

# **PUBLIC DISCLOSURE**

**March 19, 2020**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Needham Bank  
RSSD # 339773**

**1063 Great Plain Avenue  
Needham, MA 02492**

**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.

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**INSTITUTION'S CRA RATING: SATISFACTORY**

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

	Needham Bank		
	Performance Tests		
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

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

Needham is rated Satisfactory. A summary of major factors supporting this rating include:

**LENDING TEST**

- Needham’s lending levels reflect good responsiveness to credit needs in the assessment area, taking into account the number and amount of home mortgage and small business loans in its assessment area.
- An adequate percentage of loans are made in the bank’s assessment area.
- An adequate geographic distribution of loans in the bank’s assessment area.
- The bank has an adequate 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 has an adequate 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 operations.
- The bank makes 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.
- Needham is a leader in making community development loans.

## INVESTMENT TEST

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

## SERVICE TEST

- The bank's service-delivery systems are reasonably 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 generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- 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; and
- Needham provides a relatively high level of community development services.

## DESCRIPTION OF INSTITUTION

Needham is a state-chartered mutual cooperative bank headquartered at 1063 Great Plain Avenue, Needham, Massachusetts. In addition to its main branch, the bank maintains eight full-service branches in Ashland, Dedham, Dover, Medfield, Millis, Natick, Wellesley, and Westwood, MA. Each branch location has a deposit-taking ATM. In addition, the bank operates a deposit-taking ATM at the Beth Israel Deaconess Hospital in Needham, as well as a cash-only ATM in Westwood. As of the September 30, 2019 Consolidated Report of Income and Condition, the bank reported total assets of \$2.3 billion. The bank has experienced organic asset growth since the previous CRA evaluation, dated May 15, 2017, when its assets totaled \$2.0 billion. That examination was conducted concurrently by the Federal Reserve Bank of Boston and the Massachusetts Division of Banks and resulted in “Satisfactory” ratings by both agencies.

The bank is primarily a residential real estate lender, with closed end loans secured by 1-4 family properties totaling \$1.02 billion, comprising 50.7 percent of the bank’s loan portfolio. This is a slight decrease from the previous CRA evaluation, when 1-4 family closed end loans stood at \$1.03 billion, and represented 62.8 percent of the bank’s portfolio. Commercial real estate lending, conversely, has increased since the previous evaluation when commercial real estate lending totaled \$188.1 million and comprised 11.4 percent of the bank’s portfolio. As displayed below, commercial real estate lending totals \$361.4 million and comprises 17.9 percent of the portfolio. Refer to Table 1 for the breakout of the bank’s loan portfolio.

<b>Table 1</b>		
<b>Loan Distribution as of September 30, 2019</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000’s)</b>	<b>Percent of Total Loans (%)</b>
1-4 Family- Closed-End	1,022,778	50.7%
Commercial Real Estate	361,361	17.9%
Construction & Land Development	332,873	16.5%
Multi-Family	160,069	7.9%
1-4 Family- Revolving	41,916	2.1%
Commercial & Industrial	77,369	3.8%
Consumer Loans	10,751	0.5%
Obligations of state and political subdivisions in the U.S.	9,700	0.5%
Other Loans	428	0.0%
Secured by Farm Land	379	0.0%
<b>Total Gross Loans</b>	<b>2,017,624</b>	<b>100.0%</b>

*Consolidated Report of Condition and Income as of 09/30/2019*

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

In addition to the loan products noted above, the bank provides a variety of deposit services including savings and checking accounts, money market accounts, negotiable order of withdrawal accounts, and certificates of deposit. These products and services are provided

through the bank's branch network and other alternative delivery systems, such as the bank's website, ATM network, mobile banking, internet banking, remote deposit capture, and telephone banking. As of September 30, 2019, the bank's deposits totaled \$1.7 billion.

The bank operates in a highly competitive environment, in which there are numerous depository institutions, including many large banks with a national presence. According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report, 58 banks operate 424 branch offices within the bank's defined assessment area. The bank ranked 12<sup>th</sup> with 0.7 percent of the market share. The largest market share were larger institutions such as State Street Bank and Trust Company (44.6 percent), Bank of America, NA (21.8 percent), Citizens Bank, NA (11.7 percent), and Santander Bank, NA (4.2 percent).

The bank also faces strong competition in terms of originating home mortgage loans. In 2017, there were 504 Home Mortgage Disclosure Act (HMDA) reporters who originated or purchased a home mortgage loan within the bank's assessment area. Originations in the assessment area totaled 28,771, and purchases totaled 6,635. With 483 originations, the bank was ranked 13<sup>th</sup> in that year. In 2018, 485 reporters originated or purchased 38,386 loans. The bank was ranked 24<sup>th</sup> in that year with 363 originations. The bank's lending was affected in part by the amendments to Regulation BB and Regulation C, specifically, home improvement loans that are not secured by a dwelling were no longer HMDA reportable in 2018. The bank's home improvement lending decreased from 72 originations in 2017, to 11 originations in 2018. Further, under amended Regulation C, the possible loan purpose entries for a reported loan are: home purchase; home improvement; refinancing; cash-out refinancing; other purpose; and not applicable. Within the assessment area very few loans were originated under the new expanded categories, other purpose line of credit (LOC), other purpose closed end/ exempt and NA purpose. Peers originated 31,826 loans in 2018: 1,955 were other purpose LOC, 594 were other purpose closed/ exempt, and 11 of the originated loans were NA purpose.

Further competition exists with regard to small business lending. In 2017, there were 133 lenders who reported originating a small business loan; Needham was ranked 42<sup>nd</sup>, with 54 loans. In 2018, there were 132 lenders; Needham ranked 48<sup>th</sup>, with 44 loans. Aside from strong competition, there are no other known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its assessment area.

Needham has defined one assessment area for CRA purposes. The assessment area consists of 26 whole, contiguous cities and towns located in Norfolk County, Middlesex County and Suffolk County, comprising a portion of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA) and a portion of the Worcester, MA-CT MSA. The Norfolk County cities and towns include Brookline, Dedham, Dover, Franklin, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Walpole, Wellesley, and Westwood. Middlesex County cities and towns include Ashland, Framingham, Holliston, Hopkinton, Natick, Newton, Sherborn, Waltham, Watertown, Wayland, and Weston. The bank also includes in its assessment area the City of Boston in Suffolk County, and the town of Milford in Worcester County.

The bank has not changed its assessment area since the prior CRA evaluation; however, it is noted that the bank added the City of Boston shortly before the 2017 evaluation, which significantly increased the size and demographic configuration of the assessment area. Table 2 details pertinent demographic data related to the bank's assessment area.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	47	15.0	34,224	11.7	10,396	30.4	72,403	24.7
Moderate-income	59	18.8	46,512	15.9	7,820	16.8	40,843	13.9
Middle-income	75	23.9	73,872	25.2	5,139	7.0	48,425	16.5
Upper-income	120	38.2	137,624	46.9	4,296	3.1	131,604	44.9
Unknown-income	13	4.1	1,043	0.4	163	15.6	0	0.0
<b>Total Assessment Area</b>	<b>314</b>	<b>100.0</b>	<b>293,275</b>	<b>100.0</b>	<b>27,814</b>	<b>9.5</b>	<b>293,275</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	63,548	10,419	4.0	16.4	48,105	75.7	5,024	7.9
Moderate-income	102,095	28,736	11.0	28.1	65,201	63.9	8,158	8.0
Middle-income	144,694	73,174	27.9	50.6	64,031	44.3	7,489	5.2
Upper-income	233,259	148,691	56.7	63.7	71,498	30.7	13,070	5.6
Unknown-income	4,063	1,086	0.4	26.7	2,555	62.9	422	10.4
<b>Total Assessment Area</b>	<b>547,659</b>	<b>262,106</b>	<b>100.0</b>	<b>47.9</b>	<b>251,390</b>	<b>45.9</b>	<b>34,163</b>	<b>6.2</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	5,298	6.6	4,759	6.7	501	5.8	38	5.0
Moderate-income	9,832	12.2	8,998	12.6	753	8.7	81	10.7
Middle-income	17,399	21.5	15,216	21.3	2,080	24.0	103	13.6
Upper-income	47,439	58.7	41,693	58.4	5,218	60.1	528	69.7
Unknown-income	798	1.0	667	0.9	123	1.4	8	1.1
<b>Total Assessment Area</b>	<b>80,766</b>	<b>100.0</b>	<b>71,333</b>	<b>100.0</b>	<b>8,675</b>	<b>100.0</b>	<b>758</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.3</b>		<b>10.7</b>		<b>0.9</b>

Based on 2015 ACS Information

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

As displayed, the bank's assessment area consists of 314 census tracts, of which 47, or 15.0 percent are low-income, 59, or 18.8 percent, are moderate-income, 75, or 23.9 percent, are

middle-income, 120, or 38.2 percent, are upper-income and 13, or 4.1 percent, are designated as unknown-income. Of the total families in the assessment area, 24.7 percent are low-income, 13.9 percent are moderate-income, 16.5 percent are middle-income and 44.9 percent are upper-income. Of the total families, 9.5 percent live below the poverty level.

