New Hampshire is rated High Satisfactory.

Retail Banking Services

The bank demonstrates its service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.

Table 11 displays the distribution of the bank's branch network compared to the percentage of census tracts within the assessment area as well as the percentage of the population that resides in those tracts.

Table 11 Distribution of Branch Offices by Income Category New Hampshire				
Census Tract Income Category	Assessment Area Demographics		Bank Offices by Census Tract Location	
	Total Census Tracts	Total Population		
	% of #	% of #	#	%
Low	0.0	0.0	0	0.0
Moderate	20.0	18.8	3	20.0
Middle	60.0	61.3	8	53.3
Upper	20.0	19.9	4	26.7
Unknown	0.0	0.0	0	0.0
Total	100.0	100.0	15	100.0

2019 FFIEC Census data

As mentioned previously, the assessment area does not contain any low-income census tracts. Of the bank's 15 branches in the assessment area, 3 branches, or 20.0 percent, are located in moderate-income tracts. The branches in moderate-income tracts are located in Charlestown, Claremont, and Littleton. With 20.0 percent of branches located in moderate-income tracts, the bank's branch distribution in moderate-income tracts is aligned with the total number of tracts in the assessment area, at 20.0 percent, and the percentage of the population living in those tracts, at 18.8 percent.

The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. The average number of business hours for the branches in moderate-income tracts is in line with the average number of branch hours for all the New Hampshire branches. The bank offers full-service in-person banking Monday-Friday at all branch locations and limited Saturday availability at most branches, including the three located in moderate-income tracts. The bank has a customer care center that is open from 7:00am – 11:00pm Monday-Friday, and 7:00am – 5:00pm Saturday and Sunday. The bank also offers consumer and business digital banking services.

The bank has not opened or closed any branches during the evaluation period in the New Hampshire assessment area. Therefore, to the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals.

Community Development Services

The bank demonstrates it provides a relatively high level of community development services. Although the bank's community development services are not particularly innovative, the relatively high level of community development services is reflected through the extent and degree to which they serve low- and moderate-income areas, and their responsiveness to available opportunities.

Employee Services

During the evaluation period, 21 bank employees provided their expertise to 19 different community development organizations in the assessment area. The bank employees' involvement primarily consisted of serving as board members for organizations focused on providing community development services to low- and moderate-income individuals and areas in the counties included within the assessment area. The following is a summary of examples of bank employee involvement in such organizations:

- **New Hampshire Charitable Foundation** – This foundation manages nearly 2,000 funds and grants more than \$40 million in annual scholarships and grants throughout New Hampshire. Grants are allocated to areas such as health and well-being, education, civic engagement, arts and culture, and economic development. The foundation has the primary purpose of community development and, during the evaluation period, started a community crisis action fund in response to the COVID-19 pandemic. A senior vice president is a board member for the Upper Valley Region.
- **TLC Family Resource Center** – This organization is focused on supporting and strengthening all families, children, and youth in Sullivan and lower Grafton Counties with a wide range of free programs, support groups, education, and events. Involvement with this organization is qualified as it provides social services for low- and moderate-income individuals and families in a moderate-income tract. A bank administrator is a board member and is also on the development committee.
- **Monadnock Family Services (MFS)** – MFS is a non-profit, comprehensive, community mental health center serving 35 towns in southwestern New Hampshire. MFS serves

children and adults with mental illnesses through programs such as parent education, youth development, family support, elder care, veteran's services, substance abuse prevention and treatment, and individual and group treatment and recovery support. Over 70.0 percent of MFS' annual revenue is from Medicaid. A bank vice president is on the executive committee of the board of this organization.

- **Grafton Regional Development Corporation (Grafton RDC)** – Grafton RDC is a non-profit organization dedicated to creating opportunity for entrepreneurs and businesses within New Hampshire. The organization offers business loans, education, assistance, and support for business incubators. A senior portfolio manager at the bank is on Grafton RDC's board of directors.

Educational Programs and Seminars

As discussed in the Service Test for the Institution, the bank partners with Banzai, an online financial literacy provider, with the primary objective of helping students become more prepared for the financial decisions they will make after high school. During the evaluation period, the bank provided software licenses and additional support for five schools in the assessment area. These schools are either located in a moderate-income tract or the majority of students are eligible for free or reduced lunch.

In 2019, the bank sponsored a seven-part educational series with the Service Corps of Retired Executives (SCORE). SCORE provides mentoring and education to startups and existing businesses. Sessions sponsored by the bank included: business bookkeeping, starting your own business, franchising, funding your small business, writing a business plan, optimizing internet marketing, and social media marketing. These sessions helped support the economic development of small businesses in the assessment area.

In 2018, a loan officer held three first-time home buyer workshops with AHEAD. AHEAD is an organization whose mission is to create pathways to safe, affordable housing, which strengthens and revitalizes rural communities. Finally, in the same year, the bank's consumer lending manager gave a presentation on the importance of credit to a personal finance class at River Valley Community College, which is located in a moderate-income tract in Claremont, NH.

Other Community Development Services

In 2019, the bank assisted with two advance requests totaling \$319,500 for bank customers as part of the FHLBB's Jobs for New England (JNE) program. The JNE program is a three-year interest rate subsidy program funded through the FHLBB and designed to further enhance member banks' economic development lending activities by funding job growth and economic development throughout New England. The subsidy is used to write down interest rates to zero percent to finance qualifying loans to small businesses. Both of the grant recipients were businesses in the assessment area.

STATE OF VERMONT

CRA RATING FOR Vermont:
The Lending Test is rated:
The Investment Test is rated:
The Service Test is rated:

Satisfactory
High Satisfactory
Low Satisfactory
High Satisfactory

Lending Test

- The bank demonstrates an adequate geographic distribution in its assessment area.
- The bank demonstrates a good distribution, particularly in its assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.
- The bank demonstrates an excellent record of serving the credit needs of highly economically disadvantaged areas in its assessment area, low-income individuals, or businesses with gross annual revenues of \$1 million or less, consistent with safe and sound banking practices.
- The bank demonstrates use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.
- The bank demonstrates it has made a relatively high level of community development loans.

