

PUBLIC DISCLOSURE

November 4, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bluestone Bank
RSSD # 699105

756 Orchard Street
Raynham, MA 02767

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution's Community Reinvestment Act (CRA) Rating.....	2
Scope of Examination	3
Description of Institution	4
Description of Assessment Area.....	6
Conclusions with Respect to Performance Tests	10
Appendix: Glossary of Terms	A

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

The Lending Test is rated: SATISFACTORY

The Community Development Test is rated: SATISFACTORY

Bluestone Bank (Bluestone 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 ratio is 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, excellent 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 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 need and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

Bluestone's CRA performance review was conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions¹. 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 Lending Test evaluated the bank's home mortgage and small business lending activity from January 1, 2021, through December 31, 2023. Although loan data for all three years was considered, only years 2022 and 2023 are presented in the lending tables. Due to the number of loans originated during the review period, greater weight was given to home mortgage loans than small business loans in arriving at overall conclusions. The bank's LTD ratio was calculated from the Consolidated Reports of Condition and Income (Call Reports) as of June 30, 2021, through September 30, 2024, covering 14 quarters since the prior examination.

Home mortgage lending reviewed during the evaluation was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). Residential loans with a purpose of "other" and/or "not applicable" were excluded from the analysis. The bank's residential lending activity was compared to the aggregate of all lenders operating within the bank's assessment area. Aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB) and consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the assessment area. "Other" and "not applicable" loans have also been excluded from the aggregate data. The bank's residential mortgage lending performance was also compared to demographics from the 2015 American Community Surveys (ACS) and the 2020 U.S. Census. While both the number and dollar volume of loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loans demand.

Small business loan data was obtained from the bank and is shown in comparison to relative business information obtained from Dun & Bradstreet, Inc., Short Hills, New Jersey (D&B). Small business loans are defined as commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. A comparison to aggregate lenders for small business lending was not considered for this examination, as the bank is not subject to the reporting requirements applicable to large banks. However, aggregate data does reflect the level of competition and is included for performance context. While both the number and dollar volume of the bank's small business loans were reviewed, the number of originations was weighted more heavily when arriving at overall conclusions.

¹ "Intermediate small institution" means a bank or savings association with assets of at least \$391 million as of December 31 of both of the prior two calendar years and less than \$1.564 billion as of December 31 of either of the prior two calendar years.

The Community Development Test included a review of community development loans, investments, and services for the period of August 2, 2021, through November 4, 2024. The Community Development Test is evaluated in the context of community needs and the capacity of the bank.

Bluestone's CRA performance was last examined by the Federal Reserve Bank of Boston on August 2, 2021. The examination resulted in a "Satisfactory" rating overall.

DESCRIPTION OF INSTITUTION

Bluestone is headquartered at 756 Orchard Street in Raynham, MA, within Bristol County. In addition to its headquarters, the bank operates 11 full-service branches: three branches in Mansfield, Norton, and Taunton, within Bristol County; one branch in Plainville, within Norfolk County; and seven branches in Bridgewater (2), East Bridgewater, Lakeville, Pembroke, and West Bridgewater (2), within Plymouth County. Additionally, the bank maintains three stand-alone ATMs in West Bridgewater, Mansfield, and Middleborough. Bluestone also operates one loan production office (LPO) in Marshfield, within Plymouth County. Since the previous examination, the bank closed one LPO in Wrentham and two stand-alone ATMs in Middleborough and West Bridgewater. Bluestone is a wholly owned subsidiary of Bluestone Financial, MHC, and operates two non-lending subsidiaries. In addition, the bank operates a charitable foundation, Bluestone Bank Charitable Foundation, Inc. (Foundation).