### *Housing Characteristics*

The assessment area contains 547,659 housing units, of which 47.9 percent are owner-occupied, 45.9 percent are rental, and 6.2 percent are vacant units. It is noted that under half the units within the assessment area are owner-occupied. A shortage in the supply of owner-occupied units typically increases pricing, making home ownership less attainable for low- and moderate-income individuals. The overall demographic make-up of the bank's assessment area is highly impacted by the City of Boston, which contains 50.9 percent (278,521) of the total housing units in the assessment area. Within Boston, just 31.6 percent of the units are owner-occupied.

As depicted in Table 2, of the total owner occupied units in the assessment area, 4.0 percent are located within low-income census tracts, 11.0 percent are located in moderate-income census tracts, 27.9 percent are located within middle-income census tracts, 56.7 percent are located in upper-income census tracts, and 0.4 percent are located in census tracts we income is unknown. A very low percentage of owner-occupied units within the low-income geographies would impact a bank's ability to extend home mortgage loans within those census tracts. The majority of units within the assessment area's low-income census tracts, 75.7 percent, are rental; therefore, the majority of demand would be from investors. Within the assessment area's moderate-income census tracts, 11.0 percent of the units are owner-occupied, 63.9 percent are rental, and 8.0 percent are vacant. Within middle- and upper-income geographies within the assessment area, a majority of units are owner-occupied, at 50.6 percent and 63.7 percent, respectively.

Approximately 67.3 percent of the housing units in the assessment area are 1-4 family properties, 32.6 percent are multifamily units, and 0.1 percent are mobile homes. The median age of housing in the assessment area is 61 years, which may indicate a need for home improvement lending. Home values have a significant impact on an institution's ability to lend and on the opportunity for individuals to borrow. The median home value in the assessment area is \$449,150. The median home value within the low-income geographies is slightly more affordable, at \$320,809; moderate-income geographies have a median home value of \$334,901, middle-income census tracts have a median home value of \$378,806; within upper-income census tracts the median home value is \$561,162; and within geographies for which income levels were unknown the median value is \$599,206.

### *Business Characteristics*

According to Dun and Bradstreet, Short Hills, NJ (D&B) data for 2017, 86.9 percent of businesses in the assessment area had revenues under \$1 million, 12.4 percent had revenues over

\$1 million and 0.7 percent were unknown. When the data was updated in 2018, 88.3 percent of businesses have revenues under \$1 million, 10.7 percent have revenues over \$1 million, and 0.9 percent unreported. The distribution of businesses across census tract income levels remained stable across the years. In 2017, 6.3 percent of business were located in low-income census tracts, 12.1 percent were located in moderate income census tracts, 21.8 percent were in middle-income tracts, 58.7 percent were located in upper income census tracts, and 1.0 percent were located in tracts with no income designation. Based on the updated 2018 figures, 6.6 percent of business are located in low-income census tracts, 12.2 percent are in moderate-income tracts, 21.5 percent are in middle-income tracts, 58.7 percent are in upper-income census tracts, and 1.0 percent are in census tracts were in areas where there was an unknown designation.

### *Population Characteristics*

The assessment area has a population of 1,339,810 individuals. At the time of the previous CRA evaluation, the population totaled 1,286,798 individuals, representing a population growth of 4.1 percent from the time of the 2016 FFIEC Census. Increasing populations can be indicative of increased loan demand. Based on the 2018 data, the population was distributed as follows: 12.9 percent in low-income tracts, 18.4 percent in moderate-income tracts, 25.6 percent in middle-income tracts, 42.5 percent in upper-income tracts, and 0.6 percent in the unknown tracts.

Approximately 24.7 percent of families in the assessment area are low-income, 13.9 percent are moderate-income, 16.5 percent are middle-income, and 44.9 percent are upper-income. There is a wide disparity in income levels within the assessment area, as evidenced by this distribution. Further, the percent of assessment area families with incomes below the poverty level is 9.5 percent. Of the total families with incomes below the poverty level, 65.5 percent reside in the assessment area's low- and moderate-income census tracts. Within the Commonwealth of Massachusetts, 8.1 percent of families have incomes below the poverty level. Of the 513,496 households in the assessment area, 14.4 percent reside below the poverty level, compared to 12.0 percent of households statewide. As stated, Boston comprises a significant portion of the bank's assessment area. Of the total population, 650,281, or 48.5 percent, reside in Boston. Of the 27,814 families residing below the poverty level, 20,785, or 74.7 percent, live in Boston.

### *Income*

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. 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.

Based on the MFI estimates, the median family income in the assessment area was \$100,015. This exceeds the state MFI of \$87,085. While the MFI is relatively high, it is important to note the income disparity identified earlier. Further, the MFI varied widely within each county

comprising the assessment area. Table 3 below provides a break out of each MSA/Metropolitan Division (MD) MFI within the assessment area.

<b>Table 3</b>	
<b>2018 Median Family Income</b>	
<b>MSA/MD</b>	<b>FFIEC Estimated MFI</b>
	<b>2018</b>
Boston, MA (MD)	\$99,300
Cambridge-Newton- Framingham, MA (MD)	\$110,300
Worcester, MA- CT (MSA)	86,900

*FFIEC MFI Estimates*

### *Employment Statistics*

Unemployment and income figures can give some insight about the ability of the population to support strong quality credits or potential poor loan repayment performance. The National Unemployment rate as of January 2018 was 4.1 percent; within Massachusetts, the unemployment rate was slightly lower, at 3.6 percent. Table 4 displays the unemployment rates by city or town within the assessment area, which were generally lower then state and national averages.

<b>Table 4 Unemployment Rates</b>		
<b>City/Town</b>	<b>City/Town Rate</b>	<b>Massachusetts Rate</b>
<i>Boston</i>	3.3	4.1
<i>Brookline</i>	2.2	4.1
<i>Needham</i>	2.5	4.1
<i>Watertown</i>	2.6	4.1
<i>Ashland</i>	3.0	4.1
<i>Framingham</i>	3.1	4.1
<i>Natick</i>	2.7	4.1
<i>Sherborn</i>	2.2	4.1
<i>Milford</i>	4.1	4.1
<i>Franklin</i>	3.5	4.1
<i>Holliston</i>	3.1	4.1
<i>Hopkinton</i>	2.9	4.1
<i>Medway</i>	3.3	4.1
<i>Norwood</i>	3.8	4.1
<i>Dedham</i>	3.1	4.1
<i>Dover</i>	2.8	4.1
<i>Medfield</i>	2.8	4.1
<i>Millis</i>	4.3	4.1
<i>Norfolk</i>	3.5	4.1
<i>Walpole</i>	3.6	4.1
<i>Waltham</i>	3.3	4.1
<i>Wayland</i>	2.9	4.1
<i>Wellesley</i>	2.6	4.1
<i>Westwood</i>	2.6	4.1
<i>Weston</i>	2.1	4.1

*Bureau of Labor and Statistics January 2018*

### **Community Contact**

Community representatives were contacted to understand relevant economic and community credit needs within the assessment area. Two community contacts were referenced in this review. One contact was conducted with the executive director of a community development corporation (CDC) dedicated to serving Boston neighborhoods. The contact cited the need for affordable housing within the City. In the contact’s experience, student loan debt has been a barrier to home ownership in the area. The contact felt credit needs included income-based student loan repayment plans, and more first time homebuyer income restricted mortgage products, such as the MassHousing One Partnership. The second contact was conducted with the executive director of a CDC serving the Greater Boston regional area. The contact was focused

on meeting the needs caused by the economic disruption of the COVID-19 pandemic, specifically the challenges facing area small businesses. The contact stated that small businesses in the community have been damaged severely from the crisis, particularly restaurants, coffee shops and bodegas. The contact indicated that Pay Check Protection (PPP)-style loans are needed to stabilize area small businesses.

