

PUBLIC DISCLOSURE

April 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Brattleboro Savings & Loan Association
RSSD # 580874

22 Main Street
Brattleboro, Vermont 05301

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: This institution is rated OUTSTANDING.

Brattleboro Savings and Loan Association (Brattleboro or the bank), demonstrates an excellent responsiveness to the credit needs of its assessment area based on the following findings:

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations) given the bank's size, financial condition, the credit needs of the assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets.
- A majority of loans and, as appropriate, other lending related activities are in the bank's assessment area.
- The distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes is excellent given the demographics of the bank's assessment area.
- The bank demonstrates a reasonable geographic distribution of loans given its assessment area.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.
- Qualified investments and services were also reviewed at the bank's request. These activities enhanced credit availability in the assessment area and add support for the "Outstanding" rating.

SCOPE OF EXAMINATION

Brattleboro's CRA performance was reviewed in accordance with the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Small Institutions¹ and was evaluated based on the following performance criteria: LTD ratio, assessment area concentration of loans, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints. The data used for the evaluation and the applicable timeframe are discussed below.

The analysis focused on residential mortgage and small business lending from January 1, 2020, to December 31, 2021, and this information is included in the tables. The bank's net LTD ratio was calculated from the FFIEC Call Reports from September 2016 through December 31, 2022.

Brattleboro is not required to report under the Home Mortgage Disclosure Act (HMDA); therefore, home mortgage lending data was obtained from internal loan data supplied by the bank. Demographic data was derived from the 2015 American Community Survey (ACS), unless otherwise noted. Despite not being required to report its lending under HMDA, the bank's residential loan data was also compared to aggregate HMDA data obtained from the Consumer Financial Protection Bureau (CFPB). Aggregate data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment areas. As a small bank, Brattleboro is also not required to report under the CRA; however, based on the percentage of small business loans in the bank's loan portfolio, small business loans were obtained from the bank, analyzed, and included in this evaluation. A comparison to aggregate lenders for small business lending was not considered appropriate since the bank is not subject to the reporting requirements applicable to large banks. Where applicable, the bank's small business loan performance is shown in comparison to small business demographic data obtained from Dun & Bradstreet, Inc., Short Hills, NJ (D&B).

Given the bank is primarily a residential lender, home mortgage lending is weighted slightly more heavily than small business lending when forming conclusions on the bank's performance.

Brattleboro was last examined for compliance with CRA by the Federal Deposit Insurance Corporation (FDIC), on August 29, 2016, in accordance with the FFIEC Examination Procedures for Small Institutions. The examination resulted in a "Satisfactory" rating.

The bank opted to have its performance in making qualified investments reviewed to enhance a Satisfactory rating. This activity was reviewed from the date of the previous CRA examination through the date of this examination.

¹ "Small institution" means a bank or savings association that, as of December 31, of either of the prior two calendar years, had assets of less than \$1.503 billion. As the bank's assets were also below \$376 million, the bank was not considered an intermediate small institution.

DESCRIPTION OF INSTITUTION

Brattleboro is a state chartered mutual savings bank headquartered in Brattleboro, Vermont, with four banking locations in the state. In addition to its main office, the bank maintains one additional branch location in Brattleboro. Since the previous CRA evaluation in 2016, the bank has opened two additional branch offices, one in Wilmington, Vermont in 2018, and one in Winhall, Vermont in 2019. The bank maintains three standalone ATMs in Brattleboro: at Brattleboro Memorial Hospital, Vermont Country Deli, and River Bend Farm Market. Brattleboro offers traditional banking products and operates a wealth management division, Park Place Financial Advisors, which is part of the Commonwealth Financial Network.

As of December 31, 2022, Brattleboro’s assets totaled \$309.4 million, with total loans of \$188.5 million and total deposits of \$282.5 million. The bank is primarily a residential lender with closed end 1-4 family loans accounting for 54.0 percent of its loan portfolio. Commercial real-estate loans account for 31.6 percent of the portfolio, and commercial and industrial loans account for 3.2 percent. Commercial real-estate and commercial and industrial loans made in original amounts of \$1 million or less are considered small business loans for CRA purposes. Revolving 1-4 family loans account for the next highest percentage of the bank’s portfolio, at 5.8 percent. The loan portfolio distribution has remained relatively stable since the previous CRA evaluation when loans secured by one-to-four family residential properties accounted for 58.2 percent of loans, followed by commercial real estate loans, at 29.9 percent.