The bank offers personal products and services such as checking and savings accounts, online and mobile banking, mortgages, and home equity loans and lines of credit. Notably, the bank offers TruBlue Mortgage as a low down payment option for low- and moderate-income homebuyers within the bank's assessment area, and the bank utilizes many grant programs for eligible borrowers including Housing Our Workforce and Lift Up Homeownership. Business products and services include checking and money market accounts, commercial and industrial loans, commercial real estate loans, FastTrack Business Loans, and Small Business Administration (SBA) loans, including SBA Express and SBA 504 loans. The bank's website, www.bluestone.bank, provides branch and ATM location information and a listing of loan and deposit services, including rates. In addition to other traditional delivery methods, consumers may complete deposit and loan applications online via the bank's website.

As of the March 31, 2024 Call Report, Bluestone had \$1.5 billion in total assets, with \$1.1 billion in total loans and \$1.2 billion in total deposits. Since the last CRA evaluation, the bank experienced increases in assets by 13.3 percent from \$1.3 billion, total loans by 22.2 percent from \$866.3 million, and total deposits remained stable at \$1.2 billion. The low loan rate environment during the early portion of the review period combined with the termination of the CARES Act stimulus payments contributed to the bank's loan growth over the review period and steady deposits. Residential real estate loans decreased by 1.9 percent from \$489.2 million to \$480.0 million, while commercial loans grew by 55.6 percent from \$358.9 million to \$557.3 million. Commercial loans experienced the most growth since the last examination.

Table 1 shows the bank's loan portfolio distribution as of March 31, 2024. Bluestone is primarily a commercial lender offering commercial real estate, construction and land development, and commercial and industrial loans totaling \$557.3 million, or 50.1 percent, of the loan portfolio. At the previous examination, commercial real estate, construction and land development, and

commercial and industrial loans totaled \$358.9 million and comprised 41.1 percent of the loan portfolio. Home mortgage real estate loans mainly consist of 1-4 family closed-end loans secured by first liens totaling \$480.0 million and represents 43.1 percent of the loan portfolio. At the previous examination, home mortgage real estate loans comprised the majority of loans, at 56.5 percent of the total loan portfolio.

Table 1		
Loan Distribution as of March 31, 2024		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
Residential RE	480,028	43.1
Agriculture	0	0
Commercial*	557,344	50.1
Consumer	75,850	6.8
Other	0	0
Total Loans	1,113,222	100.0

Call Report as of March 31, 2024.

**May include construction, land development, and other land loans reported on the HMDA LAR*

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

Bluestone operates in a competitive geographic area where several community banks and credit unions, as well as larger regional and national banks, maintain a branch presence. According to the FDIC Deposit Market Share Report, as of June 30, 2024, there were 25 financial institutions offering deposit services within the bank's assessment area. Bluestone ranked eighth for deposit market share, at 5.5 percent. Rockland Trust Company ranked first, at 20.6 percent; HarborOne Bank ranked second, at 12.1 percent, and Bank of America, N.A. ranked third, at 11.8 percent. Rockland Trust Company maintains 25 locations within the assessment area, while Bluestone maintains 12.

Additionally, the bank operates in a competitive environment for home mortgage loans. Despite this competition, the bank's market rank has risen, year over year, during the review period. According to 2023 HMDA aggregate data, of the 398 financial institutions that originated a HMDA-reportable loan within the assessment area, Bluestone ranked 18th with 236 originations; in 2022, of the 449 financial institutions that originated a HMDA-reportable loan within the assessment area, the bank ranked 23th with 273 originations. In 2023, large regional banks including Citizens Bank NA and Rockland Trust Company, ranked first and second with 991 and 646 originations, respectively. The bank also faces strong competition for loans from large mortgage lenders including Rocket Mortgage LLC and United Wholesale Mortgage LLC.

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 its assessment area. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area consists of 37 contiguous cities and towns located in portions of Norfolk County and Plymouth County in the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA) and a portion of Bristol County, MA in the Providence-Warwick, RI-MA MSA. The cities and towns in the assessment area in Norfolk County are Bellingham, Foxborough, Franklin, Norfolk, Plainville, Sharon, Walpole, and Wrentham. The cities and towns in the assessment area in Bristol County are Attleboro, Berkley, Dighton, Easton, Mansfield, North Attleboro, Norton, Raynham, and Taunton. The cities and towns in the assessment area in Plymouth County are Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Kingston, Lakeville, Marshfield, Middleborough, Norwell, Pembroke, Plympton, Rockland, Scituate, West Bridgewater, and Whitman.