## SCOPE OF EXAMINATION

Needham was evaluated under the FFIEC's Large Institution CRA Examination Procedures. "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 bank's CRA performance was reviewed using the lending, investment, and service tests as defined under FFIEC procedures. The performance evaluation assesses the bank's responsiveness and effectiveness in meeting the credit and community development needs of its assessment area. The performance was evaluated within the context of information about asset size, financial condition, competitive factors, and consideration of the economic and demographic characteristics of Needham's assessment area.

The Lending Test considered the bank's home mortgage, small business, and community development lending. Mortgage lending includes loans reported under the HMDA. Small business loan data was obtained from the small business loan registers produced and maintained by the bank, as required for large banks under the CRA. For the purposes of this evaluation, small business loans include nonfarm nonresidential real estate and commercial and industrial loans with original loan amounts of \$1 million or less. The evaluation included HMDA and small business loans originated by the bank from January 1, 2017 through December 31, 2018. Information for 2017 and 2018 is reported in tables unless otherwise noted. Due to regulatory changes to the 2018 data reporting requirements, 2018 data is analyzed separately from 2017. Further, examiners have excluded HMDA loans with a loan purpose of "other" from the analysis of 2018.

Community development activities are not evaluated using a separate test, but are included as a component of the Lending, Investment, or Service Test, depending on the nature of the activity. For the community development component of the Lending Test, the Investment Test, and the Service Test, the evaluation period spanned from the prior CRA examination on May 15, 2017, to the current evaluation date of March 19, 2020. Community development activities are evaluated as a component of each, in the context of community development needs of the assessment area and the bank's capacity to meet those needs.

The bank's loan data was compared with applicable aggregate and market data. The 2017 aggregate data for residential lending was obtained from the FFIEC's HMDA data while the 2018 aggregate data for residential lending was obtained from the Consumer Finance Protection Bureau (CFPB). The data consists of lending information from all HMDA reporters that originated or purchased reportable loans in the bank's assessment area. Residential market and demographic data was derived from the 2010 United States (U.S.) Census Bureau's and the 2015

American Community Survey (ACS) data, unless otherwise noted. Aggregate data for small business lending was obtained from data reported to the FFIEC, as required by the CRA.

Market data for small business lending was obtained from D&B data. All data was the most recent data available as of the examination date.

This examination commenced in March 2020, prior to the COVID-19 pandemic crisis. However, federal and state quarantine orders resulted in a pause of the examination with resumption of the review occurring in August 2020 and completion in September. As previously stated, the scope of lending activity ended in 2018 and community development activity was reviewed through the examination start date of March 2020. Therefore, activity in which the bank engaged in response to the crisis is outside of the scope of this review; and the lending, investment and customer accommodations the bank provided will be captured during the next examination. However, some of the activity in which the bank engaged during the crisis was made available and is noteworthy at this time, although not evaluated for purposes of this review. For example, the bank closed over 900 Paycheck Protection Program (PPP) loans, totaling \$163 million, which helped save over 16,000 jobs in local communities, a need noted by the community contact. Moreover, the bank did not restrict PPP loan applications; both existing customers and new-to-bank prospective customers were welcomed to apply. In addition, the bank offered loan modifications on many of its products. Through a hardship program, the bank had approved 93 applications, totaling \$54.1 million, in residential loan balances, approved and booked 34 Commercial Real Estate (CRE) loan modifications and supported their customer base with 25 Commercial & Industrial (C&I) loan modifications.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

Needham's performance under the Lending Test is rated Low Satisfactory. The Lending Test evaluates the bank's efforts in meeting the credit needs of its assessment area under the following performance criteria: number and dollar volume of loans in the assessment area, geographic distribution of loans, lending to borrowers of different incomes and businesses of different sizes, community development lending and innovative or flexible lending practices.

The following information details the data compiled and reviewed, as well as conclusions on the bank's performance. Please note that, although both the number and the dollar volume of the bank's loans were reviewed, the number of originations was weighted more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served.

### **Lending Activity**

This criterion evaluated the number and amount of the bank's home mortgage and small-business loans in the bank's assessment area. The bank originated 483 home mortgage loans totaling \$388.4 million within the assessment area in 2017. As previously mentioned, the bank was ranked 13<sup>th</sup> of the 504 lenders who originated or purchased a home mortgage within the assessment area. The majority of the bank's loans, 312 or 64.6 percent, were for the purpose of home purchases. The bank also extended 94 refinance loans and 72 home improvement loans; 5 of the bank's loans were secured by multifamily properties. In 2018, the bank extended 361 home mortgage loans totaling \$243.6 million in the assessment area and was ranked 24<sup>th</sup> of 485 reporters. As previously mentioned, the slight decline is in part attributable to the changes in reporting requirements. The bank extended 210 home purchase loans, 132 refinance loans, 11 home improvement loans and 8 multifamily loans. The decline in home purchase loans was attributable to loan demand and rising interest rates. In addition, the bank extended 54 small business loans totaling \$10.4 million within the assessment area in 2017, and an additional 44 loans totaling \$8.4 million in 2018. The bank's net loan-to-deposit ratio over an 11 quarter period ending December 31, 2019 was 118.6 percent. Overall, the bank exhibits a good responsiveness to credit needs in its assessment area, taking into account the number and amount of home mortgage and small-business loans in its assessment area.

*Assessment Area Concentration:*

The following table displays the proportion of the bank's lending in the bank's assessment area. The bank made an adequate percentage of its loans in its assessment area. A majority of loans, at 78.5 percent in 2017 and 68.9 percent in 2018 were made within the bank's assessment area. Refer to Table 5 below for a breakout of the bank's lending within its assessment area by year and product type.

Table 5 Lending Inside and Outside the Assessment Area								
2017	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	72	84.7	\$60,208	86.3	13	15.3	\$9,529	13.7
Home Purchase	312	77.4	\$241,865	82.2	91	22.6	\$52,413	17.8
Multi-Family Housing	5	55.6	\$32,317	59.9	4	44.4	\$21,658	40.1
Refinancing	94	79.7	\$54,005	84.1	24	20.3	\$10,216	15.9
<b>Total HMDA related</b>	<b>483</b>	<b>78.5</b>	<b>\$388,395</b>	<b>80.5</b>	<b>132</b>	<b>21.5</b>	<b>\$93,816</b>	<b>19.5</b>
<b>Total Small Business</b>	<b>54</b>	<b>78.3</b>	<b>\$10,395</b>	<b>78.9</b>	<b>15</b>	<b>21.7</b>	<b>\$2,787</b>	<b>21.1</b>
<b>TOTAL LOANS 2017</b>	<b>537</b>	<b>78.5</b>	<b>\$398,790</b>	<b>80.0</b>	<b>147</b>	<b>21.5</b>	<b>\$99,603</b>	<b>20.0</b>
2018	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	11	100.0	\$9,157	100	0	0.0	\$0	0.0
Home Purchase	210	65.2	\$135,189	72.8	112	34.8	\$50,614	27.2
Multi-Family Housing	8	72.7	\$14,228	49.3	3	27.3	\$14,636	50.7
Refinancing	132	75.9	\$84,998	79.6	42	24.1	\$21,735	20.4
<b>Total HMDA related</b>	<b>361</b>	<b>69.7</b>	<b>\$243,572</b>	<b>73.7</b>	<b>157</b>	<b>30.3</b>	<b>\$86,985</b>	<b>26.3</b>
<b>Total Small Business</b>	<b>44</b>	<b>62.9</b>	<b>\$8,382</b>	<b>44.6</b>	<b>26</b>	<b>37.1</b>	<b>\$10,430</b>	<b>55.4</b>
<b>TOTAL LOANS 2018</b>	<b>405</b>	<b>68.9</b>	<b>\$251,954</b>	<b>72.1</b>	<b>183</b>	<b>31.1</b>	<b>\$97,415</b>	<b>27.9</b>