Table 1 illustrates the breakdown of the bank’s loan portfolio as of December 31, 2022.

Table 1		
Loan Distribution as of December 31, 2022		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
1-4 Family Residential	101,852	54.0
Commercial RE	59,523	31.6
Revolving 1-4 Family Residential	10,952	5.8
Commercial and Industrial	6,121	3.2
Multifamily (5 or more) Residential	3,802	2.0
Construction and Land Development	3,574	1.9
Consumer	1,547	0.8
Obligations (other than securities and leases) of states and political subdivisions in the U.S.	956	0.5
Secured by farmland	180	0.1
Total Loans	188,507	100.0

Call Report as of December 31, 2022

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

The bank offers an array of retail loan and deposit products typical for this size community bank. These include fixed-rate and adjustable-rate mortgages, home equity loans and lines of credit, credit cards, savings accounts, checking accounts, money market accounts, certificates of deposit, IRAs, equipment loans, business lines of credit, and municipal loans.

In response to the COVID-19 pandemic, the bank was an active originator of Payment Protection Program (PPP) loans during the review period. PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act and are designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic. In general, PPP loans may be considered particularly responsive to small businesses with annual revenues of \$1 million or less or to businesses located in low- or moderate-income geographies. Additionally, such loans generally help retain jobs for low- or moderate-income individuals, or in low- or moderate-income geographies, and may help revitalize or stabilize low- or moderate-income geographies. PPP loans inside the assessment area in original amounts under \$1 million are captured within the small business analysis, and three PPP loans made in amounts over a \$1 million benefiting the assessment area are included as community development loans.

The bank faces competition for both deposits and home mortgage loans. According to the FDIC Deposit Market Share Report, there are eight institutions operating 22 branch offices in the bank's assessment area. Brattleboro is ranked 3rd in deposit market share with 15.6 percent of the market share in the assessment area behind Manufactures and Trades Trust Company and TD Bank, National Association.

According to HMDA market share reports there were 167 reporters who originated or purchased a home mortgage loan in the bank's assessment area in 2020. The top lenders were mortgage companies and larger national institutions including Quicken Loans, LLC; People's United Bank, NA (People's United), which was since purchased by M&T Bank, Advisors Mortgage Group, LLC; and Wells Fargo Bank, N.A. As previously stated, the bank is not required to collect or report its home mortgage lending data, however, given its lending volume had the bank reported in 2020, it would have ranked approximately 2nd with 177 loans in the municipalities forming its assessment area. In 2021, there were 185 lenders who originated or purchased a home mortgage loan in the bank's assessment area; Rocket Mortgage, LLC, Advisory Mortgage Group, LLC, and People's United, were the top three ranked institutions who reported originating or purchasing home mortgage loans within the bank's assessment area. In that year, Brattleboro extended 178 home mortgage loans, which would have earned the bank a market rank of 3rd in the designated assessment area. In terms of small business lending, there were 66 lenders in the assessment area in 2020, led by People's United, American Express Bank NB, and Mascoma Bank, and 63 reporters in 2021, once again led by American Express and People's United, with JP Morgan Chase Bank, NA rounding out the top three.

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank demonstrated an ability to meet the credit needs of the assessment area. 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.

DESCRIPTION OF ASSESSMENT AREA

The bank has delineated one assessment area that consists of 23 census tracts and is primarily located in Vermont. There are 20 middle-income and 3 moderate-income census tracts within the assessment area. There are no low- or upper-income census tracts within the bank's assessment area. The assessment area includes the 18 census tracts in Windham County, which comprise that county in its entirety. Windham County, located within the southeastern portion of the state, is the third largest county based on geographic area in the state. Windham County contains one of the three moderate-income census tracts, which is located in the northern portion of the county. In addition, the bank's assessment area includes a small portion of New Hampshire. This consists of five municipalities representing four census tracts in Cheshire County immediately bordering the assessment area: Walpole, Westmoreland, Hinsdale, Chesterfield and Winchester NH. The New Hampshire portion contains the two additional moderate-income census tracts in the bank's assessment area. The bank's decision to designate an assessment area that crossed the state boundary was for the purpose of serving these moderate-income geographies. Since the previous CRA evaluation, the bank has reduced its presence in Cheshire County by removing Keene and West Swanzey, resulting in 6 fewer census tracts within the state of New Hampshire from the previous evaluation. None of the removed tracts were low- or moderate-income.

