

# **PUBLIC DISCLOSURE**

January 21, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Walpole Co-operative Bank  
RSSD # 63573

982 Main Street  
Walpole, MA 02081

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 SATISFACTORY.**

**The Lending Test is rated: SATISFACTORY**

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

Walpole Co-operative Bank (Walpole or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following findings:

**Lending Test**

- The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There have been no complaints regarding the bank's CRA performance since the last CRA examination.

**Community Development Test**

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

## SCOPE OF EXAMINATION

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

The Lending Test was based on small business and residential mortgage loans originated from January 1, 2017 to December 31, 2018. More emphasis was placed on small business loans compared to home mortgage loans for each performance criterion based on the number of originations during the evaluation period. While both the number and dollar volume of the bank's small business and residential mortgage loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand. The bank's net LTD ratio was calculated from FFIEC Call Reports from December 31, 2016 to September 30, 2019.

Small business loans include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. Although the bank is not currently required to collect and report small business loan data, the bank maintained the data for use 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. 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).

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

The Community Development Test included a review of community development loans, investments, and services for the period of November 29, 2016 through January 21, 2020. The

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

Community Development Test is evaluated in the context of community needs and the capacity of the bank.

Walpole was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on November 28, 2016, using intermediate small institution examination procedures and received an overall rating of “Satisfactory.” Both the Lending Test and the Community Development Test were rated “Satisfactory.”

## DESCRIPTION OF INSTITUTION

Walpole’s sole office is located at 982 Main Street, Walpole, Massachusetts (MA). The bank offers personal products and services such as checking and savings accounts, online and mobile banking, mortgages, and home equity loans. Business products and services include checking and savings accounts, cash management services, commercial real estate loans, and Small Business Administration (SBA) loans.

As of September 30, 2019, assets total \$510.3 million, loans total \$433.0 million, and deposits total \$336.6 million. Since September 30, 2016, assets have increased 9.6 percent, loans increased 16.0 percent, and deposits increased 2.3 percent.

Table 1 shows the loan distribution by dollar volume as of September 30, 2019. The loan portfolio is comprised primarily of real estate loans at 96.7 percent, with commercial loans being the bank’s primary focus. Since the last examination, total loans have increased by \$59.5 million, which can be attributed to a \$26.8 million increase in other nonfarm nonresidential loans, a \$20.6 million increase in multifamily residential loans, and a \$20.0 million increase in closed-end first lien 1-4 family residential loans. The only notable decrease in the loan portfolio since the last examination was an \$11.6 million decrease in 1-4 family residential construction loans.

Table 1 Loan Distribution as of September 30, 2019		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	60,178	13.9
Revolving 1-4 Family Residential	16,290	3.8
1-4 Family Residential	107,873	24.9
Multifamily (5 or more) Residential	53,047	12.3
Commercial RE	181,394	41.9
<b>Total Real Estate Loans</b>	<b>418,782</b>	<b>96.7</b>
Commercial and Industrial	14,338	3.3
Less unearned income	(88)	-
<b>Total Loans</b>	<b>433,032</b>	<b>100.0</b>

*Call Report as of September 30, 2019.*

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

Commercial loans, which include commercial real estate and commercial and industrial loans, by dollar volume have increased slightly since the last examination from 44.4 percent to 45.2 percent. Residential loans, which include 1-4 family open- and closed-end loans, and multifamily residential properties, have increased from 36.4 percent to 40.9 percent. The increase in residential loans as a share of the loan portfolio by dollar volume can be primarily attributed to an increase in multifamily residential loans.

Although Walpole is a single-office institution, the bank remains competitive for deposits within its assessment area and Norfolk County. According to the FDIC Deposit Market Share Report, as of June 30, 2019, there were 35 financial institutions offering deposit services within the 20 cities and towns that comprise the bank's assessment area. Competition for deposits includes large national banks and community banks. Bank of America, N.A., is ranked 1<sup>st</sup> for deposit market share, at 22.3 percent, followed by Citizens Bank, N.A., at 12.3 percent. Walpole ranked 14<sup>th</sup> overall with a deposit market share of 2.1 percent. Within Norfolk County, Walpole ranked 18<sup>th</sup> out of 42 financial institutions, with a 1.2 percent deposit market share.

Additionally, the bank operates in a competitive environment for residential loan originations. According to HMDA aggregate data, in 2017, of the 366 financial institutions that originated a HMDA-reportable loan within the assessment area, the bank ranked 48<sup>th</sup> with 47 originations; and in 2018, of the 361 financial institutions that originated loans within the assessment area, the bank ranked 47<sup>th</sup> with 45 originations.