HMDA and small business data January 1, 2017 through December 31, 2018

### Residential Lending

In 2017, the bank extended 78.5 percent of loans by number and 80.5 percent of loans by dollar volume within the assessment area. A majority of loans were made within the assessment area across product type with 84.7 percent of home improvement, 79.7 percent of refinance loans, 77.4 percent of home purchase and 55.6 percent of multifamily loans extended within the assessment area. Given the overall lower volume of multifamily loans, the lower concentration of this loan type has minimal effect on overall lending. The bank's loan dollars were concentrated within the assessment area at a slightly higher volume.

In 2018, while still a majority, a lower percentage of loans were extended in the assessment area. All home improvement loans were made within the assessment area, refinance loans were also concentrated within the assessment area both by number and percent. The bank extended 65.2 percent by number and 72.8 percent by dollar volume of home purchase loans within the assessment area. The volume of multifamily loans is such that a small number of loans can significantly sway the percentages, as evidenced between the two years.

### *Small Business Lending*

In 2017, a majority of small business loans by number and dollar volume were extended within the assessment area. In 2018, a slight majority of loans by number at 62.9 percent were made within the banks assessment area. While the dollar volume was less than a majority inside the assessment area, the number of loans is indicative of businesses actually benefiting from the loans and smaller dollar loans can be a proxy for smaller size businesses.

### **Geographic Distribution of Loans**

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrates an adequate geographic distribution in its assessment area.

### *Residential Lending*

Tables 6 and 7 provide 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 residential loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 6 Geographic Distribution of HMDA Loans								
PRODUCT TYPE	Borrower Income Levels	Bank & Aggregate Lending Comparison						
		2017						
		Owner Occupied Units %	Count			Dollar		
			Bank		Agg	Bank		Agg
#	%		%	#	%	%		
HOME PURCHASE	Low	4.0%	14	4.5%	5.2%	11,971	4.9%	4.7%
	Moderate	11.0%	21	6.7%	14.2%	13,018	5.4%	11.4%
	Middle	27.9%	74	23.7%	27.3%	35,534	14.7%	22.4%
	Upper	56.7%	200	64.1%	52.5%	178,193	73.7%	60.6%
	Unknown	0.4%	3	1.0%	0.7%	3,149	1.3%	0.9%
	<b>Total</b>	<b>100.0%</b>	<b>312</b>	<b>100.0%</b>	<b>100.0%</b>	<b>241,865</b>	<b>100.0%</b>	<b>100.0%</b>
REFINANCE	Low	4.0%	11	11.7%	6.3%	7968	14.8%	5.9%
	Moderate	11.0%	8	8.5%	14.2%	8,055	14.9%	11.8%
	Middle	27.9%	22	23.4%	28.5%	7,268	13.5%	23.4%
	Upper	56.7%	53	56.4%	50.5%	30,714	56.9%	58.4%
	Unknown	0.4%	0	0.0%	0.5%	0	0.0%	0.6%
	<b>Total</b>	<b>100.0%</b>	<b>94</b>	<b>100.0%</b>	<b>100.0%</b>	<b>54,005</b>	<b>100.0%</b>	<b>100.0%</b>
HOME IMPROVEMENT	Low	4.0%	0	0.0%	4.3%	0	0.0%	4.8%
	Moderate	11.0%	2	2.8%	11.3%	2129	3.5%	11.1%
	Middle	27.9%	14	19.4%	26.9%	10,701	17.8%	21.4%
	Upper	56.7%	56	77.8%	57.0%	47,378	78.7%	62.3%
	Unknown	0.4%	0	0.0%	0.4%	0	0.0%	0.3%
	<b>Total</b>	<b>100.0%</b>	<b>72</b>	<b>100.0%</b>	<b>100.0%</b>	<b>60,208</b>	<b>10000.0%</b>	<b>100.0%</b>
MULTI FAMILY*	Low	24.7%	1	20.0%	19.4%	4520	14.0%	10.0%
	Moderate	13.9%	1	20.0%	26.9%	2675	8.3%	22.2%
	Middle	16.5%	2	40.0%	25.2%	24425	75.6%	34.5%
	Upper	44.9%	1	20.0%	28.3%	0	0.0%	33.2%
	Unknown	0.0%	0	0.0%	0.3%	0	0.0%	0.1%
	<b>Total</b>	<b>100.0%</b>	<b>5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>32,317</b>	<b>100.0%</b>	<b>100.0%</b>
HMDA TOTALS	Low	4.0%	26	5.4%	5.6%	24,459	6.3%	5.5%
	Moderate	11.0%	32	6.6%	14.0%	25,877	6.7%	12.5%
	Middle	27.9%	112	23.2%	27.7%	77,928	20.1%	23.8%
	Upper	56.7%	310	64.2%	52.0%	256,982	66.2%	57.5%
	Unknown	0.4%	3	0.6%	0.6%	3,149	0.8%	0.7%
	<b>Total</b>	<b>100.0%</b>	<b>483</b>	<b>100.0%</b>	<b>100.0%</b>	<b>388,395</b>	<b>100.0%</b>	<b>100.0%</b>

\*Distribution of multifamily units by census tract income  
 2015 ACS, 2017 Aggregate HMDA Data, & 2017 HMDA LAR.  
 Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As displayed in Table 6, in 2017, the bank extended 26 loans, or 5.4 percent of its total loans, within low-income census tracts. The bank's percentage exceeded the percentage of owner occupied housing units located in those tracts, but was closely aligned with the percentage achieved by the aggregate, which maybe more indicative of loan demand. With the exception of home improvement lending, the bank's lending within the assessment area's low-income census tracks was relatively consistent with overall performance and the aggregate's percentages across product categories.

The bank's lending within moderate-income census tracts was below the percentage of owner occupied units in those tracts, and also lagged aggregate indicators. Contributing to the lag in penetration of the moderate-income geographies is the bank's relative newness to the Boston market. Notably, of the 28,736 total owner occupied units in the assessment area, 22,663, or 78.8 percent, are located within the city of Boston.

The bank's lending within middle-income census tracts was below the demographic and aggregate indicators while lending within upper-income census tracks exceeded the demographic and aggregate indicators. This is in part attributable to the bank's historic assessment area and branch presence, which is concentrated within upper-income geographies.