Investment Test

- The bank demonstrates an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position.
- The bank demonstrates occasional use of innovative or complex qualified investments.
- The bank demonstrates good responsiveness to credit and community development needs.

Service Test

- The bank demonstrates its service delivery systems are accessible to geographies and individuals of different income levels in its assessment area
- To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals.

- The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The bank demonstrates it provides a relatively high level of community development services.

SCOPE OF EXAMINATION

The performance within the state of Vermont was evaluated based on the performance of the Vermont assessment area, which is located wholly in the non-MSA portion of the state. The Vermont assessment area was evaluated using full examination procedures. Based on the level of deposits, lending, and other activities, the Vermont assessment area was given slightly less weight compared to the New Hampshire assessment area when arriving at institution ratings. The performance criteria and review periods are consistent with the scope described in the Institution section of this evaluation.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT

The Vermont assessment area consists of the entirety of Windsor County and portions of Orange County and Windham County. These counties are not located in an MSA. The assessment area covers the eastern and central portion of the state, defined by the NH state boundary to the east and the Green Mountain National Forest to the west. The bank operates 10 full-service branches in the assessment area. The bank did not open, close, or relocate any other branches in the assessment area during the review period.

According to the FDIC Summary of Deposits report as of June 30, 2019, branch deposits within the Vermont assessment area totaled \$472.2 million, or 29.7 percent, of the bank's total deposits. According to the FDIC Deposit Market Share report as of the same date, there were 10 financial institutions offering deposit services through 40 branches within the counties that comprise the Vermont assessment area. The bank ranked 2nd, with a deposit market share of 18.5 percent and Peoples United Bank, N.A., ranked 1st with a deposit market share of 26.5 percent. In terms of lending presence, 38.1 percent of the bank's home mortgage and small business loans originated within the assessment areas during the review period were in the Vermont assessment area.

Relevant demographic data for the Vermont assessment area is provided in Table 12.

Table 12 Assessment Area Demographics Vermont								
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	4,454	18.2
Moderate-income	2	6.7	651	2.7	69	10.6	4,203	17.2
Middle-income	23	76.7	19,721	80.5	1,578	8.0	5,428	22.2
Upper-income	5	16.7	4,126	16.8	153	3.7	10,413	42.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	30	100.0	24,498	100.0	1,800	7.3	24,498	100.0
	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	1,206	751	2.7	62.3	244	20.2	211	17.5
Middle-income	41,444	22,625	80.0	54.6	8,712	21.0	10,107	24.4
Upper-income	8,905	4,912	17.4	55.2	1,670	18.8	2,323	26.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	51,555	28,288	100.0	54.9	10,626	20.6	12,641	24.5
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	121	2.3	109	2.3	7	1.9	5	4.8
Middle-income	4,053	78.6	3,670	78.5	296	78.3	87	83.7
Upper-income	982	19.0	895	19.1	75	19.8	12	11.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	5,156	100.0	4,674	100.0	378	100.0	104	100.0
	Percentage of Total Businesses			90.7		7.3		2.0

2019 FFIEC Census data and 2019 D&B information

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

Composition

The Vermont assessment area consists of 30 census tracts, of which 2 are moderate-income, 23 are middle-income, and 5 are upper-income. The moderate-income census tracts are located in the town of Rockingham in northern Windham County and the town of Rochester in northwestern Windsor County. There are no low- or unknown-income census tracts in the assessment area. The low level of moderate-income census tracts limits opportunities for the origination of residential and small business loans in these tracts.

Population

The Vermont assessment area has a population of 91,125 individuals. There are 38,914 households, of which 24,498 are families. The highest portion of families, at 42.5 percent, are upper-income. Middle-income families represent 22.2 percent, and moderate- and low-income families represent 17.2 percent and 18.2 percent, respectively. Major population centers are located in the Upper Valley along the I-91 corridor, including the village of White River Junction. Rural farmland, forests, and small villages, some of which have a few hundred residents, define much of the assessment area.

Vermont has experienced modest population growth. According to a report from the University of Vermont, from 2010 to 2018 the state's population grew by only 0.1 percent compared to the national rate of 5.8 percent. Further, a majority of population growth occurred in the Burlington, VT area, and the rural areas that make up a majority of the assessment area have experienced population loss. This population loss could decrease demand for home construction financing and increase the need for community development activities that revitalize or stabilize areas.

Income

Table 13 displays the MFI for the Vermont assessment area.

Table 13		
Median Family Income		
MSA/MD	2018	2019
Vermont Non-MSA	\$71,900	\$73,600

FFIEC median family estimates.

The MFI for the Vermont assessment area is \$71,900 in 2018, and \$73,600 in 2019. This MFI applies to the entire state of Vermont with the exception of the Burlington-South Burlington, VT MSA. However, socio-economic conditions vary considerably within the Vermont assessment area. For example, the poverty rate for the assessment area of 7.3 percent is in line with the state of Vermont as a whole, but exceeds double digits in many areas. In the town of Springfield, a middle-income area, the poverty rate is 21.2 percent. This suggests that despite being predominantly middle-income, many residents in the assessment area experience economic insecurity. As a result, the provision of community development services for low- and moderate-income individuals is a vital need throughout the assessment area. Similar to the New Hampshire assessment area, services for low- and moderate-income individuals and families are commonly offered through organizations with wide geographic footprints due to the rural nature of the area.

Housing

The assessment area contains 51,555 housing units, of which 54.9 percent are owner-occupied. Rental units comprise 20.6 percent of total housing units. Vacant units comprise 24.5 percent of total housing units, which is slightly above the state of Vermont average of 20.1 percent. In Windham County, vacant units comprise 36.2 percent of the housing stock. Similar to the New Hampshire assessment area, the relatively high vacancy rate is due in part to the number of seasonal and occasional-use homes in the area. One-to-four family housing units comprise 85.7 percent of total housing units. Multifamily housing units comprise just 8.6 percent of the housing stock, suggesting that opportunities to finance affordable housing may be limited. At the same

time, mobile homes comprise 8.3 percent of the housing stock. As mentioned under the innovative or flexible lending programs at the institution level, manufactured homes are an affordable housing option for many borrowers within the assessment area given the high cost of housing compared to MFIs.