Additionally, the bank opened a branch office in Bennington County, VT since the previous CRA evaluation. With the opening of this branch the bank's assessment area now contains one additional census tract in Vermont within the town of Winhall, VT.

Table 2 provides a summary of demographic information for the bank’s assessment area in 2020.

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	0	0.0	0	0.0	0	0.0	3,254	19.8
Moderate-income	3	13.0	2,816	17.1	266	9.4	3,178	19.4
Middle-income	20	87.0	13,607	82.9	989	7.3	3,702	22.5
Upper-income	0	0.0	0	0.0	0	0.0	6,289	38.3
Total Assessment Area	23	100.0	16,423	100.0	1,255	7.6	16,423	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Moderate-income	5,065	3,296	17.2	65.1	1,113	22.0	656	13.0
Middle-income	35,619	15,917	82.8	44.7	6,500	18.2	13,202	37.1
Total Assessment Area	40,684	19,213	100.0	47.2	7,613	18.7	13,858	34.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Moderate-income	330	8.5	306	8.7	17	6.1	7	9.2
Middle-income	3,542	91.5	3,210	91.3	263	93.9	69	90.8
Total Assessment Area	3,872	100.0	3,516	100.0	280	100.0	76	100.0
Percentage of Total Businesses:			90.8		7.2		2.0	

2020 FFIEC Census Data.

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

Population

The assessment area has a population of 62,280 individuals. The assessment area includes 26,826 households, 16,423 of which are families. The majority of families, at 38.3 percent, are upper-income, while 19.8 percent are low-income, 19.4 percent are moderate-income, and 22.5 percent are middle-income families.

The percentage of families in the assessment area living below the poverty level is 7.6 percent, which is in line with the State of Vermont’s rate of 7.3 percent. A slightly higher percentage of families in Windham County, at 8.4 percent, are living below the poverty level. The State of New Hampshire has a lower rate of family poverty, at 5.6 percent.

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. Table 3 displays the MFI incomes for the assessment area.

Table 3 Median Family Income Comparison		
MSA/MD	FFIEC Estimated MFI	
	2020	2021
Non MSA/ MD New Hampshire	85,300	85,300
Non MSA/MD Vermont	74,600	78,800

FFIEC median family income estimates.

The MFI in Vermont increased from \$74,600 to \$78,800 between 2020 and 2021, while it remained at \$85,300 for both 2020 and 2021 in New Hampshire. As discussed in the housing section below, the price of housing is causing cost burden for homeowners and indicates that housing may be expensive in particular for low- and moderate-income individuals.

Housing

As shown in Table 2, the assessment area contains 40,684 housing units, of those 47.2 percent are owner-occupied, 18.7 percent are rental and a relatively high percent of units, at 34.1 percent, are vacant. Of the total owner-occupied units, 65.1 percent are located in moderate-income geographies and 44.7 percent are located in middle-income geographies. According to the “Vermont Housing Needs Assessment: 2020-2024 Completed for the Vermont Department of Housing and Community Development”², Vermont’s role as a vacation destination affects how its housing stock is used with a higher and growing number of rental homes, particularly in the state’s ski towns. According to the study, about 18 percent of Vermont’s stock of vacation homes and 15 percent of its short-term rental homes are located in Windham County. Of all homes in Windham County, 33 percent are vacation homes and 3 percent are consistently used as short-term rentals. Most expansion of the housing stock occurs through new home construction, however with the exception of publicly subsidized housing, new homes are rarely affordable for lower income residents. The study found that homes in Windham County are cost burdened at a higher rate than the rest of the state. Renters and owners who spend more than 30 percent of their household income for rent, mortgage, insurance, taxes, and utilities are considered cost burdened; 40 percent of all Windham County households pay more than 30 percent of their income for housing. Further, approximately 18 percent of Windham households pay a severely

² VT-HNA-FEB-20.pdf (vermont.gov)

high percentage, 50 percent or more, of their income for housing. These households are at a high risk of housing instability.