Table 7 Geographic Distribution of HMDA Loans								
LOAN PURPOSE	Tract Income Levels	Bank & Aggregate Lending Comparison						
		Owner Occupied Units %	2018			2018		
			Count		Dollar			
			Bank	Agg	Bank	Agg	Bank	Agg
		#	%	%	#	%	%	
HOME PURCHASE	Low	4.0%	19	9.0%	5.2%	8,765	6.5%	4.0%
	Moderate	11.0%	25	11.9%	14.7%	15,060	11.1%	10.8%
	Middle	27.9%	47	22.4%	26.8%	22,421	16.6%	31.4%
	Upper	56.7%	119	56.7%	52.5%	88,943	65.8%	53.0%
	Unknown	0.4%	0	0.0%	0.8%	0	0.0%	0.8%
	<b>Total</b>	100.0%	210	100.0%	100.0%	135,189	100.0%	100.0%
REFINANCE	Low	4.0%	4	3.0%	5.6%	4,174	4.9%	5.3%
	Moderate	11.0%	12	9.1%	14.6%	7,189	8.5%	12.7%
	Middle	27.9%	15	11.4%	25.7%	7,945	9.3%	21.3%
	Upper	56.7%	100	75.8%	53.6%	65,240	76.8%	60.1%
	Unknown	0.4%	1	0.8%	0.5%	450	0.5%	0.5%
	<b>Total</b>	100.0%	132	100.0%	100.0%	84,998	100.0%	100.0%
HOME IMPROVEMENT	Low	4.0%	0	0.0%	4.1%	0	0.0%	4.2%
	Moderate	11.0%	1	9.1%	11.8%	413	4.5%	10.5%
	Middle	27.9%	1	9.1%	27.7%	440	4.8%	22.4%
	Upper	56.7%	9	81.8%	56.0%	8,304	90.7%	62.5%
	Unknown	0.4%	0	0.0%	0.3%	0	0.0%	0.4%
	<b>Total</b>	100.0%	11	100.0%	100.0%	9,157	100.0%	100.0%
MULTI FAMILY	Low	15.1%	2	25.0%	17.5%	4,450	31.3%	12.6%
	Moderate	21.4%	3	37.5%	25.1%	3,718	26.1%	16.5%
	Middle	24.5%	2	25.0%	25.4%	4,260	29.9%	28.6%
	Upper	37.4%	1	12.5%	30.0%	1,800	12.7%	40.8%
	Unknown	1.6%	0	0.0%	2.0%	0	0.0%	1.6%
	<b>Total</b>	100.0%	8	100.0%	100.0%	14,228	100.0%	100.0%
HMDA TOTALS	Low	4.0%	25	6.9%	5.2%	17,389	7.1%	5.2%
	Moderate	11.0%	41	11.4%	14.1%	26,380	10.8%	11.8%
	Middle	27.9%	65	18.0%	26.2%	35,066	14.4%	28.4%
	Upper	56.7%	229	63.4%	53.8%	164,287	67.5%	53.8%
	Unknown	0.4%	1	0.3%	0.6%	450	0.2%	0.8%
	<b>Total</b>	100.0%	361	100.0%	100.0%	243,752	100.0%	100.0%

2018 FFIEC Census Data, 2018 Aggregate Data and 2018 Bank Data

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

In 2018, the bank made 25 loans, or 6.9 percent, within the assessment area’s low-income census tracts. The bank was able to achieve a percentage above that of the demographic indicator as well as the 2018 aggregate, demonstrating a strong performance in lending within those tracts.

The percentage of home purchase loans (9.0 percent) was well above that made by the aggregate (5.2 percent). As with 2017, the bank extended no home improvement loans within low-income census tracts. Refinance lending within low-income tracts slightly lagged the aggregate, however given the low- percentage of owner occupied units in those tracts, it is noted that demand would be more limited.

The bank’s performance in extending loans within the assessment area’s moderate-income geographies improved in 2018, whereby 41 loans, or 11.4 percent, were made within these census tracts. The bank was able to match the percentage of owner-occupied units. There were no conspicuous gaps, particularly within loans in low- or moderate-income tracts unexplained by performance context.

*Small Business Lending*

Table 8 represents the distribution of small business loans by census tract income level.

Table 8								
Geographic Distribution of Small Business Loans by Census Tract								
Census Tract Income Level	2017 % Total Business by Tracts	2017		2017 Aggregate	2018 % Total Business by Tracts	2018		2018 Aggregate
		Bank				Bank		
	%	#	%	%	%	%	%	%
Low	6.3%	0	0.0%	5.7%	6.6%	5	11.4%	5.6%
Moderate	12.1%	5	9.3%	12.8%	12.2%	1	2.3%	13.0%
Middle	21.8%	6	11.1%	23.3%	21.5%	7	15.9%	23.5%
Upper	58.7%	43	79.6%	57.1%	58.7%	31	70.4%	56.9%
N/A	1.0%	0	0.0%	1.1%	1.0%	0	0.0%	1.0%
<b>Total</b>	100.0%	54	100.0%	100.0%	100.0%	44	100.0%	100.0%

*D&B 2017 & 2018. CRA data for 2017 and 2018.*

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

As displayed in Table 8, the bank extended no small business loans within the assessment areas low-income census tracts in 2017. The bank extended just 5 loans or 9.3 percent within moderate-income census tracts in that year trailing the percentages of businesses (12.1 percent) and the percentage of loans extended by the aggregate in those tracts. A small number and percent of loans were made within middle-income geographies (6 loans at 11.1 percent). The majority, 79.6 percent of small business loans were located in upper-income geographies where 58.7 percent of businesses were located.

In 2018, the bank was able to extend 5 loans, or 11.4 percent, within low-income geographies, exceeding the parentage achieved by the aggregate in that year. However, lending within moderate-income geographies, 1 loan at 2.3 percent, lagged the aggregate’s 13.0 percent. The

bank was also below demographic and aggregate indicators with 6 and 7 loans made in middle-income census tract in 2017 and 2018, respectively. The majority of the bank's loans, 70.4 percent were extended in upper-income geographies where 58.7 percent of businesses were located.

In both years, the majority of small business loans were located within upper-income census tracts, reflecting a poor geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area. However, given the overall composition of the loan portfolio and lower loan volume of small business loans, this performance carries lower weight. Overall, the geographic distribution of loans is adequate.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues.

The distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income individuals and businesses of different sizes when compared to area demographics and aggregate performance.

#### *Residential Lending*

Refer to Table 9 for a breakout of the bank's 2017 lending.

Table 9 Borrower Distribution of HMDA Loans								
PRODUCT TYPE	Borrower Income Levels	Bank & Aggregate Lending Comparison						
		2017						
		Families by Family Income	Count			Dollar		
			Bank	Agg		Bank	Agg	
#	%	%	#	%	%			
HOME PURCHASE	Low	24.7%	6	1.9%	2.0%	1,046	0.4%	0.8%
	Moderate	13.9%	23	7.4%	10.0%	5,807	2.4%	5.4%
	Middle	16.5%	41	13.1%	19.0%	15,700	6.5%	13.3%
	Upper	44.9%	159	51.0%	57.0%	133,270	55.1%	65.7%
	Unkown	0.0%	83	26.6%	12.0%	86,042	35.6%	14.9%
	<i>Total</i>	100.0%	312	100.0%	100.0%	241,865	100.0%	100.0%
REFINANCE	Low	24.7%	3	3.2%	4.1%	387	7.0%	1.9%
	Moderate	13.9%	8	8.5%	12.9%	2,142	4.0%	7.9%
	Middle	16.5%	19	20.2%	21.8%	6,017	11.1%	16.3%
	Upper	44.9%	44	46.8%	50.5%	26,228	48.6%	60.8%
	Unkown	0.0%	20	21.3%	10.6%	19,231	35.6%	13.1%
	<i>Total</i>	100.0%	94	100.0%	100.0%	54,005	100.0%	100.0%
HOME IMPROVEMENT	Low	24.7%	1	1.4%	3.3%	115	0.2%	0.8%
	Moderate	13.9%	2	2.8%	11.2%	505	0.8%	6.2%
	Middle	16.5%	9	12.5%	20.6%	2,998	5.0%	12.3%
	Upper	44.9%	43	59.7%	57.8%	35,700	59.3%	65.6%
	Unkown	0.0%	17	23.6%	7.1%	20,890	34.7%	15.1%
	<i>Total</i>	100.0%	72	100.0%	100.0%	60,208	100.0%	100.0%
MULTI FAMILY	Low	24.7%	0	0.0%	0.0%	0	0.0%	0.0%
	Moderate	13.9%	0	0.0%	0.0%	0	0.0%	0.0%
	Middle	16.5%	0	0.0%	0.0%	0	0.0%	0.0%
	Upper	44.9%	0	0.0%	0.0%	0	0.0%	0.4%
	Unkown	0.0%	5	100.0%	100.0%	32,317	100.0%	100.0%
	<i>Total</i>	100.0%	5	100.0%	100.0%	32,317	100.0%	100.0%
HMDA TOTALS	Low	24.7%	10	2.1%	2.8%	1,548	0.4%	1.0%
	Moderate	13.9%	33	6.8%	11.1%	8,454	2.2%	5.6%
	Middle	16.5%	69	14.3%	19.9%	24,715	6.4%	12.9%
	Upper	44.9%	246	50.9%	54.2%	195,198	50.3%	58.3%
	Unkown	0.0%	125	25.9%	12.0%	158,480	40.8%	22.1%
	<i>Total</i>	100.0%	483	100.0%	100.0%	388,395	100.0%	100.0%

2015 ACS, 2017 Aggregate HMDA Data, & 2017 HMDA LAR.

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

In 2017, the percentage of loans the bank extended to low-income borrowers was significantly below the percentage of low-income families within the assessment area, at 24.7 percent. The MFI in the assessment area was \$100,015, meaning low-income earners would make \$50,007

and under. With a median home value of \$320,809, home ownership for low-income families in the assessment area, particularly those with incomes on the lower end of this category, would be difficult. Given these considerations, the aggregate can often be a better indicator of loan demand. The bank originated 2.1 percent of its total mortgage loans to low-income borrowers, performing relatively consistently with the 2017 aggregate, at 2.8 percent.