According to the October 21, 2020 release of the Federal Reserve's Beige Book, high prices and substantial inventory shortages characterize residential real estate markets in New England. Data obtained from the Vermont Association of Realtors further indicates that housing prices are rising statewide. The median sales price in Vermont was \$257,824 through September of 2020, representing a 10.1 percent increase year-over-year. This increase was 8.3 percent in Orange County, 12.7 percent in Windham County, and 18.8 percent in Windsor County. The Beige Book also highlights movement from urban areas to suburban and rural locations, with work-from-home arrangements due to the COVID-19 pandemic becoming longer term, as one catalyst for increased housing demand. This dynamic has created a need for affordable workforce housing, especially for low-income families and people on fixed incomes.

Business Characteristics

According to D&B data, there are 5,156 businesses operating within the assessment area. Of the businesses, the vast majority, at 90.7 percent, have GARS of \$1 million or less. At 78.6 percent, the majority of businesses are located in middle-income census tracts, reflective of the overall census tract distribution. However, only 2.3 percent of businesses are located in the two moderate-income census tracts. This suggests that opportunities for small business lending may be limited in these areas. Primary industries in the assessment area include health care, retail services, hospitality services, manufacturing, and education. Large employers include the White River Junction VA Medical Center, Gifford Medical Center, King Arthur Banking Company, Woodstock Inn & Resort, GW Plastics, and Norwich University.

Employment Statistics

Employment within the assessment area is stable. According to the U.S. Bureau of Labor Statistics, the unemployment rate for the United States as of August of 2020 was 8.4 percent, while the unemployment rate for the state of Vermont was 4.6 percent. The unemployment rates for the counties within the assessment area also compared favorably to the national unemployment rate, at 3.5 percent in Orange County, 4.4 percent in Windsor County, and 5.6 percent in Windham County. Unemployment rates gradually decreased after rising sharply in the spring and summer of 2020 due to the COVID-19 pandemic. However, many residents and businesses, as well as the non-profit organizations that support them, continue to face economic hardship.

Community Contacts

A community contact was conducted with an economic opportunity office in Vermont which seeks to eliminate the causes and symptoms of poverty. The organization provides a blend of state and federal funds to non-profit agencies in all areas of the state who offer emergency shelters, including warming shelters, day shelters, and shelters for people fleeing domestic abuse; transitional housing; services to move homeless families and individuals into permanent housing; and services to keep individuals and families from becoming homeless. The contacted stated the need for updating aging infrastructure, improvement and weatherization services to the aging

housing stock, and the overall need for affordable housing. The contact stated that banks play a role in supporting and investing in housing development, however, banks could provide more responsive smaller scale projects and impactful investing.

A community contact was also conducted with an organization located in Burlington, VT which focuses on helping people achieve economic independence through its operation of various programs. The contact stated there were a number of banks in the Burlington area, and they were generally responsive by providing donations and service hours. The contact also stated that the area contained many older homes in poor condition and would like to see more work done in weatherizing homes, including mobile and manufactured homes, which could also support job creation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT

LENDING TEST

Mascoma's performance under the Lending Test in Vermont is rated High Satisfactory.

Geographic Distribution of Loans

The bank demonstrates an adequate geographic distribution of loans in its assessment area.

Residential Lending

Table 14 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 14 Geographic Distribution of Residential Loans Vermont														
Product Type	Census Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	2.7	2	1.2	0.9	415	1.2	1.0	1	0.5	2.2	150	0.3	1.8
	Middle	80.0	98	60.1	84.8	19,603	58.2	80.4	120	55.8	81.2	25,824	48.1	78.0
	Upper	17.4	63	38.7	14.3	13,675	40.6	18.6	94	43.7	16.7	27,697	51.6	20.2
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	163	100.0	100.0	33,693	100.0	100.0	215	100.0	100.0	53,671	100.0	100.0
REFINANCE	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	2.7	0	0.0	2.2	0	0.0	1.2	1	0.7	0.5	45	0.2	0.4
	Middle	80.0	66	68.0	84.2	8,398	56.8	80.8	84	62.7	83.6	8,767	40.2	76.3
	Upper	17.4	31	32.0	13.6	6,378	43.2	18.0	49	36.6	15.9	12,976	59.6	23.3
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	97	100.0	100.0	14,776	100.0	100.0	134	100.0	100.0	21,788	100.0	100.0
HOME IMPROVEMENT	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	2.7	0	0.0	0.0	0	0.0	0.0	1	2.9	2.6	215	7.5	1.7
	Middle	80.0	8	50.0	82.3	733	15.4	76.6	22	62.9	81.2	1,701	59.0	75.4
	Upper	17.4	8	50.0	17.7	4,036	84.6	23.4	12	34.3	16.2	965	33.5	23.0
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	16	100.0	100.0	4,769	100.0	100.0	35	100.0	100.0	2,881	100.0	100.0
HMDA TOTALS*	Low	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Moderate	2.7	2	0.7	1.3	415	0.8	1.0	3	0.8	1.6	410	0.5	1.3
	Middle	80.0	172	62.3	84.4	28,734	54.0	80.4	226	58.9	82.0	36,292	46.3	77.3
	Upper	17.4	102	37.0	14.3	24,089	45.2	18.6	155	40.4	16.4	41,638	53.2	21.4
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Total	100.0	276	100.0	100.0	53,238	100.0	100.0	384	100.0	100.0	78,340	100.0	100.0

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 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 two residential mortgage loans, or 0.7 percent, in the moderate-income tracts. At 0.7 percent, the bank's lending performance was slightly below the aggregate at 1.3 percent and also below the percentage of owner-occupied housing units at 2.7 percent. In 2019, the bank originated three residential mortgage loans, or 0.8 percent, in the moderate-income tracts, which was below the aggregate at 1.6 percent. Although the bank's lending in both years is below the aggregate, the bank's lending performance in these tracks is adequate given the limited opportunities to make loans in these two tracts, as evidenced by the very low percentage of owner-occupied housing units and the low level of aggregate lending.