Community Contacts

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

A community contact was conducted with an organization established to create affordable housing in Vermont and preserve the state's agricultural, recreational, forestland, and historic properties. The contact stated that with the aging population, Vermont's workforce has been shrinking; exacerbating the worker shortage is the lack of affordable housing for the average worker. A primary need in the state and Windham County is affordable housing. Further, the contact stated that the state is underbanked and there is a need for funding low-income housing tax credit projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A small bank's lending performance is evaluated pursuant to the following criteria: the bank's LTD ratio; assessment area concentration; lending to borrowers of different income levels; geographic distribution of loans; and record of acting in response to consumer complaints. The following details the bank's efforts regarding each performance criterion.

Loan-to-Deposit Ratio

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

The bank's net LTD figures are calculated from the bank's latest 26 quarterly FFIEC Call Reports from August 31, 2016, through December 31, 2022.

Table 4 provides a comparison of the bank's average LTD to similarly sized institutions operating within the assessment area.

Table 4 Loan-to-Deposit Ratio Comparison		
Institution	Total Assets* \$(000s)	Average LTD Ratio** (%)
Brattleboro Savings & Loan	309,393	88.1
Bank of Bennington	551,789	101.4
Claremont Savings Bank	530,980	96.6
Savings Bank of Walpole	702,716	73.9
Passumpsic Savings Bank	838,127	90.0

*Call Report from August 31, 2016 through December 31, 2022

As displayed above, the bank’s average LTD ratio was 88.1 percent for the 26 quarters ending December 31, 2022. The bank’s LTD was in line with its competitors. The ratio was the result of a steady increase in deposits, primarily due to the COVID-19 pandemic.; Due to this increase in deposits, the ratio declined slightly over the period but remained at reasonable levels. The LTD reflects that the bank is reinvesting its deposit base in the form of loans.

Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 5 below presents the bank’s levels of lending inside and outside the assessment area during the evaluation period.

Table 5 Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	178	86.0	\$36,690	84.6	29	14.0	\$6,655	15.4
Refinancing	177	89.4	\$37,465	89.0	21	10.6	\$4,643	11.0
Total HMDA-related	355	87.7	\$74,155	86.8	50	12.3	\$11,298	13.2
Small Business	393	83.3	\$29,774	77.5	79	16.7	\$8,619	22.5
Total Small Bus.-related	393	83.3	\$29,774	77.5	79	16.7	\$8,619	22.5
TOTAL LOANS	748	85.3	\$103,929	83.9	129	14.7	\$19,918	16.1

Source: Internally Generated Reports 2020 and 2021 residential and small business lending data

The bank extended a majority of its loans within the assessment area. Overall, 87.7 percent of total HMDA-related loans by number and 83.3 percent of small business loans by number were made within the assessment area. The majority of loans were extended within the assessment area in both years under review. In 2020, 117 loans, or 88.9 percent of residential loans were extended within the assessment area, and 223, or 84.2 percent of small business loans were made within the assessment area. In 2021, 178 residential loans, or 86.4 percent were extended within the assessment area, while 172 or 82.1 percent of small business loans were extended within the assessment area. As shown in the table, the majority of loans by dollar volume were also extended within the assessment area. Further, loans were consistently concentrated within the assessment area by product type.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes is excellent given the demographics of the bank's assessment area.

Home Mortgage Lending

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

Although both the number and the dollar volume of the bank's loans were reviewed, the number of loans originated was given more weight than the dollar volume of loans originated as the number of loans has a more direct correlation to the number of borrowers served. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