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

## **DESCRIPTION OF ASSESSMENT AREA**

Walpole's assessment area consists of 20 contiguous cities and towns located in portions of Norfolk and Bristol Counties. Norfolk County is located in the Boston, MA Metropolitan Division (MD), which is part of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), and Bristol County is located in the Providence-Warwick, RI-MA MSA. The assessment area contains 66 of 130 census tracts in Norfolk County and 4 of 126 census tracts in Bristol County. The cities and towns in the assessment area in Norfolk County are Bellingham, Canton, Dedham, Dover, Foxboro, Franklin, Medfield, Medway, Millis, Needham, Norfolk, Norwood, Plainville, Sharon, Stoughton, Walpole, Wellesley, Westwood, and Wrentham. Mansfield is the only town in the assessment area in Bristol County.

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	10,779	11.0
Moderate-income	1	1.4	452	0.5	87	19.2	11,000	11.2
Middle-income	16	22.9	21,042	21.4	1,094	5.2	18,125	18.4
Upper-income	53	75.7	76,836	78.1	1,744	2.3	58,426	59.4
<b>Total Assessment Area</b>	<b>70</b>	<b>100.0</b>	<b>98,330</b>	<b>100.0</b>	<b>2,925</b>	<b>3.0</b>	<b>98,330</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	830	317	0.3	38.2	420	50.6	93	11.2
Middle-income	34,576	22,261	21.0	64.4	10,683	30.9	1,632	4.7
Upper-income	106,763	83,191	78.7	77.9	19,521	18.3	4,051	3.8
<b>Total Assessment Area</b>	<b>142,169</b>	<b>105,769</b>	<b>100.0</b>	<b>74.4</b>	<b>30,624</b>	<b>21.5</b>	<b>5,776</b>	<b>4.1</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	199	0.8	187	0.9	11	0.5	1	0.5
Middle-income	5,137	21.2	4,549	21.0	560	24.0	28	14.5
Upper-income	18,873	78.0	16,943	78.2	1,766	75.6	164	85.0
<b>Total Assessment Area</b>	<b>24,209</b>	<b>100.0</b>	<b>21,679</b>	<b>100.0</b>	<b>2,337</b>	<b>100.0</b>	<b>193</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.5</b>		<b>9.7</b>		<b>0.8</b>

2015 ACS and 2018 D&B data.

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

The assessment area is comprised of 70 census tracts, of which one tract, or 1.4 percent, is moderate-income; 16 tracts, or 22.9 percent, are middle-income; and 53 tracts, or 75.7 percent, are upper-income. There are no low-income tracts in the assessment area. The one moderate-income tract is located in Stoughton, and is approximately a 20 minute drive from the bank's office. The distance of the one moderate-income tract from the bank's only office suggests limited opportunities to originate home mortgage and small business loans in the tract.

### Housing

The assessment area includes 142,169 housing units, of which 0.6 percent are located in the moderate-income tract, 24.3 percent are located in middle-income tracts, and 75.1 percent are located in upper-income tracts. The significantly low percentage of housing units in the one moderate-income tract suggests minimal opportunity for the bank to originate home mortgage loans in that tract.

Of all housing units in the assessment area, 74.4 percent are owned-occupied, 21.5 percent are rental, and 4.1 percent are vacant. Based on the ACS, the median housing value in the

assessment area was \$429,223, which exceeded that of Norfolk County at \$399,500, Bristol County at \$273,100, and the Commonwealth of Massachusetts (Commonwealth) at \$333,100. According to recent data from The Warren Group, Boston, MA, for calendar year 2018, the average median home sales price in the assessment area was \$570,784, which exceeded that of Norfolk County, at \$482,250, Bristol County, at \$281,000, and the Commonwealth, at \$380,000. Median home sales prices for the cities and towns in the assessment area ranged from a high of \$1.3 million in Wellesley, to a low of \$329,950 in Bellingham. The elevated home values of the assessment area compared to county-level and statewide median sales prices suggests limited opportunities for homeownership for low- and moderate-income borrowers.

### *Business Characteristics*

According to 2018 D&B data, there were 24,209 businesses within the assessment area, of which 0.8 percent were located in the moderate-income tract, 21.2 percent were located in middle-income tracts, and 78.0 percent were located in upper-income tracts. The percentage distribution of businesses by tract income was similar in 2017. Based on business distribution of the assessment area, the opportunity for the bank to originate small business loans in the one moderate-income tract is minimal. In 2018, of the businesses in the assessment area, 89.5 percent had gross annual revenues (GARs) of \$1 million or less, 9.7 percent had GARs of over \$1 million, and 0.8 percent did not report revenue. The percentage distribution of businesses by GARs was similar in 2017.