Both the bank and the aggregate lagged aggregate indicators in lending to moderate income borrower, as 13.9 percent of families are considered moderate-income. The aggregate made 11.1 percent of its loans to moderate-income borrowers and the bank extended 6.8 percent of its loans to borrowers in this income category.

As previously noted, Needham expanded its assessment area in 2017 to include the city of Boston, based on its increase in asset size and growing lending footprint; however, the bank had not historically focused on serving this market prior to the previous exam's review period. The bank has strategically focused on expanding its presence in the Boston market which now comprises a substantial portion of the bank's assessment area, and thus has a significant impact on the overall demographics of the bank's assessment area. Of note, 48.5 percent of the assessment area's total population resides in Boston; and 74.7 percent of the families in the assessment area are living below the poverty level reside in the city.

Over the review period, housing prices presented scarce opportunities for homeownership among low- and moderate-income families, particularly for those of very low-income and persons living below the poverty level. In 2017, Needham originated 312 home purchase loans in the assessment area. Six of those loans (1.9 percent) were made to low-income borrowers and 23 loans (7.4 percent) went to moderate-income.

Originations of loans to middle-income borrowers (14.3 percent) was also below aggregate indicators at 19.9 percent, and demographics at 16.5 percent. The majority of the bank's loans 50.9 percent were extended to upper-income borrowers. The bank had a relatively high percentage of loans for which the borrower income was N/A.

Despite the bank lagging the aggregate and demographics among low- and moderate-income borrowers, the bank extended 55 first time homebuyer loans in 2017, totaling \$29.9 million. In addition, the bank offered a community loan program for low-income borrowers which offered a 5.0 percent down payment, no private mortgage insurance and reduced closing costs to increase the availability of credit to low- and moderate-income borrowers. The bank extended 26 of these loans, totaling \$6.6 million, in 2017. The bank's performance was relatively consistent across product categories, with the exception of home improvement loans where incomes are not reported.

Table 10 provides a breakout of the bank's HMDA loans to borrowers of different income levels in 2018.

Table 10								
Borrower Distribution of HMDA Loans								
PRODUCT TYPE	Borrower Income Levels	Bank & Aggregate Lending Comparison						
		Families by Family Income	2018			2017		
			Count		Agg	Dollar		Agg
			Bank	Agg		Bank	Agg	
#	%	%	#	%	%			
HOME PURCHASE	Low	24.7%	3	1.4%	2.2%	468	0.3%	0.8%
	Moderate	13.9%	27	12.9%	9.6%	7,576	5.6%	4.5%
	Middle	16.5%	44	21.0%	17.7%	16,770	12.4%	11.0%
	Upper	44.9%	113	53.8%	56.6%	92,143	68.2%	69.1%
	Unkown	0.0%	23	11.0%	14.0%	18,232	13.5%	14.5%
	<i>Total</i>	100.0%	210	100.0%	100.0%	135,189	100.0%	100.0%
REFINANCE	Low	24.7%	2	1.5%	5.2%	348	0.4%	2.4%
	Moderate	13.9%	7	5.3%	14.0%	1,733	2.0%	8.7%
	Middle	16.5%	16	12.1%	20.9%	5,427	6.4%	15.7%
	Upper	44.9%	91	68.9%	50.2%	63,196	74.3%	60.2%
	Unkown	0.0%	16	12.1%	9.8%	14,294	16.8%	13.0%
	<i>Total</i>	100.0%	132	100.0%	100.0%	84,998	100.0%	100.0%
OTHER Purpose-CL	Low	24.7%	0	0.0%	4.7%	0	0.0%	3.0%
	Moderate	13.9%	0	0.0%	13.5%	0	0.0%	5.6%
	Middle	16.5%	0	0.0%	19.2%	0	0.0%	7.2%
	Upper	44.9%	2	100.0%	55.3%	403	100.0%	71.8%
	Unkown	0.0%	0	0.0%	7.4%	0	0.0%	12.4%
	<i>Total</i>	100.0%	2	100.0%	100.0%	403	100.0%	100.0%
HOME IMPROVEMENT	Low	24.7%	0	0.0%	3.9%	0	0.0%	2.0%
	Moderate	13.9%	0	0.0%	12.0%	0	0.0%	7.1%
	Middle	16.5%	0	0.0%	21.6%	0	0.0%	14.4%
	Upper	44.9%	10	90.9%	57.9%	8,744	95.5%	64.0%
	Unkown	0.0%	1	9.1%	4.6%	413	4.5%	12.5%
	<i>Total</i>	100.0%	11	100.0%	100.0%	9,157	100.0%	100.0%
MULTI FAMILY	Low	24.7%	0	0.0%	0.0%	0	0.0%	0.0%
	Moderate	13.9%	0	0.0%	0.7%	0	0.0%	0.0%
	Middle	16.5%	0	0.0%	0.3%	0	0.0%	0.0%
	Upper	44.9%	0	0.0%	1.0%	0	0.0%	0.0%
	Unkown	0.0%	8	100.0%	98.0%	14,228	100.0%	99.9%
	<i>Total</i>	100.0%	8	100.0%	100.0%	14,228	100.0%	100.0%
HMDA TOTALS	Low	24.7%	5	1.4%	3.5%	816	0.3%	1.2%
	Moderate	13.9%	34	9.4%	11.2%	9,309	3.8%	5.1%
	Middle	16.5%	60	16.5%	18.9%	22,197	9.1%	11.0%
	Upper	44.9%	216	59.5%	53.4%	164,486	67.4%	59.6%
	Unkown	0.0%	48	13.2%	13.2%	47,167	19.3%	23.1%
	<i>Total</i>	100.0%	363	100.0%	100.0%	243,975	100.0%	100.0%

D&B 2017 & 2018. CRA data for 2017 and 2018.

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

In 2018, the bank originated 1.4 percent of its total mortgage loans to low-income borrowers, a noticeable decrease from the previous year. Also in 2018, the bank originated 9.4 percent of its total mortgage loans to moderate-income borrowers, exhibiting an increase in this income category from 2017. Both figures however lagged the aggregate of 3.5 percent and 11.2 percent

to low-income and moderate-income borrowers, respectively.

In 2018, the bank and the aggregate percentages fell significantly below the percentage of low-income families in the assessment area (24.7 percent). That aggregate's lending percentages to low and moderate-income borrowers also lagged demographic indicators. The performance level of both the bank and the aggregate with regard to demographics may be indicative of affordability challenges facing low- and moderate-income families in the assessment area, particularly in the Boston market. In both 2017 and 2018, the bank consistently fell below the demographics.