Table 2 Bluestone Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	8	5.1	7,738	4.0	1,548	20.0	35,919	18.5
Moderate	22	14.0	23,213	11.9	2,560	11.0	30,122	15.5
Middle	66	42.0	80,510	41.4	3,177	3.9	40,862	21.0
Upper	59	37.6	82,818	42.6	1,819	2.2	87,408	45.0
Unknown	2	1.3	32	0.0	0	0.0	0	0.0
Total AA	157	100.0	194,311	100.0	9,104	4.7	194,311	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	12,804	3,656	1.8	28.6	8,032	62.7	1,116	8.7
Moderate	38,055	20,998	10.1	55.2	14,462	38.0	2,595	6.8
Middle	123,059	89,364	43.1	72.6	26,831	21.8	6,864	5.6
Upper	114,886	93,145	45.0	81.1	17,352	15.1	4,389	3.8
Unknown	114	44	0.0	38.6	60	52.6	10	8.8
Total AA	288,918	207,207	100.0	71.7	66,737	23.1	14,974	5.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,126	3.4	1,045	3.4	74	2.8	7	3.5
Moderate	3,533	10.5	3,272	10.6	238	9.1	23	11.5
Middle	13,473	40.1	12,293	39.9	1,097	41.9	83	41.5
Upper	15,451	46.0	14,157	46.0	1,207	46.1	87	43.5
Unknown	17	0.1	15	0.0	2	0.1	0	0.0
Total AA	33,600	100.0	30,782	100.0	2,618	100.0	200	100.0
Percentage of Total Businesses:				91.6		7.8		0.6
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

The assessment area contains 157 census tracts of which 8 tracts, or 5.1 percent, are low-income; 22 tracts, or 14.0 percent, are moderate-income; 66 tracts, or 42.0 percent, are middle-income; and 59 tracts, or 37.6 percent, are upper-income. The remaining 2 census tracts, or 1.3 percent, are unknown-income and consist of a correctional institution and Bridgewater State University, both located in Bridgewater. The low-income tracts are concentrated within Plymouth County,

specifically in Brockton, which contains 7 of the assessment area's low-income tracts. One low-income tract is in Taunton. The 22 moderate-income tracts are located in the cities and towns of Attleboro (2); Taunton (4); Middleborough (3); Lakeville (1); East Bridgewater (1); Brockton (9); and Carver (2).

Housing

The assessment area includes 288,918 housing units, of which a significant majority, 84.9 percent, are 1-4 family housing; 13.5 percent are multifamily (five or more units); and 2.3 percent are mobile homes. A significant majority, 71.7 percent, of housing units within the assessment area are owner-occupied, while 23.1 percent are rental units, and 5.2 percent are vacant. Within the assessment area, low-income census tracts contain only 4.4 percent of housing units, of which a majority, 62.7 percent, are rentals; 28.6 percent are owner-occupied, and 8.7 percent are vacant. The low percentage of housing units and majority percentage of rental units in low-income tracts suggest minimal opportunity for home ownership within those tracts. Moderate-income census tracts contain 13.2 percent of the assessment area's housing units, of which 38.0 percent are rentals; 55.2 percent are owner-occupied; and 6.8 percent are vacant, indicating limited opportunity for home loan origination in those tracts. In Brockton, 32.0 percent of housing units are located in low-income census tracts and 39.4 percent are in moderate-income tracts, indicating limited opportunity to originate home mortgage loans within this city.