The top employers in Norfolk County include the headquarters of global and national companies such as Hollingsworth & Vose in East Walpole, and Dunkin' Brands Group, Inc., in Canton. Other top employers in the county include business and medical software companies and hospitals. According to the Census Bureau, compared to other counties, Norfolk County has an unusually high number of individuals employed in professional, scientific, and technical services as well as finance and insurance.

### *Population*

The assessment area has a total population of 382,264 individuals, of which 0.4 percent reside in the moderate-income tract, 22.2 percent live in middle-income tracts, and 77.4 percent live in upper-income tracts. Of the 98,330 families in the assessment area, 0.5 percent reside in the moderate-income tract, 21.4 percent reside in middle-income tracts, and 78.1 percent reside in upper-income tracts. The significantly low percentage of families residing in the one moderate-income tract suggests minimal opportunity for the bank to originate home mortgage loans in that tract. Of the families in the assessment area, 11.0 percent are low-income, 11.2 percent are moderate-income, 18.4 percent are middle-income, and 59.4 percent are upper-income.

### *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. The following table displays the MFI incomes for the assessment area.



Table 3 Median Family Income Comparison					
Year	AA/County/MD/State	MFI	Year	AA/County/MD/State	MFI
2017	Assessment Area	\$125,652	2018	Assessment Area	\$125,652
2017	Norfolk County	\$112,605	2018	Norfolk County	\$112,605
2017	Boston, MD	\$94,300	2018	Boston, MD	\$99,300
2017	Commonwealth	\$80,000	2018	Commonwealth	\$80,700

2015 ACS MFI & 2017 and 2018 FFIEC MFI estimates.

The MFIs for the assessment area and Norfolk County are based on the ACS, and the MFIs for the Boston, MA MD and the Commonwealth are based on the annual FFIEC MFI estimates. The MFI for the assessment area during the evaluation period was \$125,652, which exceeded that of Norfolk County, the Boston, MA MD, and the Commonwealth for each year. Norfolk County had the highest MFI of all counties in the Commonwealth, and as a portion of the county, the assessment area's MFI was notably higher. The high MFIs of the assessment area compared to the Norfolk County suggests the assessment area is affluent.

### *Employment Statistics*

According to the ACS, the unemployment rate in the assessment area was 6.1 percent, which was lower than the unemployment rate for Norfolk County, at 6.9 percent, Bristol County, at 9.0 percent, and the Commonwealth, at 7.6 percent. According to the September, 2019 release by the U.S. Bureau of Labor Statistics, the average non-seasonally adjusted unemployment rate for the assessment area was 2.6 percent, which was aligned with both Norfolk County, at 2.7 percent, and the Commonwealth, at 2.5 percent. The unemployment rate for Bristol County for the same point in time was 3.5 percent.

### **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 the community planning director for a town within the assessment area. This department is tasked with downtown revitalization efforts, providing permit and tax incentive assistance to small businesses, and supporting the review of proposed developments. The contact indicated that the town has a need for and capacity to support economic development and affordable housing development. Although town officials generally support affordable housing efforts, residents are conscious about potential adverse impact on town resources. To encourage more affordable housing, the town recently adopted an inclusionary zoning bylaw that requires affordable units in all new developments. Single family construction activity has been consistent in recent years; however, commercial development and multifamily housing have increased significantly. Additionally, there has been increased activity

for rehabilitation of mixed-use and residential housing due to the age of existing structures. Within a short period of time, the town has experienced a number of multifamily housing developments that are nearing completion. These have been larger projects that may be cost prohibitive for smaller financial institutions. It is expected that with a rapid influx of new residents in the coming years, land and buildings ripe for economic development will be utilized. The contact also predicted the area will experience continued increases in home values as the population grows.

A community contact was conducted during a CRA examination of a different institution that serves the same geographic area as Walpole. The contact was used in this evaluation given its relevance to understanding the economic environment and business opportunities to which the bank is subjected. The community contact was conducted with a community development financial institution (CDFI) that focuses on job creation by supporting small businesses in Massachusetts and Rhode Island. The CDFI provides financing through numerous loan programs tailored to small businesses, and also provides technical assistance for startup businesses. The organization is a certified SBA 504 lender. The SBA 504 program is a financing tool for small businesses that promotes economic development through business expansion and job creation. The contact cited diminishing opportunities to originate loans through this program due to high levels of competition in the region. In lieu of working with CDFIs, commercial borrowers often turn to higher-priced alternative lenders or Fintech companies, which are growing in popularity in the small business market. Based on information obtained from the contact, the impact on the competitive environment in which the bank operates would likely be exacerbated due to the bank's comparatively limited resources and capacity.

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

### **LENDING TEST**

Walpole's performance under the Lending Test is rated Satisfactory.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### **Loan-to-Deposit Ratio**

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The LTD ratio is more than reasonable (considering seasonable variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs.