In 2018, the bank's overall home purchase originations decreased to 210, with just three of those loans (1.4 percent) going to low-income borrowers. The number of home purchase loans made to moderate income borrowers in 2018 increased from the previous year, to 27 originations (12.9 percent). As previously mentioned, the median home value in the assessment area in 2018 was \$449,150; and according to the Zillow Home Value Index, in Boston, the 2018 median home value was approximately \$585,100. That same year, the average low-income borrower was making less than \$50,000 annually. These figures support the affordable housing challenges facing low- and moderate-income residents in the assessment area, as salaries do not keep pace with housing costs. Needham has also noted market challenges associated with operating in the city of Boston to include high competition in heavily-banked markets, where 44 banks have 235 offices in the city; and Needham is a relatively new entrant. The bank also underlined the poverty rate in Boston, where 21 percent of households live below the poverty level, making it difficult for those families to access mortgage loans.

In addition to offering new loan products over the review period, the bank has continued its previously established lending initiatives, which are focused on enhancing lending to low- and moderate-income individuals and geographies. The bank acknowledges that given the market dynamics across its assessment area, low-income earners may not qualify for mortgages under conventional underwriting standards. In 2018, the bank introduced its Community Loan Program (CLP), which offers a discounted mortgage rate, lower down payment, and no private mortgage insurance to low- and moderate-income borrowers, made 20 CLP loans, totaling \$6.5 million. Needham also continued offering its First Time Homebuyer Programs and seminars. In 2018, the bank sponsored several seminars that 'graduated' over 300 participants and originated 82 First Time Home Buyer (FTHB) loans, totaling \$39.5 million. During the prior evaluation period, the bank originated 49 loans FTHB loans totaling \$23.6 million, representing an increasing focus on this activity. Beginning in 2018, the bank began offering 40-year adjustable rate mortgages to provide borrowers with flexibility in responsibly financing home loans; the product is available to borrowers of all income levels. The bank extended 16 loans, totaling \$12.3 million.

#### *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 11 provides this analysis.

**Table 11**  
**Distribution of Loans to Businesses of Different Revenue Sizes**

Business Revenue & Loan Size		2017 Total Businesses	Bank Lending				2017 Aggregate		2018 Total Businesses %	Bank Lending				2018 Aggregate	
			2017				% of #	% of \$\$		2018				% of #	% of \$\$
			Bank							Bank					
			Count		\$ (000s)					Count		\$ (000s)			
#	%	\$	%	#	%	\$	%								
BUSINESS REVENUE	\$1 million or Less	86.9	31	57.4%	\$4,380	42.1%	46.2%	33.4%	86.5%	20	45.5%	\$2,573	30.7%	38.8%	28.4%
	Over \$1 Million	12.4	23	42.6%	\$6,015	53.8%	53.8%	66.6%	12.4%	22	50.0%	\$5,658	67.5%	61.2%	71.6%
	Rev. Not Known	0.7	0	0.0%	\$0	0.0%	0.0%	0.0%	1.1%	2	4.5%	\$151	1.8%	0.0%	0.0%
	<i>Total</i>	<i>100</i>	<i>54</i>	<i>100.0%</i>	<i>\$10,395</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>	<i>44</i>	<i>100.0%</i>	<i>\$8,382</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>

D&B 2017 & 2018. CRA data for 2017 and 2018.

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

In 2017, the bank extended three loans through the Massachusetts Capital Access Program (Mass Cap), totaling \$131,000. One loan for \$240,000 was originated through the program in 2018. The program is designed to help small businesses (with 200 or fewer in employees) throughout Massachusetts obtain loans from participating banks. Using cash collateral guarantees from a loan loss reserve fund, this program enables banks to make loans they might otherwise be unable to grant. During the review period the bank also has become more active in Small Business Association (SBA) lending to reach small businesses. In 2018, the bank originated 6 loans for \$1.4 million through the SBA Express Program. In 2018 the bank also made loans through the SBA 504 Loan Program, including one loan for \$306,362.

The bank's small business lending reflects a good responsiveness to assessment area credit needs. However, due to the bank's portfolio mix this performance carries lower weight and overall performance is considered adequate.

### **Community Development Lending**

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

The bank is a leader in providing community development loans. At the time of the previous CRA evaluation in 2017 Needham originated 16 community development loans, totaling \$24.5 million, during the review period. However, during this review period the bank originated 31 qualified community development loans, totaling approximately \$70.6 million.

The majority of the bank's qualified community development loans are related to affordable housing provided in connection with mixed income housing developments, the vast majority of which were within the bank's assessment area. As results of these loans approximately 127 units of affordable housing for low- and moderate-income individuals were created, an area the community contact identified as a high need. The qualified amount of community development lending supporting these initiatives totaled \$45.5 million.

In addition the bank extended 4 SBA 504 loans totaling \$6.4 million. The SBA 504 Loan program is a powerful economic development loan program that offers small businesses another avenue for business financing, while promoting business growth, and job creation. An additional community contact noted lending to small businesses as a need.

The bank also extended an \$18.7 million loan which was considered to revitalize/ stabilize a moderate-income geography. The loan was to renovate an education center and also provided affordable housing within the City of Boston.

### **INVESTMENT TEST**

Needham Bank's performance under the Investment Test is rated High Satisfactory. The Investment Test evaluates the institution's record of meeting the credit needs of its assessment area through its use of qualified investments<sup>1</sup> that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. 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

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<sup>1</sup> A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

The bank demonstrates a significant level of qualified investment, 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. The bank made a significant level, occasionally in a leadership position. The bank made use of innovative investments or complex investments and exhibited good responsiveness to CD needs of the assessment area.

### **Equity Investments**

The bank extended a significant level of community development investments. Total qualified investments totaled \$11.4 million of which two are current period investments. The bank purchased two pools of mortgage-backed securities totaling \$5.3 million. While this type of investment is not considered overly complex, they were responsive to affordable housing needs.

In addition, the bank holds \$6.1 million in prior period investments. CRA investment credit is provided for those investments that were made prior to the current examination, but that are still outstanding. Included in this total are 7 pools of mortgage backed securities purchased in prior periods with book values totaling \$4.4 million. These were in support of affordable housing. In addition, the bank made two investments which were considered more innovative. In 2016, the bank made a \$1 million investment in a 10 year revolving loan fund operated by a certified Community Development Financial Institution, which provides financing for affordable housing, education, healthcare and economic and environmental vitality. The bank also maintains an investment in a Massachusetts Housing Equity Fund through the Massachusetts Housing Investment Corporation (MHIC), with a value of \$690,347. MHIC is a private non-profit entity that provides financing for affordable housing and community development in New England through housing tax credits.

### **Grants and Donations**

The bank exhibits good responsiveness to the credit and community needs of the assessment area through charitable contributions to organizations, which have supported community development missions such as affordable housing, community services for low-and-moderate-income individuals, economic development, and revitalization efforts. Current period qualified donations total \$676,808; a 60.7 percent increase from \$421,090 at the prior examination. The following is a sample of the organizations that benefited from the bank's contributions:

*Allston Brighton Community Development Corporation (CDC)* – Allston Brighton CDC has led initiatives that create and preserve affordable homes, foster community leadership, and provide first-time homebuyers with the tools and resources to reach their goals. The Allston Brighton CDC partners with Allston Brighton residents to increase their economic wellbeing and stabilize

the neighborhood.

Caritas Communities- Caritas serves more than 1,000 citizens of Greater Boston who would otherwise not be able to afford housing. The organization enables those working on minimum wage, veterans experiencing post-service challenges, and low-income elderly and disabled citizens to live in a clean, safe home that they can afford.

Heading Home – Heading Home is Boston's leading provider of emergency shelter, transitional, and permanent housing for low-income families and individuals. When paired with financial literacy, life skills, and job training, the organization's unique approach sets clients on a pathway to self-sufficiency.

WATCH CDC – WATCH CDC promotes affordable housing, provides adult education and leadership development, and empowers underrepresented residents through civic engagement all in the greater Waltham area.

Natick Service Council's Food Pantry- The food pantry currently serves over 660 low-income families in Natick.

Community Gateway – A Massachusetts non-profit targeted at transitioning vulnerable populations toward financial and social independence, the bank's donation supported programs provided through the organization which provide tax assistance, help with applications for food stamps, low-income housing, and legal representation for low-income immigrant families.