Table 6 Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000's)	\$%	\$%	#	%	%	\$(000's)	\$%	\$%	
Home Purchase Loans													
Low	1	1.0	4.3	68	0.3	2.3	3	3.7	3.7	31	1.8	1.6	19.8
Moderate	9	9.4	14.2	1,265	6.5	9.9	16	19.5	14.4	2,394	13.9	9.4	19.4
Middle	13	13.5	16.4	2,264	11.6	12.7	16	19.5	16.4	3,048	17.7	12.7	22.5
Upper	73	76.0	58.9	15,911	81.6	69.2	47	57.3	55.3	11,428	66.5	65.9	38.3
Unknown	0	0.0	6.2	0	0.0	6.0	0	0.0	10.2	0	4.1	10.4	0.0
Total	96	100.0	100.0	19,508	100.0	100.0	82	100.0	100.0	17,181	100.0	100.0	100.0
Refinance Loans													
Low	6	7.4	4.3	493	3.3	2.2	5	5.2	6.3	639	3.2	3.3	19.8
Moderate	13	16.0	13.9	2,151	14.5	9.7	12	12.5	16.0	1,728	8.6	11.1	19.4
Middle	21	25.9	21.0	3,514	23.6	16.7	20	20.8	22.0	3,266	16.3	18.3	22.5
Upper	40	49.4	48.6	8,487	57.1	59.6	58	60.4	45.1	14,390	71.6	56.0	38.3
Unknown	1	0.0	12.3	225	1.5	11.8	1	1.0	10.6	71	0.4	11.4	0.0
Total	81	100.0	100.0	14,870	100.0	100.0	96	100.0	100.0	20,094	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	7	4.0	4.1	561	1.6	2.1	8	4.5	5.0	950	2.5	2.3	19.8
Moderate	22	12.4	14.0	3,417	9.9	9.7	28	15.7	15.1	4,123	11.1	9.9	19.4
Middle	34	19.2	18.5	5,778	16.8	14.2	36	20.2	19.3	6,314	16.9	14.7	22.5
Upper	113	63.8	52.5	24,398	71.0	63.9	105	59.0	49.8	25,818	69.3	61.5	38.3
Unknown	1	0.6	10.9	225	0.7	10.1	1	0.6	10.8	71	0.2	11.6	0.0
Total	177	100.0	100.0	34,379	100.0	100.0	178	100.0	100.0	37,276	100.0	100.0	100.0

FFIEC Census data, 2020 and 2021 bank residential lending data, and 2020 and 2021 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 publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

As displayed, the bank extended 7 loans, or 4.0 percent to low-income borrowers in 2020, which was in line with the 4.1 percent made by the aggregate. In that year, the bank made 22 loans, or 12.4 percent of total loans to moderate-income borrowers, slightly below the 14.0 percent made by the aggregate. An additional 34 loans, 19.2 percent, were made to middle-income borrowers, while 113 loans, or 63.8 percent, were made to upper-income borrowers, and 1 loan, or 0.6 percent, was made where the income of the borrower was unknown. The percentage of loans by dollar volume followed similar relationships when compared to the aggregate, as shown above. The bank extended a higher number of refinance loans to low- and moderate-income borrowers than home purchase homes. This is attributed to the cost of housing and purchase loans during the review period being mainly made to upper-income borrowers who were able to purchase second homes in the bank's assessment area. As discussed earlier the assessment area contains a concentration of vacation properties which can be more expensive to own. The bank's performance in 2021 improved whereby the bank was able to extend 8 loans or 4.5 percent to low-income borrowers in that year, and 28 loans or 15.7 percent to moderate-income borrowers.

The bank was able to outperform the aggregate in lending to moderate-income borrowers in that year, which is considered good given its more limited resources.

It is noted that the bank has offered a variety of products to attempt to meet the credit needs of low- and moderate-income borrowers and first time homebuyers including partnerships with NeighborWorks of Western Vermont’s downpayment assistance program; Windham & Windsor Housing Trust’s homebuyer programs; Freddie Mac’s HomePossible, HomeOne; Vermont Housing Finance Agency’s Mortgage Credit Certificate program; Veteran’s Housing Finance Agency’s Advantage Program, MOVE Program, and 1st Generation Program; and the Federal Home Loan Bank of Boston’s Equity Builder Program and HOW program.

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. However, as information on the revenue sizes of the businesses is not collected, Table 7 analyzes the distribution by loan size as a proxy for revenues of the businesses. The bank’s performance in lending to businesses is excellent. Refer to Table 7.