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.

Table 4 provides a comparison of the bank's average LTD ratio over the past 12 quarters<sup>2</sup> under evaluation to similarly situated institutions operating within Norfolk and Bristol counties. From December 31, 2016 to September 30, 2019, the bank's average LTD ratio was 109.0 percent.

<sup>2</sup> While the evaluation period extended through December 31, 2019, Call Report data for the quarter ending December 31, 2019, were not available at the time this evaluation was written.

Table 4 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets* \$(000's)	Average LTD Ratio** (%)
<b>Walpole Co-operative Bank</b>	<b>510,281</b>	<b>109.0</b>
Mechanics Cooperative Bank	611,946	107.9
Norwood Bank	571,595	99.2
Mansfield Bank	527,235	98.5
The Bank of Canton	643,963	95.9
Bridgewater Savings Bank	622,905	90.8

\*Call Report as of September 30, 2019.

\*\*Call Reports from December 31, 2016 to September 30, 2019.

At 109.0 percent, Walpole's average LTD ratio is higher than that of similarly situated institutions headquartered in Norfolk and Bristol counties and most other similarly situated institutions in the Commonwealth. From December 31, 2016 to September 30, 2019, the bank's LTD ratio increased from 101.7 percent to 116.5 percent. During the same period, the bank sold approximately \$12.6 million of residential loans to the secondary market.

### Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area<sup>3</sup>. As shown below, a majority of loans and other lending related activities are in the bank's assessment area. Table 4 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period.

Table 5 Lending Inside and Outside the Assessment Area									
Loan Type	Inside				Outside				Total
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	# \$ (000's)
Home Purchase	43	43.4	19,906	33.6	56	56.6	39,348	66.4	99 59,254
Home Improvement	13	44.8	4,295	43.6	16	55.2	5,549	56.4	29 9,844
Multifamily Housing	6	35.3	4,387	21.3	11	64.7	16,217	78.7	17 20,604
Refinancing	27	57.4	8,578	46.0	20	42.6	10,070	54.0	47 18,648
<b>Residential Total</b>	<b>89</b>	<b>46.4</b>	<b>37,166</b>	<b>34.3</b>	<b>103</b>	<b>53.6</b>	<b>71,184</b>	<b>65.7</b>	<b>192 108,350</b>
<b>Small Business Total</b>	<b>121</b>	<b>76.6</b>	<b>25,309</b>	<b>68.2</b>	<b>37</b>	<b>23.4</b>	<b>11,809</b>	<b>31.8</b>	<b>158 37,118</b>
<b>Grand Total</b>	<b>210</b>	<b>60.0</b>	<b>62,475</b>	<b>42.9</b>	<b>140</b>	<b>40.0</b>	<b>82,993</b>	<b>57.1</b>	<b>350 145,468</b>

HMDA and small business data January 1, 2017 through December 31, 2018; small business data is bank provided.

During the evaluation period, the bank originated a total of 350 loans, of which 192 loans were residential mortgage loans, and 158 loans were small business loans. In total, 210 loans, or 60.0 percent, were originated inside the assessment area.

### Small Business Lending

A majority of small business loans were originated in the assessment area. Overall, the bank originated 158 small business loans, of which 121 loans, or 76.6 percent, were inside the assessment area. In 2017, the bank originated 90 small business loans, of which 66 loans, or 73.3

<sup>3</sup> The bank is partially exempt from filing the expanded HMDA fields and is also exempt from reporting open-end lines of credit. The bank also did not optionally report any open-ended loans. Originations with loan purpose "other" are excluded from the table above.

percent, were inside the assessment area and in 2018 the bank originated 68 small business loans, of which 55 loans, or 80.9 percent, were inside the assessment area.

### Residential Lending

A majority of residential loans were outside the assessment area. Overall, the bank originated 192 residential mortgage loans, of which 89 loans, or 46.4 percent, were inside the assessment area. In 2017, the bank originated a total of 106 residential mortgage loans, of which 47 loans, or 44.3 percent, were inside the assessment area. The only loan type in which the bank originated a majority of loans inside the assessment area was refinance loans at 54.2 percent. In 2018, the bank originated a total of 86 residential mortgage loans, of which 42 loans, or 48.8 percent, were inside the assessment area. For the same year, the bank originated 2 home improvement loans, or 50.0 percent, and 14 refinance loans, or 60.9 percent, inside the assessment area.

### Borrower Profile

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, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes when compared to area demographics and aggregate performance.