There were no conspicuous lending gaps for the bank's residential lending. For each year, the bank only originated loans in the moderate-income tract in Rockingham. The moderate-income tract not penetrated with residential mortgage loans is located in Rochester, VT, and consists of the downtown area of the town. As the tract only has a population of 304 individuals and 182 total housing units, the bank would not be expected to consistently penetrate this tract with residential mortgage loans.

Small Business Lending

Table 15 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loan is adequate.

Table 15 Geographic Distribution of Small Business Loans by Census Tract Vermont								
Census Tract Income Level	2018				2019			
	Total Business by Census Tract	Bank		Aggregate	Total Business by Census Tract	Bank		Aggregate
	%	#	%	%	%	#	%	%
Low	0.0	0	0.0	0.0	0.0	0	0.0	0.0
Moderate	2.3	3	1.2	2.4	2.3	3	1.2	2.6
Middle	78.6	158	64.2	76.8	78.6	170	70.5	74.6
Upper	19.0	85	34.6	18.0	19.0	68	28.2	18.8
Unknown	0.0	0	0.0	2.9	0.0	0	0.0	4.0
Total	100.0	246	100.0	100.0	100.0	241	100.0	100.0

2018 and 2019 D&B data, 2018 and 2019 bank small business data, 2018 and 2019 aggregate small business data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2018, the bank originated three small business loans, or 1.2 percent, in the moderate-income tracts. At 1.2 percent, the bank was below the aggregate, at 2.4 percent, and below the percentage of businesses in these tracts, at 2.3 percent. In 2019, the bank also originated three loans, or 1.2 percent, in these tracts, which again was below the aggregate, at 2.6 percent. Although the bank's small business lending percentage was below the percentages of businesses in the moderate-income tracts and the aggregate, its performance is considered adequate given the low level of opportunities for small business lending in these tracts. Additionally the bank does not maintain branches in either moderate-income tract.

There were no conspicuous lending gaps for the bank's small business lending. In 2018, the bank penetrated both moderate-income tracts and in 2019 the bank only penetrated the moderate-income tract in Rockingham. Of the 121 businesses in the two moderate-income tracts, only 36 are located in the moderate-income tract in Rochester, which suggests a limited opportunity to originate small business loans on a regular basis.

Borrower Distribution of Loans

The bank demonstrates a good distribution, particularly in its assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Residential Lending

Table 16 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 16 Borrower Distribution of Residential Loans Vermont														
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	18.2	10	6.1	4.3	712	2.1	2.3	6	2.8	3.7	743	1.4	1.8
	Moderate	17.2	29	17.8	19.0	3,015	8.9	13.0	22	10.2	17.2	2,648	4.9	11.3
	Middle	22.2	25	15.3	21.2	3,547	10.5	18.0	52	24.2	19.9	9,230	17.2	16.4
	Upper	42.5	99	60.7	42.8	26,419	78.4	54.7	133	61.9	48.1	40,960	76.3	60.4
	Unknown	0.0	0	0.0	12.8	0	0.0	12.0	2	0.9	11.0	90	0.2	10.2
	Total	100.0	163	100.0	100.0	33,693	100.0	100.0	215	100.0	100.0	53,671	100.0	100.0
REFINANCE	Low	18.2	6	6.2	9.7	584	4.0	6.0	5	3.7	6.2	261	1.2	3.1
	Moderate	17.2	18	18.6	22.1	1,743	11.8	15.2	24	17.9	17.1	1,882	8.6	10.4
	Middle	22.2	27	27.8	23.3	2,745	18.6	20.4	40	29.9	23.7	5,520	25.3	17.9
	Upper	42.5	45	46.4	40.0	9,554	64.7	52.3	65	48.5	40.8	14,125	64.8	51.9
	Unknown	0.0	1	1.0	4.9	150	1.0	6.1	0	0.0	12.2	0	0.0	16.7
	Total	100.0	97	100.0	100.0	14,776	100.0	100.0	134	100.0	100.0	21,788	100.0	100.0
HOME IMPROVEMENT	Low	18.2	0	0.0	11.5	0	0.0	8.7	0	0.0	7.7	0	0.0	5.5
	Moderate	17.2	4	25.0	24.0	266	5.6	17.1	9	25.7	16.2	576	20.0	12.7
	Middle	22.2	8	50.0	19.8	837	17.6	16.1	9	25.7	27.4	706	24.5	21.0
	Upper	42.5	4	25.0	40.6	3,666	76.9	48.3	17	48.6	45.3	1,599	55.5	57.0
	Unknown	0.0	0	0.0	4.2	0	0.0	9.9	0	0.0	3.4	0	0.0	3.8
	Total	100.0	16	100.0	100.0	4,769	100.0	100.0	35	100.0	100.0	2,881	100.0	100.0
HMDA TOTALS*	Low	18.2	16	5.8	6.3	1,296	2.4	3.5	11	2.9	4.9	1,004	1.3	2.3
	Moderate	17.2	51	18.5	20.2	5,024	9.4	13.6	55	14.3	17.0	5,106	6.5	11.0
	Middle	22.2	60	21.7	21.7	7,129	13.4	18.5	101	26.3	21.7	15,456	19.7	17.0
	Upper	42.5	148	53.6	41.7	39,639	74.5	53.6	215	56.0	45.3	56,684	72.4	57.3
	Unknown	0.0	1	0.4	10.2	150	0.3	10.8	2	0.5	11.1	90	0.1	12.4
	Total	100.0	276	100.0	100.0	53,238	100.0	100.0	384	100.0	100.0	78,340	100.0	100.0

2018 and 2019 FFIEC Census data, 2018 and 2019 bank residential lending data, and 2018 and 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 16 residential mortgage loans, or 5.8 percent, to low-income borrowers. At 5.8 percent, the bank's lending percentage is below the percentage of low-income families, at 18.2 percent, and the aggregate, at 6.3 percent. For the same year, the bank originated 51 loans, or 18.5 percent, to moderate-income borrowers, which was above the percentage of moderate-income families at 17.2 percent, but below the aggregate, at 20.2 percent. In 2019, the bank's penetration of residential mortgage loans to low-income borrowers decreased to 11 loans, or 2.9 percent. At 2.9 percent, the bank's percentage was 2.0 percentage points below the aggregate. For the same year, the bank increased the number of residential mortgage loans to moderate-income borrowers with 55 loans, or 14.3 percent, which was 2.7 percentage points below the aggregate.