Table 7 Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses								
	Bank And Aggregate Loans By Loan Size and Year							
	2020				2021			
	Bank		Bank		Bank		Bank	
	#	%	\$(000)	%	#	%	\$(000)	%
\$100,000 or Less	178	79.8	5,565	32.1	139	81.8	4,136	33.3
\$100,001 - \$250,000	30	13.5	5,101	29.4	17	10.0	2,632	21.2
\$250,001 - \$1 Million	15	6.7	6,688	38.5	14	8.2	5,651	45.5
Total	223	100.0	17,354	100.0	170	100.0	12,419	100.0

Source: Internally Generated Reports 2020 and 2021 small business lending data

As shown, the substantial majority of small business loans in both years, 79.8 percent in 2020 and 81.8 percent in 2021 were made in amounts of \$100,000 or less, suggesting the bank is meeting the needs of small businesses in the assessment area. Further, as mentioned, these loans include PPP loans. The bank extended approximately 414 PPP loans, totaling \$34.2 million, during the review period. These PPP totals include loans made inside and outside of the bank’s assessment area. PPP loans were designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. These loans were considered responsive to the needs of small businesses during the COVID-19 pandemic.

Community Development Lending

As mentioned earlier, the FFIEC Small Bank CRA examination procedures do not include an assessment of community development activities. However, the bank did elect to have these activities considered. Therefore, the bank’s community development lending was considered when assessing performance in lending to borrowers of different incomes and businesses of

different sizes. The bank's community development activity strengthens the bank's performance and supports the conclusion that the bank exceeded the standards for a satisfactory rating under this criterion. The bank extended six community development loans, totaling \$14.8 million, during the examination period. The following is a summary of community development loans.

- The bank extended a \$1.4 million loan to a nonprofit economic development organization that assists start-up and growing companies in the greater Windham County area.
- The bank extended a \$1.1 million loan as part of the SBA's 504 Certified Development Company program; these loans promote business growth and job creation.
- The bank extended a \$7.5 million refinance loan associated with the purchase and redevelopment of a multifamily property in Brattleboro, VT; the project includes five affordable units, resulting in \$1.1 million in community development lending consideration.
- During the period, the bank extended two PPP loans over \$1 million resulting in job retention for low- and moderate-income workers in the assessment area. The bank made an additional \$7 million PPP loan to a non-profit supporting healthcare for low-income patients.

Geographic Distribution of Loans

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

Home Mortgage Lending

Table 8 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 reasonable.

Table 8 Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank			Agg			Bank			Agg			
	#	#%	#%	(000's)	\$%	\$%	#	#%	#%	(000's)	\$%	\$%	
Home Purchase Loans													
Moderate	3	3.1	11.9	457	2.3	8.5	2	2.4	10.3	376	2.2	7.2	17.2
Middle	93	96.9	88.1	19,05	97.9	91.5	80	97.6	89.7	16,805	97.8	92.8	82.8
Total	96	100.0	100.0	19,508	100.0	100.0	82	100.0	100.0	17,181	100.0	100.0	100.0
Refinance Loans													
Moderate	3	3.7	12.1	452	3.0	8.3	3	3.1	11.6	497	2.5	8.5	17.2
Middle	78	96.3	87.9	14,418	97.0	91.7	93	96.9	88.4	19,697	97.5	91.5	82.8
Total	81	100.0	100.0	14,870	100.0	100.0	96	100.0	100.0	20,194	100.0	100.0	100.0
Total Home Mortgage Loans													
Moderate	6	3.4	12.1	910	2.6	8.5	5	2.8	11.0	873	2.3	7.7	17.2
Middle	171	96.6	87.9	33,469	97.4	91.5	173	97.2	88.9	36,403	97.7	92.3	82.8
Total	177	100.0	100.0	34,379	100.0	100.0	178	100.0	100.0	37,276	100.0	100.0	100.0

FFIEC Census data, 2020 and 2021 bank residential lending data, and 2020 and 2021 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 publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

As displayed above, the bank extended 6 home mortgage loans in moderate-income census tracts in 2020, which account for 3.4 percent of loans in the assessment area in that year, while the aggregate was at 12.1 percent. The remainder of the loans, 96.6 percent, were made within middle-income geographies, compared to the aggregate's 87.9 percent in middle-income geographies. In 2021, the bank made 5 loans, or 2.8 percent in moderate-income census tracts and 173 loans, or 97.2 percent were made within the assessment area's middle income census tracts. In both years a slightly lower percentage by dollar volume was made in moderate-income geographies as compared to number. While the bank lagged the aggregate in lending in the assessment area's moderate-income geographies, it is noted that there are just three moderate-income census tracts in total, one is located geographically far from the majority of the bank's branches in Windham County. The remaining two moderate-income areas are located outside of the bank's home state where the bank optionally chose to expand its services area to capture. It is noted that the bank faces strong competition in those geographies and the bank's performance is considered reasonable and does not make for any conspicuous gaps in lending activity.