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

Table 6 Distribution of Small Business Loans By Gross Annual Revenue of Business						
Gross Annual Revenues	2017 Total Businesses	2017 Bank		2018 Total Businesses	2018 Bank	
	%	#	%	%	#	%
≤ \$1MM	88.5	31	47.0	89.5	21	38.2
> \$1MM	10.9	35	53.0	9.7	34	61.8
N/A	0.6	0	0.0	0.8	0	0.0
<b>Total</b>	100.0	66	100.0	100.0	55	100.0

*D&B 2017 & 2018. Small business data for 2017 and 2018 is bank provided.*

In 2017, the bank originated 31 small business loans, or 47.0 percent, to businesses with GARs of \$1 million or less. At 47.0 percent, the bank's lending percentage is far below the percentage of businesses with GARs of \$1 million or less at 88.5 percent. In 2018, the bank originated 21 small business loans, or 38.2 percent, to businesses with GARs of \$1 million or less, which was also less than the percentage of businesses with GARs of \$1 million or less, at 89.5 percent.

Although the bank's lending percentage to businesses with GARs of \$1 million or less was far

below the demographic, most of the small business loans to businesses with GARs of \$1 million or less were in loan amounts of \$100,000 or less, which is considered particularly responsive to the needs of small businesses. In 2017, of the 31 loans originated to businesses with GARs of \$1 million or less, 16 loans, or 51.6 percent, were in loan amounts of \$100,000 or less. In 2018, the bank originated 9 loans, or 42.9 percent, to businesses with GARs of \$1 million or less.

### Residential Lending

Tables 7 and 8 provide a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The tables further outline the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

Table 7 Borrower Distribution of HMDA Loans 2017								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			2017					
			Count			Dollar		
			Bank #	Bank %	Agg %	Bank \$(000s)	Bank \$ %	Agg \$ %
HOME PURCHASE	Low	11.0%	0	0.0%	1.8%	\$0	0.0%	0.7%
	Moderate	11.2%	2	11.1%	11.2%	\$431	5.9%	6.2%
	Middle	18.4%	1	5.6%	19.4%	\$345	4.7%	14.0%
	Upper	59.4%	8	44.4%	55.4%	\$3,191	43.4%	66.1%
	Unknown	0.0%	7	38.9%	12.1%	\$3,383	46.0%	13.0%
	Total	100.0%	18	100.0%	100.0%	\$7,350	100.0%	100.0%
REFINANCE	Low	11.0%	1	7.7%	3.5%	\$219	4.9%	1.5%
	Moderate	11.2%	3	23.1%	12.1%	\$509	11.4%	7.6%
	Middle	18.4%	2	15.4%	22.5%	\$329	7.3%	17.6%
	Upper	59.4%	6	46.2%	51.8%	\$2,851	63.7%	62.5%
	Unknown	0.0%	1	7.7%	10.0%	\$570	12.7%	10.7%
	Total	100.0%	13	100.0%	100.0%	\$4,478	100.0%	100.0%
HOME IMPROVEMENT	Low	11.0%	1	9.1%	2.6%	\$200	5.0%	0.8%
	Moderate	11.2%	1	9.1%	8.5%	\$100	2.5%	4.5%
	Middle	18.4%	2	18.2%	20.1%	\$436	10.8%	11.9%
	Upper	59.4%	6	54.5%	64.2%	\$3,162	78.6%	73.9%
	Unknown	0.0%	1	9.1%	4.6%	\$125	3.1%	8.9%
	Total	100.0%	11	100.0%	100.0%	\$4,023	100.0%	100.0%
MULTIFAMILY	Low	11.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	11.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	18.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	59.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	5	100.0%	100.0%	\$2,137	100.0%	100.0%
	Total	100.0%	5	100.0%	100.0%	\$2,137	100.0%	100.0%
HMDA TOTALS	Low	11.0%	2	4.3%	2.5%	\$419	2.3%	0.9%
	Moderate	11.2%	6	12.8%	11.2%	\$1,040	5.8%	6.2%
	Middle	18.4%	5	10.6%	20.5%	\$1,110	6.2%	14.2%
	Upper	59.4%	20	42.6%	55.0%	\$9,204	51.2%	62.0%
	Unknown	0.0%	14	29.8%	10.8%	\$6,215	34.6%	16.6%
	Total	100.0%	47	100.0%	100.0%	\$17,988	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.