The bank's overall origination of residential mortgage loans in the assessment area increased by 39.0 percent from 2018 to 2019, however, the originations primarily were to middle- and upper-income borrowers. The bank's increase in home mortgage lending to middle- and upper-income borrowers aligns with the community contact's statement about home values in Vermont greatly outpacing MFIs. When there are disparities between home values and MFIs, there are generally fewer opportunities to originate home mortgage loans to low- and moderate-income borrowers.

Small Business Lending

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 17 details the bank's lending

to small businesses according to revenue size. The bank's performance in lending to businesses with GARs of \$1 million or less is excellent.

Table 17 Distribution of Small Business Loans By Gross Annual Revenue of Business Vermont								
Gross Annual Revenues	2018				2019			
	Total Businesses	Bank		Aggregate	Total Businesses	Bank		Aggregate
	%	#	%	%	%	#	%	%
≤ \$1MM	90.7	178	72.4	48.4	90.7	156	64.7	48.2
> \$1MM	7.3	67	27.2		7.3	84	34.9	
N/A	2.0	1	0.4		2.0	1	0.4	
Total	100.0	246	100.0		100.0	241	100.0	

2018 and 2019 D&B data, 2018 and 2019 bank small business data, 2018 and 2019 aggregate small business data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences

In 2019, the bank originated 178 small business loans, or 72.4 percent, to businesses with GARs of \$1 million or less. At 72.4 percent, the bank exceeded the aggregate by 24.0 percentage points. In 2019, although the bank's origination of loans to businesses with GARs of \$1 million or less decreased to 156 loans, or 64.7 percent, the bank still exceeded the aggregate by 16.5 percentage points.

The bank made use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies. Below is a summary of loans originated through such programs:

- *VA, FHA, and USDA Lending* - 4 FHA loans, for \$1.4 million, to low- and moderate-income borrowers.
- *80-20 Purchase Money Jr. Lien Program* - 7 loans, totaling \$179,980, to low- and moderate-income borrowers under this program.
- *Manufactured Home Lending* - 24 manufactured home loans, totaling \$1.6 million. Of the total, 16 loans, or 67.0 percent, by number were originated to low- and moderate-income borrowers.
- *Vermont Economic Development Authority (VEDA)* – VEDA's mission is to contribute to Vermont's economic vitality by providing a broad array of financial programs to eligible businesses that create jobs and help advance Vermont's public policy goals. The bank originates loans as part of the Vermont Capital Access Program, which is a loan pool designed to enable small businesses to access commercial credit. During the evaluation period, the bank originated 4 loans, totaling \$151,081, under this program.

The bank demonstrated an excellent record of serving the credit needs of highly economically disadvantaged areas in its assessment area(s), low-income individuals, or businesses (including farms) with gross annual revenues of \$1 million or less, consistent with safe and sound operations. Below is a summary of loans originated within the assessment area:

- *PPP* – In 2020, the bank originated 569 PPP loans, totaling \$40.9 million, in the assessment area. PPP loans are designed to help businesses retain workers and staff during the economic hardship resulting from the pandemic. These loans were particularly impactful for businesses with GARs of \$ 1 million or less who heavily rely on annual revenue for maintaining operations.
- *Emergency Loan Program* - In 2019, the bank originated 5 loans, totaling \$9,000, to low- and moderate-income borrowers in the assessment areas.
- *United Way Income Advance* - 29 loans, totaling \$29,300, to low- and moderate-income borrowers.

Community Development Lending

The bank made a relatively high level of community development loans. The bank originated 13 community development loans, totaling \$9.4 million, in the assessment area. Of the total, 9 loans, totaling \$1.2 million, were qualified as community development services, and 4 loans, totaling \$8.1 million, were qualified as revitalization or stabilization. Of note is that the bank did not originate any community development loans as part of the NMTC program within the assessment area, however, there were some NMTC loans originated within the state of Vermont. Based on the geographic reach of the NMTC program, which extends beyond a regional area that includes the assessment area and corresponding state, NMTC loans outside the assessment area were allocated at the institutional level. Table 18 provides a summary of the bank's community development lending in this assessment area.

Table 18 Qualified Community Development Loans Vermont								
Community Development Category	2018 (as of August 13)		2019		2020 YTD		Review Period	
	#	\$	#	\$	#	\$	#	\$
Community Services	1	\$75,000	7	\$1,171,334	1	\$3,030	9	\$1,249,364
Revitalization/Stabilization	0	\$0	3	\$7,012,970	1	\$1,133,000	4	\$8,145,970
Total	1	\$75,000	10	\$8,184,304	2	\$1,136,030	13	\$9,395,334

Bank provided qualified community development loan data

The following is a summary of some of the more responsive and impactful community development loans qualified in the assessment area:

- Three loans, totaling \$7.0 million, to three municipalities in Windsor County for critical infrastructure repairs due to severe flooding in July 2019. Windsor County was named in a FEMA designated disaster declaration as requiring public assistance for the repair of roads and bridges. These loans were qualified as revitalization and stabilization as it provides financing for essential community-wide infrastructure.
- A \$545,334 commercial real estate mortgage loan for a non-profit organization with the Vermont legislative designation as a parent child center. The center provides services to help support children and families that deal with physical development, social functioning, learning disabilities, and long-term health. The center also conducts home

visits, early intervention for infants and toddlers, assistance for families dealing with trauma, and intensive wrap-around support for families in poverty.

- A \$300,000 commercial real estate loan to an organization focused on food recovery efforts to collect and provide nutritious food and meals to low- and moderate-income individuals.
- Two loans, totaling \$150,000, to a children's center whose mission is to provide a safe and nurturing learning environment while supporting working parents. The center is located in a middle-income tract adjacent to a moderate-income tract, and the majority of students live in the moderate-income tracts.

INVESTMENT TEST

Mascoma's performance under the Investment Test in Vermont is rated Low Satisfactory.