Massachusetts Affordable Housing Alliance (MAHA)- This organization is a HUD approved counseling agency that publishes a site designed to help low- to moderate-income homebuyers find a home they can afford, and educate them about affordable home lotteries and the home buying process.

Table 12 below details the bank's qualified contributions by primary community development purposes.

While the bank's donations were concentrated in community services, community development categories can often overlap. Many organizations that provide community services to low-and-moderate-income individuals also promote affordable housing, economic development, and local revitalization efforts. As previously noted, the bank's donations primarily provided support services to low- and moderate-income individuals; these contributions are particularly impactful in the market in which the bank is operating. With the inclusion of Boston in the assessment area, it should be noted that economic equity remains a defining challenge, as residents in the bank's assessment area continue to face socioeconomic barriers such as financial security, employment, affordable housing, and education.

## SERVICE TEST

Table 12								
Needham Bank								
Qualified Donations by Purpose								
Community Development Category	2017 (as of 1/18/17)		2018		2019		Total	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	15	47,500	12	33,500	9	21,000	36	102,000
Community Services	38	153,150	66	209,350	55	188,308	159	550,808
Economic Development	1	1,500	2	10,500	3	6,500	6	18,500
Revitalization/Stabilization	0	-	1	2,500	2	3,000	3	5,500
<b>Total</b>	<b>54</b>	<b>202,150</b>	<b>81</b>	<b>255,850</b>	<b>69</b>	<b>218,808</b>	<b>204</b>	<b>676,808</b>

Needham's performance under the Service Test is rated Low Satisfactory. The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area 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 maintains nine full-service branches and two remote ATMs. All of the bank's branch offices are currently located in upper-income census tracts. Table 13 below 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.

<b>Table 13</b>				
<b>Distribution of Branch Offices by Income Category</b>				
<b>Census Tract Income Category</b>	<b>Assessment Area Demographics</b>		<b>Bank Offices by Tract Location</b>	
	<b>Total Census Tracts</b>	<b>Total Population</b>	<b>#</b>	<b>%</b>
	<b>% of #</b>	<b>% of #</b>		
<b>Low</b>	15.0	12.9	0	0.0
<b>Moderate</b>	18.8	18.4	0	0.0
<b>Middle</b>	23.9	25.6	0	0.0
<b>Upper</b>	38.2	42.5	9	100.0
<b>NA</b>	4.1	0.6	0	0.0
<b>Total</b>	100.0	<b>100.0</b>	<b>9</b>	<b>100.0</b>

2015 ACS

The bank demonstrates its service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area. The bank provides deposit-related services through retail branches and alternative delivery channels, including ATMs, debit cards, online banking, mobile banking, mobile account opening, and remote deposit capabilities. Core products include checking, savings, money market accounts, and certificates of deposit. Needham offers customers free checking with rebates on any ATM fees.

There have been no changes to the bank’s branch network during the review period, as such, the bank’s record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. While, as displayed above, the bank operates no branch offices within the low- or moderate-income geographies, its branch network is reflective of its historic assessment area. Following the expansion of the assessment area in 2017, the bank has analyzed potential expansion to its branch network to better serve its assessment area. In 2019, the bank identified a location in the Mission Hill neighborhood of Boston for a Boston-based branch. The branch is scheduled to open in the second quarter of 2020. The opening of this branch will improve access of the Needham’s banking services for individuals residing the assessment area’s low- and moderate-income census tracts.

The bank’s demonstrates services and business hours do not vary in a way that inconveniences it’s the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. The bank’s performance was adequate at the time of the review.

### **Community Development Services**

Community development services are evaluated pursuant to the following criteria: 1) The extent to which the institution provides community development services; 2) the innovativeness, including whether the bank serves low- or moderate-income customers in new ways or serve groups of customers not previously served; and 3) the degree to which they serve low- and moderate-income community development services.

The bank has provided a relatively high level of community development services within the assessment area to agencies that provide affordable housing, community services targeted to low- and moderate-income individuals, and economic development. Services provided include serving on the board or a committee providing technical assistance on financial matters and sponsoring financial literacy programs. The following details some of the bank's community service activities during the review period:

### *Employee Services*

In 2019, bank employees provided qualified service activity at 49 organizations providing 1,080 hours of support. In 2018, bank employees provided 965 qualified service hours at 34 organizations. In 2017, employees spent 818 hours performing qualified service activity. Bank employees lent their expertise to organizations serving the assessment area in innovative and responsive ways.

A sampling of organization is included below.

- A bank SVP is on the advisory board of the Greater Boston Food Bank. The organization is committed to increasing food distribution to provide three meals a day to every person in need in Eastern Massachusetts while supporting healthy lives and healthy communities.
- Builders and Remodelers Association of Greater Boston (BRAGB) – The organization is committed to promoting Greater Boston's economic well-being and quality of life. The organization provides its members service opportunities to assist (pro bono) with the repair and/or rebuilding of homes for low- and moderate-income families. A bank SVP is on the Board of Directors of this organization.
- The bank's CRA officer is a committee member of Boston Alliance for Economic Inclusion (AEI). The mission of the Boston AEI is to enhance the economic well-being of the unbanked and underbanked in metropolitan Boston by improving their access to the mainstream banking system, promoting financial education, and addressing technical or regulatory issues surrounding these developments.
- A bank SVP is a board member of Family Promise. Family Promise is the leading national nonprofit addressing family homelessness, providing homelessness prevention, emergency shelter, workforce development, education, financial capability, health and wellness.
- The bank's CEO is a director of the Boys & Girls Clubs of Boston (BGCB). The mission of the BGCB is to help young people, especially those most in need, build strong character and realize their full potential as responsible citizens and leaders.

### *Educational Programs and Seminars*

During the review period the bank hosted first time homebuyer seminars in connection with MAHA, Urban Edge, Neighborhood of Affordable Housing (NOAH), the Asian Community

Development Corporation and South Middlesex Opportunity Council (SMOC). The seminars hosted 600 attendees.

A description of the organizations the bank parented with are listed below.

- MAHA educates and mobilizes individuals and communities to increase affordable and sustainable homeownership across Massachusetts.
- Asian Community Development Corporation works in underserved and immigrant Asian American communities in the Greater Boston region to create and preserve affordable housing.
- NOAH's target population are primarily low- to moderate-income people and families, often with diverse languages and cultures. NOAH offers educational and counseling programs to make owning or renting a home affordable within Greater Boston.
- SMOC is an umbrella organization that works in low- and moderate-income communities to provide programs ranging from economic development, financial assistance, housing services, etc.

The bank’s seminars included workshops for first time home buyers and are included in Table 14.

<b>Table 14 Seminars and Workshops</b>			
<b>Org</b>	<b>Presentation Type</b>	<b>Date</b>	<b>No of Attendees</b>
MAHA	FTHB Workshop	January 3, 5, 10 and 12, 2017	19
MAHA	FTHB Workshop	June 2, 2018	50
MAHA	FTHB Workshop	February 14, 2019	40
MAHA	FTHB Workshop	March 5, 2019	40
MAHA	FTHB Workshop	June 8, 2019	35
MAHA	FTHB Workshop	June 8, 2019	35
MAHA	FTHB Workshop	June 29, 2019	51
MAHA	FTHB Workshop	July 31, 2019	31
Urban Edge	Credit Counseling	June 12, 2018	24
Asian Community Development Corporation	FTHB Workshop	February 23, 2019	87
Asian Community Development Corporation	FTHB Workshop	March 30, 2019	85
Asian Community Development Corporation	FTHB Workshop	July 20, 2019	35
NOAH	FTHB Workshop	July 9, 2019	28
SMOC	FTHB Workshop	November 20, 2019	40

*Source: Internal Bank Documents*

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

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

## APPENDIX A - 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.

**Census tract:** A small subdivision of metropolitan and other densely populated 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 upon 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 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, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation 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, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, 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.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-

relatives living with the family. Families are classified by type as either a married-couple family or other family, 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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, 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:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, 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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A 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. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a 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.

**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.

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

**Upper-income:** Individual income that is more than 120 percent of the area median income, or

a median family income that is more than 120 percent, in the case of a geography.