Table 8 Borrower Distribution of HMDA Loans 2018								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			2018					
			Count			Dollar		
			Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %
HOME PURCHASE	Low	11.0%	0	0.0%	2.0%	\$0	0.0%	0.9%
	Moderate	11.2%	2	8.0%	12.4%	\$722	5.8%	7.0%
	Middle	18.4%	4	16.0%	19.9%	\$1,430	11.4%	14.6%
	Upper	59.4%	7	28.0%	53.0%	\$3,004	23.9%	63.2%
	Unknown	0.0%	12	48.0%	12.7%	\$7,400	58.9%	14.3%
	Total	100.0%	25	100.0%	100.0%	\$12,556	100.0%	100.0%
REFINANCE	Low	11.0%	1	7.1%	3.9%	\$151	3.7%	1.7%
	Moderate	11.2%	2	14.3%	13.0%	\$459	11.2%	8.3%
	Middle	18.4%	3	21.4%	21.7%	\$445	10.9%	16.7%
	Upper	59.4%	5	35.7%	52.7%	\$1,262	30.8%	63.4%
	Unknown	0.0%	3	21.4%	8.6%	\$1,783	43.5%	9.8%
	Total	100.0%	14	100.0%	100.0%	\$4,100	100.0%	100.0%
HOME IMPROVEMENT	Low	11.0%	0	0.0%	4.0%	\$0	0.0%	3.0%
	Moderate	11.2%	0	0.0%	10.4%	\$0	0.0%	6.7%
	Middle	18.4%	1	50.0%	19.6%	\$25	9.2%	13.9%
	Upper	59.4%	0	0.0%	63.0%	\$0	0.0%	70.4%
	Unknown	0.0%	1	50.0%	3.0%	\$247	90.8%	6.1%
	Total	100.0%	2	100.0%	100.0%	\$272	100.0%	100.0%
MULTIFAMILY	Low	11.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	11.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	18.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	59.4%	0	0.0%	3.3%	\$0	0.0%	0.3%
	Unknown	0.0%	1	100.0%	96.7%	\$2,250	100.0%	99.7%
	Total	100.0%	1	100.0%	100.0%	\$2,250	100.0%	100.0%
HMDA TOTALS*	Low	11.0%	1	2.4%	2.9%	\$151	0.8%	1.2%
	Moderate	11.2%	4	9.5%	12.0%	\$1,181	6.2%	6.9%
	Middle	18.4%	8	19.0%	20.0%	\$1,900	9.9%	14.2%
	Upper	59.4%	12	28.6%	53.4%	\$4,266	22.2%	59.9%
	Unknown	0.0%	17	40.5%	11.6%	\$11,680	60.9%	17.9%
	Total	100.0%	42	100.0%	100.0%	\$19,178	100.0%	100.0%

2015 ACS, 2018 Aggregate HMDA Data, 2018 HMDA LAR.

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

\*Aggregate percentages include all loans required to be reported by banks comprising the aggregate and may include additional loan types not required to be reported by the bank.

In 2017, the bank originated 2 residential mortgage loans, or 4.3 percent, to low-income borrowers, which exceeded the aggregate by 1.8 percentage points. For the same year, the bank originated 6 loans, or 12.8 percent, to moderate-income borrowers, which exceeded the aggregate by 1.6 percentage points. At 4.3 percent, the bank's lending to low-income borrowers was below the percentage of low-income families in the assessment area at 11.0 percent. At 12.8 percent, the bank's lending to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area, at 11.2 percent.

In 2018, the bank originated 1 residential mortgage loan, or 2.4 percent, to low-income borrowers, which was 0.5 percentage points below the aggregate. For the same year, the bank originated 4 loans, or 9.5 percent, to moderate-income borrowers, which was 2.5 percent below the aggregate. The bank's lending to low- and moderate-income borrowers was below the percentage of low- and moderate-income families in the assessment area, at 11.0 percent and 11.2 percent, respectively. Although the bank is primarily a commercial lender and a substantial portion of its residential lending was for non-owner occupied investment properties, the bank's lending performance to low- and moderate-income borrowers aligns with the aggregate.

### **Geographic Distribution of Loans**

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

#### **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.

<b>Table 9</b>						
<b>Geographic Distribution of Small Business Loans by Census Tract</b>						
<b>Census Tract Income Level</b>	<b>2017 % Total Business by Tracts</b>	<b>2017 Bank</b>		<b>2018 % Total Business by Tracts</b>	<b>2018 Bank</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0.0	0	0.0	0.0	0	0.0
Moderate	0.6	0	0.0	0.8	0	0.0
Middle	21.2	20	30.3	21.2	13	23.6
Upper	78.2	46	69.7	78.0	42	76.4
<b>Total</b>	100.0	66	100.0	100.0	55	100.0

*D&B 2017 and 2018. Small business data for 2017 and 2018 is bank provided.*

In 2017, only 0.6 percent of businesses were in the moderate-income tract and in 2018 only 0.8 percent were in the tract. Given the very low percentage of businesses within the moderate-income tract, the bank would not be expected to penetrate this tract with regularity; therefore, the bank's small business lending performance for this criterion did not carry any weight when determining the Lending Test rating.

#### **Residential Lending**

Tables 10 and 11 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 dispersion of home mortgage loans is reasonable.