Small Business Lending

Table 9 represents the distribution of small business loans by census tract income level. The bank's dispersion of small business loans is reasonable.

Table 9 Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography													
Geographic Income Level	Bank And Aggregate Loans By Year											Total Businesses 2021 %	
	2020						Total Businesses 2020 %	2021					
	Bank		Agg	Bank				Bank		Agg	Bank		
	#	%	%	(000's)	\$%	#		%	%	(000's)	\$%		
Moderate	11	4.9	8.9	494	2.8	9.0	10	5.9	9.7	875	7.0	8.4	
Middle	212	95.1	90.5	16,861	97.2	91.0	160	94.1	89.0	11,544	93.0	91.6	
Total	223	100.0	100.0	17,355	100.0	100.0	170	100.0	100.0	59,632	100.0	100.0	

D&B 2020 and 2021. Small business data for 2020 and 2021 is bank provided.

As displayed in the table above, the bank made 11 small business loans, 4.9 percent, in moderate-income census tracts in 2020. The bank’s percentage lagged the aggregate as well as the percentage of businesses located in those tracts. In 2021, the bank made 10 loans, or 5.9 percent of small business loans in moderate-income census tracts, which also lagged the aggregate and demographic comparators. It is noted that the bank is not required to report its small business lending data and is competing against much larger institutions. Overall, considering the size, capacity and resources and the geographic makeup of the assessment area, the bank’s performance is considered reasonable.

Response to Complaints

There have been no complaints regarding the bank’s CRA performance since the previous CRA examination.

Investments and Services

At the bank’s request, its performance in making qualified investments and providing services that enhance credit availability in its assessment area was reviewed. In order to be qualified, investments must meet the definition of community development under Regulation BB (CRA) section 228.12(h). Brattleboro's community development investment activity totaled approximately \$3.5 million and is considered strong for a bank of its size and capacity. These efforts contributed to the overall assessment of the “Outstanding” rating. The following summarizes the bank’s qualified investments.

- *Low Income Housing Tax Credits (LIHTCs)*
 LIHTC are provided to developers of low-income housing. Projects involving LIHTCs were considered innovative and complex and not the types of transactions typically provided by private investors. Further, LIHTC projects were found to be highly responsive to the need for affordable housing in the assessment area identified by the community contact. The community contact specifically identified the need to fund LIHTC projects. During the review period, the bank invested in two new LIHTCs projects for \$2.3 million, supporting the development of 36 units of affordable housing for low-income individuals. In addition, the bank had previously invested in an LIHTC project which supported the development of 27 units of affordable housing; the book value of this prior period investment is \$22,740.

- *State of Vermont's Vermont Downtown and Village Center Program*
The State of Vermont's Vermont Downtown and Village Center Program was created to support the economic stability and renovation of housing, commercial and community projects by offering tax credits to applicants who want to undertake such projects that meet the criteria of the program. The bank purchased \$1.1 million in tax credits associated with the program.

The bank's services enhance credit availability in its assessment area. All branches have 24-hour ATMs, Saturday hours, and a drive-up option. The bank offers diverse lending products for its consumer and business customers.

CONCLUSION

Given economic, demographic, and competitive conditions in the assessment area, the bank's CRA performance is rated "Outstanding". The bank has met the credit needs in its assessment area by making a majority of its loans within its assessment area and has maintained a reasonable LTD ratio. The bank exhibited a reasonable distribution of loans across census tract income levels. Its performance in meeting credit needs in the assessment area by extending loans to borrowers of different incomes, including low- and moderate-income borrowers and community development loans is excellent. The bank's performance in extending qualified community development investments and enhancing credit availability augmented the bank's performance and supports the institution's Outstanding rating.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Concurrent with this CRA evaluation, a review of the bank's compliance with consumer protection laws and regulations was conducted, and no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified.

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

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

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan geography will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20 percent or more, or (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

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

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

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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