The bank made an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Overall, the bank made \$2.2 million in qualified investments during the evaluation period in the Vermont assessment area. Of the total, \$1.9 million were tax credit investments, and \$283,966 were donations.

Equity Investments

The bank demonstrated occasional use of innovative or complex qualified investments. During the evaluation period, the bank had a total of \$1,897,282 in qualified investments, of which \$950,000 was made since the last evaluation. The bank holds LIHTC investments and also made a new investment in the Vermont Housing Finance Agency (VHFA).

The following is a summary of the qualified tax credit investments in the assessment area.

- In 2019, the bank made a \$950,000 investment in the VHFA to support down payment assistance loans to help first time home buyers and to help fund the construction or substantial rehabilitation of owner-occupied homes across Vermont.
- LIHTC investment with the book value of \$497,406 from a prior period investment for the purchase of a 34-unit Section 8 rental property primarily serving low-income residents in White River Junction, VT.
- LIHTC investment with the book value of \$449,886 from a prior period investment for the construction of a 114-unit affordable housing apartment complex in Randolph, VT.

Grants and Donations

Table 19 displays qualified grants and donations by year and community development purpose.

Table 19 Qualified Community Development Donations Vermont								
Community Development Category	2018 (as of August 13)		2019		2020 YTD		Review Period	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	1	250	3	5,150	2	2,100	6	7,500
Community Services	4	74,500	29	70,841	35	50,050	68	195,391
Economic Development	1	40,000	2	40,025	1	50	4	80,075
Revitalization/Stabilization	0	0	0	0	1	1,000	1	1,000
Total	6	114,750	34	116,016	39	53,200	79	283,966

Bank provided qualified investment data.

The bank provided 79 donations, totaling \$283,966, in the assessment area. Of the total, the greatest by number and by dollar volume were qualified as supporting community development services.

The following is a sample of the organizations that benefited from the bank's contributions:

- Upper Valley Haven** - The mission of this non-profit is to serve people struggling with poverty by providing food, shelter, education, service coordination, and other support. During the evaluation period, the bank provided 12 donations, totaling \$64,000, including a capital gift of \$50,000.
- Vital Communities** – Vital Communities is a non-profit focused on identifying solutions to regional problems such as transportation, energy consumption, housing, and community leadership. Activities include advocating for and helping organize the development of affordable workforce housing and providing restaurant-prepared meals to local food shelves. The bank provided 4 donations, totaling \$80,075, that were qualified as economic development based on the primary purpose of the organization.
- COVER Home Repair (COVER)** – COVER's mission is to bring together homeowners and volunteers in the Upper Valley to complete urgently needed home repairs for low-income homeowners, many of whom are elderly and/or disabled. The bank provided 3 donations, totaling \$6,250.
- Hartford Community Coalition** – This non-profit organization acts to reduce the stigma and impact of alcohol and drug use, food insecurity, and mental health. The food program provides meals to children and their families throughout the Upper Valley. The bank provided 2 donations, totaling \$5,600.

The bank's excellent responsiveness to credit and community development needs is demonstrated by its investment in areas of identified opportunities and the scope of community development services supported through donations. The bank's \$950,000 investment came in response to an identified need to strengthen home ownership programs throughout Vermont and for the rehabilitation of the aging housing stock. The community contacts indicated the

importance of maintaining the stability of the housing stock to keep it safe and affordable for home owners. Additionally, CD service donations helped support a variety of qualified activities targeted to low- and moderate-income individuals such as child care, social services, education, workforce development, health programs, substance recovery, homeless shelters, soup kitchens, and youth programs.

SERVICE TEST

Mascoma's performance under the Service Test in Vermont is rated High Satisfactory.

Retail Banking Services

The bank demonstrates its service delivery systems are accessible to geographies and individuals of different income levels in the assessment area.

Table 20 displays the distribution of the bank's current branch network compared to the percentage of census tracts within the assessment area as well as the percentage of the population that resides in those tracts.

Table 20 Distribution of Branch Offices by Income Category Vermont				
Census Tract Income Category	Assessment Area Demographics		Bank Offices by Census Tract Location	
	Total Census Tracts	Total Population		
	% of #	% of #	#	%
Low	0.0	0.0	0	0.0
Moderate	6.7	2.7	0	0.0
Middle	76.7	80.9	8	80.0
Upper	16.7	16.4	2	20.0
Unknown	0.0	0.0	0	0.0
Total	100.0	100.0	10	100.0

2019 FFIEC Census data

As mentioned previously, the assessment area does not contain any low-income census tracts. Of the bank's 10 branches in the assessment area, 8 are located in middle-income tracts and 2 are located in upper-income tract. The distribution of branches within the assessment area aligns with both the distribution of tracts by income level as well as the percentage of the population residing in those tracts.

The two moderate-income tracts account for 6.7 percent of all tracts in the assessment area and only 2.7 percent of the assessment area population resides in those tracts. The moderate-income tract in Rochester maintains a population of 304 individuals and is adjacent to the Green Mountain National Forest. The bank maintains a branch in a middle-income tract in Bethel, VT, which is contiguous to Rochester. Although the bank does not have a branch in the moderate-income tract in Rockingham, there are branches in the contiguous towns of Springfield, VT and Charlestown, NH.

The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. The average number of business hours for branches in

the assessment area is the same as the NH assessment area. The bank offers full-service in-person banking Monday-Friday at all branch locations and limited Saturday availability at most branches. The bank has a customer care center that is opened from 7:00am – 11:00pm Monday-Friday, and 7:00am – 5:00pm Saturday and Sunday. The bank also offers consumer and business digital banking services.

The bank has not opened or closed any branches during the evaluation period in the Vermont assessment area. Therefore, to the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals.

Community Development Services

The bank demonstrates it provides a relatively high level of community development services. Although the bank's community development services are not particularly innovative, the relatively high level of community development services is reflected through the extent, degree to which they serve low- and moderate-income areas, and their responsiveness to available opportunities.