Table 10 Geographic Distribution of HMDA Loans 2017								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			2017					
			Count		Dollar			
			Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %
HOME PURCHASE	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.3%	\$0	0.0%	0.2%
	Middle	21.0%	3	16.7%	22.0%	\$629	8.6%	15.2%
	Upper	78.7%	15	83.3%	77.7%	\$6,721	91.4%	84.6%
	Total	100.0%	18	100.0%	100.0%	\$7,350	100.0%	100.0%
REFINANCE	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.6%	\$0	0.0%	0.3%
	Middle	21.0%	2	15.4%	23.8%	\$353	7.9%	17.4%
	Upper	78.7%	11	84.6%	75.7%	\$4,125	92.1%	82.2%
	Total	100.0%	13	100.0%	100.0%	\$4,478	100.0%	100.0%
HOME IMPROVEMENT	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.2%	\$0	0.0%	0.1%
	Middle	21.0%	1	9.1%	20.2%	\$306	7.6%	13.6%
	Upper	78.7%	10	90.9%	79.6%	\$3,717	92.4%	86.3%
	Total	100.0%	11	100.0%	100.0%	\$4,023	100.0%	100.0%
MULTIFAMILY*	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	1.7%	0	0.0%	3.2%	\$0	0.0%	0.4%
	Middle	30.7%	4	80.0%	35.5%	\$1,917	89.7%	9.6%
	Upper	67.6%	1	20.0%	61.3%	\$220	10.3%	90.0%
	Total	100.0%	5	100.0%	100.0%	\$2,137	100.0%	100.0%
HMDA TOTALS	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.4%	\$0	0.0%	0.2%
	Middle	21.0%	10	21.3%	22.5%	\$3,205	17.8%	15.5%
	Upper	78.7%	37	78.7%	77.2%	\$14,783	82.2%	84.3%
	Total	100.0%	47	100.0%	100.0%	\$17,988	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.

\*Distribution of multifamily units by census tract income.

Table 11 Geographic Distribution of HMDA Loans 2018								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			2018					
			Count			Dollar		
			Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %
HOME PURCHASE	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.3%	\$0	0.0%	0.2%
	Middle	21.0%	9	36.0%	23.0%	\$3,530	28.1%	15.8%
	Upper	78.7%	16	64.0%	76.7%	\$9,026	71.9%	84.0%
	Total	100.0%	25	100.0%	100.0%	\$12,556	100.0%	100.0%
REFINANCE	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.3%	\$0	0.0%	0.3%
	Middle	21.0%	4	28.6%	20.6%	\$1,281	31.2%	15.0%
	Upper	78.7%	10	71.4%	79.0%	\$2,819	68.8%	84.7%
	Total	100.0%	14	100.0%	100.0%	\$4,100	100.0%	100.0%
HOME IMPROVEMENT	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.3%	\$0	0.0%	0.1%
	Middle	21.0%	1	50.0%	21.0%	\$25	9.2%	14.2%
	Upper	78.7%	1	50.0%	78.7%	\$247	90.8%	85.7%
	Total	100.0%	2	100.0%	100.0%	\$272	100.0%	100.0%
MULTIFAMILY*	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	1.7%	0	0.0%	3.3%	\$0	0.0%	0.2%
	Middle	30.7%	0	0.0%	33.3%	\$0	0.0%	12.6%
	Upper	67.6%	1	100.0%	63.3%	\$2,250	100.0%	87.1%
	Total	100.0%	1	100.0%	100.0%	\$2,250	100.0%	100.0%
HMDA TOTALS**	Low	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	0.3%	0	0.0%	0.3%	\$0	0.0%	0.2%
	Middle	21.0%	14	33.3%	21.6%	\$4,836	25.2%	15.0%
	Upper	78.7%	28	66.7%	78.1%	\$14,342	74.8%	84.8%
	Total	100.0%	42	100.0%	100.0%	\$19,178	100.0%	100.0%

2015 ACS, 2018 Aggregate HMDA Data, 2018 HMDA LAR.

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

\*Distribution of multifamily units by census tract income.

\*\*Aggregate percentages include all loans required to be reported by banks comprising the aggregate and may include additional loan types not required to be reported by the bank.

The percentage of families living in the moderate-income tract (0.5 percent), the percentage of owner-occupied housing units in the moderate-income tract (0.3 percent), and the aggregate lending percentage in the moderate-income tract (0.3 percent) suggests minimal opportunity for the bank to penetrate this tract with home mortgage loans. Given these performance context factors, the bank's residential lending performance for this criterion did not carry any weight when determining the Lending Test rating.

### Response to Complaints

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

### **CONCLUSIONS: LENDING TEST**

The bank's performance in meeting the credit needs in the assessment area was demonstrated by its more than reasonable LTD ratio; extending a majority of loans inside the assessment area; and its reasonable performance of lending to borrowers of different incomes, including small businesses and low- and moderate-income borrowers. Although considered reasonable, the bank's dispersion of loans throughout the assessment area was not weighted as part of its performance given the composition of the assessment area by tract income level and relative performance context. Overall, the bank's lending levels reflected an adequate responsiveness and is therefore rated "Satisfactory."

## **COMMUNITY DEVELOPMENT TEST**

Walpole's performance under the Community Development Test is rated Satisfactory.

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

During the evaluation period, the bank originated 9 community development loans in the assessment area, totaling \$6.0 million. Although the number of community development loans in the assessment area decreased by 25.0 percent compared to the last examination, it should be noted that the evaluation period for this examination was significantly shorter. Of the 9 community development loans, 6 loans, totaling \$5.1 million, supported economic development, which aligns with the bank's business focus of commercial lending. Although the community contact indicated there was limited activity for SBA 504 loans in their service area, the bank originated three such loans in the assessment area. Additionally, two loans were originated as part of the Federal Home Loan Bank of Boston (FHLBB) Jobs for New England (JNE) Program. The JNE program is a three-year interest rate subsidy program designed to further enhance member banks' economic development lending activities by funding job growth and economic development throughout New England. The subsidy is used to write down interest rates to zero percent to finance qualifying loans to small businesses.

During the evaluation period, residential development projects in the assessment area have primarily been large mixed-use buildings that support easy access to the commuter rail and major highways. As mentioned, such larger projects may be cost prohibitive for smaller financial institutions. Notwithstanding the popularity of larger and complex residential developments in the assessment area and the cost factor, the bank originated 3 loans totaling \$892,500 that supported affordable housing within the assessment area. Of the 3 affordable housing loans, 2 loans totaling \$292,500 supported the infrastructure for a 100 unit residential development in Wrentham, of which 25 units were deeded as affordable. Additionally, during the evaluation period, the bank originated 15 residential construction loans, totaling \$2.1 million, for the creation of 15 affordable single-family homes outside of the assessment area.

The bank made \$84,550 in qualified investments in the form of donations that supported community development services throughout the assessment area. These donations supported 31

organizations that focused on providing support services to low- and moderate-income individuals. The following are some of the organizations that received donations from the bank:

**Food Pantries** - The bank made annual donations to food pantries in every town in its assessment area. In total, the bank donated \$33,000 to food pantries that help support low- and moderate-income families.

**Walpole Recreation Department** – In total, the bank donated \$18,000 to the Walpole Recreation Department's Smiling Eyes Scholarship Program. This program supports scholarships for low- and moderate-income children to attend summer camps with curriculum that includes STEM-based activities and a summer program that focuses on preparing students for the school year.

**Three Squares New England** – In total, the bank donated \$7,500 to this non-profit organization, which helps provide food for low- and moderate-income families. The mission of this organization is to alleviate food insecurity in Massachusetts through fundraising, establishing partnerships with food pantries, food rescue organizations, community farms, and raising awareness about food insecurity and waste.

Although not a qualified investment, the bank donated \$500,000 for the construction of a new senior center in Walpole. A community contact explained that the bank's significant financial contribution was a primary driver that supported with the completion of the project. The center helps support the needs and services of a growing senior population in the town.

Bank employees engaged in community development services through participation on boards of community organizations, conducting first time homebuyer seminars, and other community development services. During the evaluation period, the senior vice president senior loan officer was a member of the advisory board of a certified development company whose purpose is to stimulate economic development through the creation of jobs throughout New England. Additionally, the former vice president of residential lending was on the advisory board of an organization that offers a program to assist low-income seniors with paying their bills and managing their money.

The bank sponsored and participated in four first-time homebuyer workshops in partnership with NeighborWorks Housing Solutions, which is an organization that works to provide safe and affordable housing through development and the provision of housing resources and education. Through the FHLBB's Grants for New England Partnership program, which is a program that awards grants to eligible member institutions for distribution to nonprofit organizations of their choice, the bank twice chose an organization that provides dental care at reduced costs for low-income seniors. Lastly, the bank offers checking and savings accounts that meet the standards of the Massachusetts Community & Banking Council's standards for Basic Banking for Massachusetts. This designation is given when a bank's accounts meet required guidelines that would encourage those with modest incomes to establish banking relationships.

## CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates an adequate responsiveness to

the community development needs of its assessment area through community development loans that support economic development and affordable housing; qualified investments that support community development services; and community development services that help support low- and moderate-income individuals and small businesses.

#### **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 was identified.

## APPENDIX

### GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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.