Employee Services

During the evaluation period, 19 bank employees provided their expertise to 17 different community development organizations in the assessment area. The bank employees involvement primarily consisted of serving as board members for organizations focused on providing community development services to low- and moderate-income individuals and areas in the counties included within the assessment area. The following is a summary of examples of bank employee involvement in such organizations:

Green Mountain Economic Development Corporation (GMEDC) – GMEDC leads and coordinates statewide efforts to foster the growth of higher quality jobs and a strong diversified economy. It also promotes Vermont businesses in order to broaden capital growth, deepen employee participation, retain jobs, increase living standards for working families, and stabilize communities. A senior vice president at the bank was a board member and executive committee member of GMEDC during the evaluation period.

Parks Place Community Resource Center (PPCRC) – PPCRC is a non-profit that provides multiple services targeted to low- and moderate-income individuals and families. Services include housing, educational attainment, mental health and substance abuse counseling, economic services, employment, and family services. A branch manager is the chair of the financial development committee.

Twin Pines Housing Trust (TPHT) – TPHT develops and manages affordable housing and housing support for low- and moderate-income individuals and families in the Upper Valley. The bank's chief financial officer is a member of the board.

Safeline – Safeline is an organization that works to end physical, emotional, and sexual violence against women and children through direct service, education, advocacy, and social change. Nearly all clientele of Safeline are low- or moderate-income. A bank vice president is a board member who is also involved with fundraising, public awareness, networking, and supporting employees.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MSA 15540 (BURLINGTON-SOUTH BURLINGTON, VT MSA)

A limited scope evaluation of the bank's performance in MSA 15540 (Burlington-South Burlington, VT MSA) was completed. The assessment area in this MSA is referred to as the Burlington assessment area and consists of the entirety of Chittenden County. The bank operates three full-service branches, each with an ATM, and one LPO. The three bank branches were opened during the evaluation period.

According to the FDIC Summary of Deposits report as of June 30, 2020, branch deposits within the Burlington assessment area totaled \$34,601, or 1.8 percent, of the bank's total deposits. In terms of lending presence, 6.2 percent of the bank's home mortgage and small business loans originated within this assessment area during the review period.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MSA 15540 (BURLINGTON-SOUTH BURLINGTON, VT MSA)

Examiners conducted a limited scope review of the bank's CRA performance in the Burlington assessment area. Examiners determined that the bank's performance in this assessment area was consistent with the bank's overall performance under the lending, investment, and service tests in the state of Vermont. The results are summarized in Table 21.

Table 21			
Assessment Area	Lending Test	Investment Test	Service Test
MSA 15540	Consistent	Consistent	Exceeds

The Lending Test rating for Vermont was High Satisfactory. The bank's Lending Test performance in the Burlington assessment area was consistent with the performance in the state of Vermont. The only Lending Test criterion that was not consistent in the Burlington assessment area was geographic distribution, which exceeded the performance of Vermont.

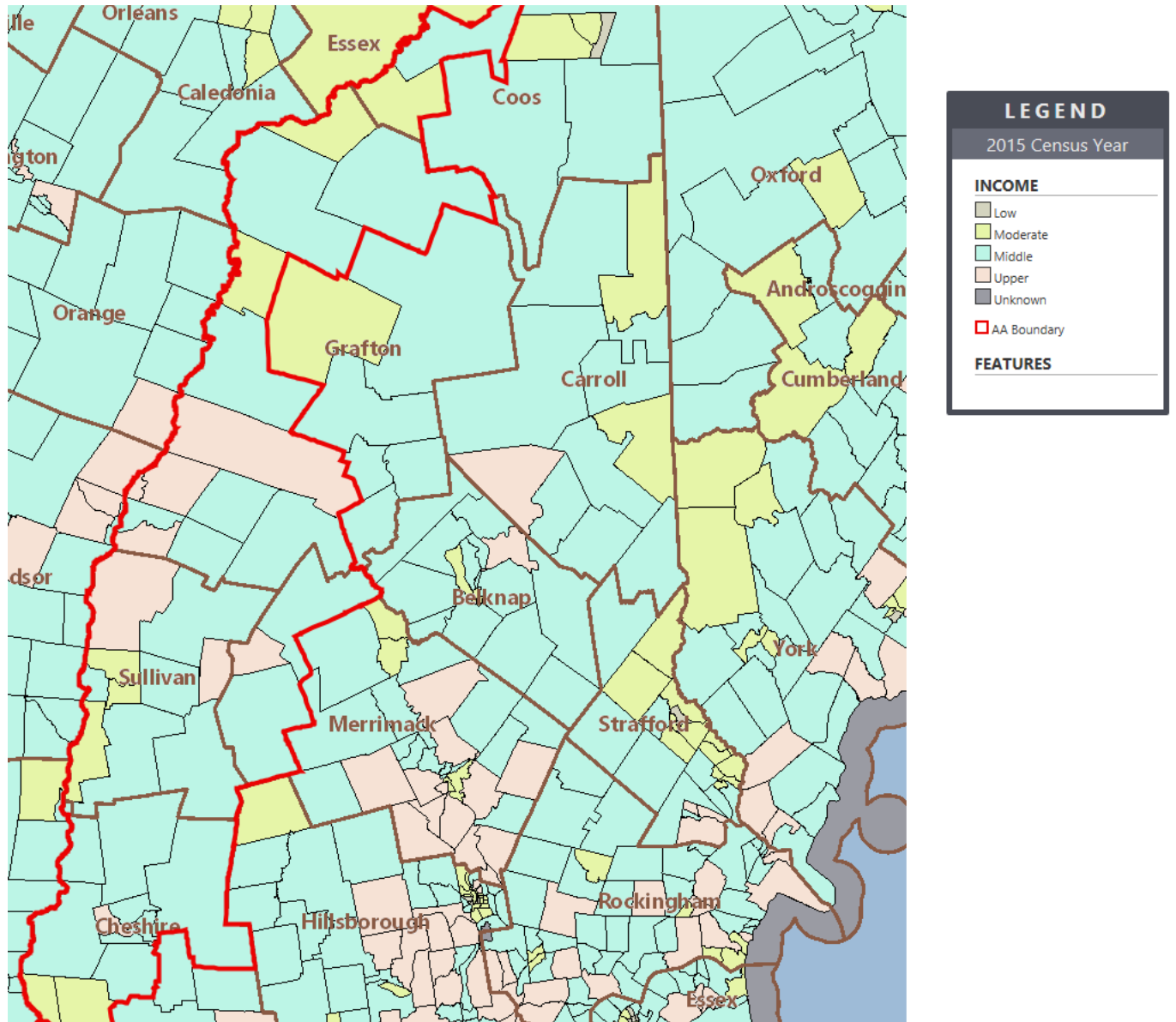
The Investment Test rating for Vermont was Low Satisfactory. The bank's Investment Test performance in the Burlington assessment area was consistent with the performance in the state of Vermont. The Service Test rating for Vermont was High Satisfactory. The bank's Service Test performance in the Burlington assessment area exceeded that of Vermont specific to delivery systems, branch opening and closings, and variances in services.

The bank's performance under criteria of the Service Test exceeded that of Vermont due to the opening of the two branches in the Burlington assessment area within moderate-income tracts. The new branches in moderate-income tracts offer longer hours, on average, compared to the Vermont assessment area branches. Additionally, due to the demographic composition of the neighborhoods in which the branches are located, the bank is conducting extensive outreach to align bank services specific to the needs of the individuals and families living in the assessment area. The level of community development services in the Burlington assessment area was consistent with that of Vermont.

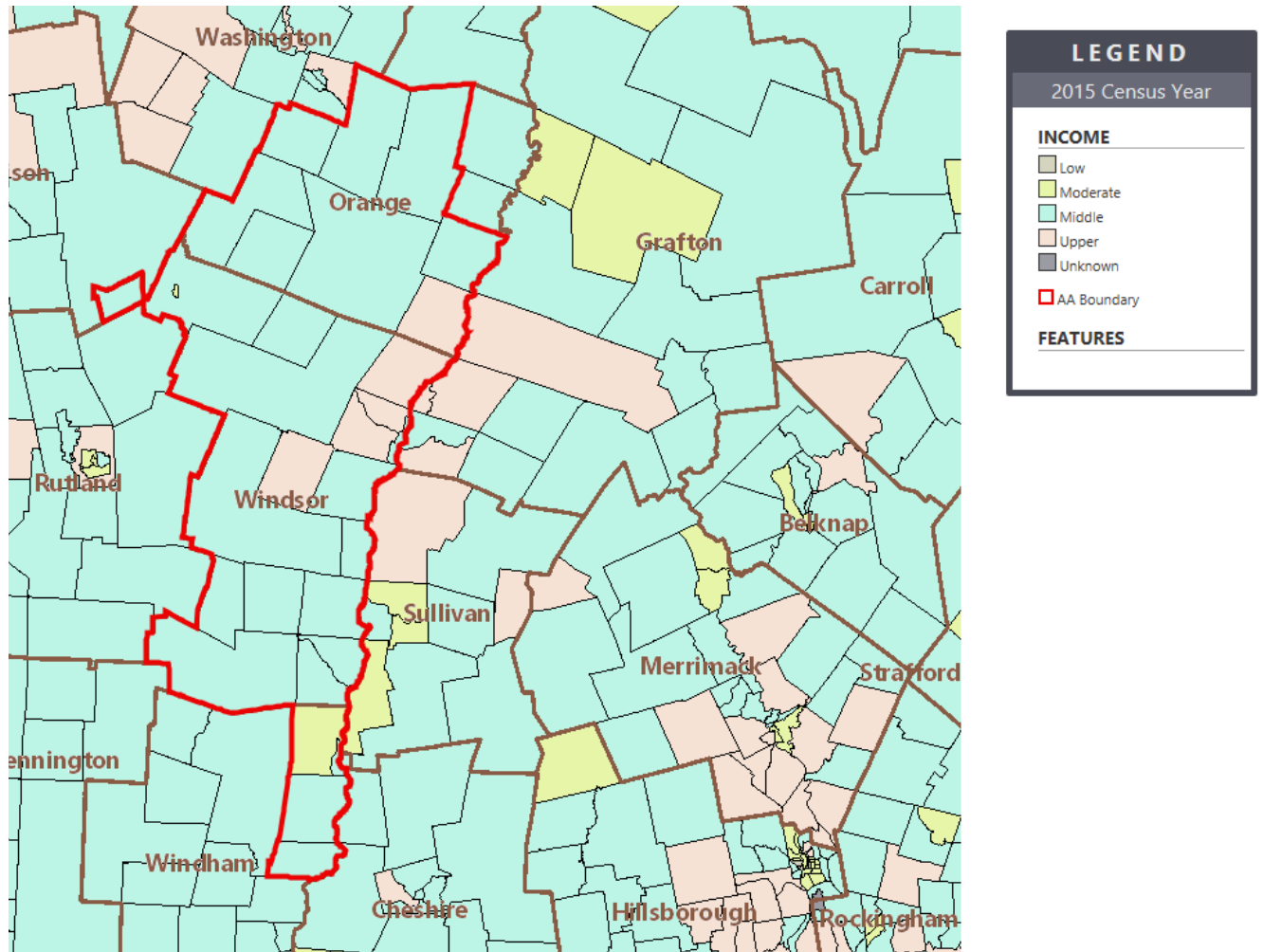
APPENDIX A

MAPS

New Hampshire assessment area



Vermont assessment area



[illegible]

APPENDIX B

SCOPE OF EXAMINATION

TIME PERIOD REVIEWED	Lending Test: 1/1/2018 - 12/31/2019 Investment & Service Tests: 8/13/2018 - 11/2/2020		
FINANCIAL INSTITUTION Mascoma Bank Lebanon, NH			PRODUCTS REVIEWED Residential mortgage loans Small business loans Community development loans
AFFILIATE(S) Mascoma Community Development	AFFILIATE RELATIONSHIP Bank subsidiary		PRODUCTS REVIEWED Community developments loans
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
New Hampshire AA	Full procedures	N/A	2018 residential and small business loans not included in the analysis
Vermont AA	Full procedures	N/A	
Burlington AA	Ltd. procedures	N/A	

APPENDIX C

SUMMARY OF STATE RATINGS

State Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
New Hampshire	High Satisfactory	High Satisfactory	High Satisfactory	Satisfactory
Vermont	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

APPENDIX D

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