Based on the 2020 U.S. Census, the median housing value in the assessment area was \$380,465, which is above that of Bristol County, at \$317,800, and Brockton, at \$279,580, and below that of Norfolk County, at \$491,000, Plymouth County, at \$386,000, and the Commonwealth of Massachusetts (Commonwealth), at \$398,800. Recent data obtained from The Warren Group, Boston, MA, indicates that housing prices continue to rise. For calendar year 2023, the average median home sales price in the Commonwealth was \$550,000. Norfolk County was at \$675,000, Bristol County was at \$460,000, Plymouth County was at \$562,000, and Brockton was at \$475,000. These elevated home prices present a barrier to home ownership for many low- and moderate-income borrowers.

Population

The assessment area has a total population of 776,768 individuals, of which 4.7 percent reside in low-income tracts, 12.8 percent live in moderate-income tracts, 41.1 percent reside in middle-income tracts, 40.9 percent live in upper-income tracts, and 0.6 percent reside in unknown income tracts. Of the 194,311 families in the assessment area, 4.0 percent reside in low-income tracts, 12.0 percent reside in moderate-income tracts, 41.4 percent reside in middle-income tracts, and 42.6 percent reside in upper-income tracts. The low percentages of individuals and families residing in low- and moderate-income tracts suggests limited opportunity for the bank to originate home mortgage loans in those tracts. Of the families in the assessment area, 18.5 percent are low-income, 15.5 percent are moderate-income, 21.0 percent are middle-income, and 45.0 percent are upper-income.

Business Characteristics

According to 2023 D&B data, there were 33,600 businesses within the bank's assessment area,

of which 3.4 percent were located in low-income census tracts; 10.5 percent were located in moderate-income census tracts; 40.1 percent were located in middle-income census tracts; 46.0 percent were located in upper-income census tracts; and 0.1 percent were located in unknown income tracts. The percentage distribution of businesses by tract income suggests that the opportunity for the bank to originate small business loans in low- and moderate-income tracts may be limited. Of the businesses in the assessment area, 30,782, or 91.6 percent, were small businesses with gross annual revenues (GARs) of \$1 million or less. The top employers in and near the assessment area include the headquarters of global and national companies. In Bristol County, top employers include DePuy Inc., in Raynham, and Medtronic Inc., in Mansfield, and St. Anne's Hospital, in Fall River. In Norfolk County, top employers include Partners Healthcare System Inc., in Braintree, Destination XL Group, Inc., in Canton, and Harvard Pilgrim Health Care, in Wellesley, and in Plymouth County, two of the largest employers are Brockton VA Hospital Medical Center and Good Samaritan Medical Center, in Brockton.

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 used to classify borrowers within the MSA/Metropolitan Division (MD) portion(s) of the assessment area and the non-MSA portion of the state.

Table 3		
Median Family Income		
MSA/MD	2022	2023
Boston, MA MD	129,500	136,900
Providence-Warwick, RI-MA	99,600	108,300
Commonwealth of Massachusetts	119,400	130,000
<i>FFIEC median family income estimates</i>		

MFIs increased over the evaluation period; between 2022 and 2023, the Boston, MA MD MFI increased by 5.4 percent, the Providence-Warwick, RI-MA MSA increased 8.0 percent, and the Commonwealth of Massachusetts MFI increased by 8.2 percent. As of the 2020 U.S. Census, the assessment area MFI is \$114,584, which is significantly below the Boston, MA MD MFI, at \$136,900, and above the Providence-Warwick, RI-MA, MA MSA MFI, at \$108,300. While the assessment area is equally comprised of cities and towns across Bristol, Norfolk, and Plymouth County, the MFI of Bristol and Plymouth County, \$71,450 and \$92,906 respectively, where all of majority of low- and moderate-income tracts are located, is substantially lower than that of Norfolk County and the assessment area average. In addition, the percentage of families living below the poverty level is highest in Bristol County compared to other counties in the assessment area. The poverty level in Brockton, within Plymouth County, exceeded the assessment area, all counties therein, and the Commonwealth. This suggests that, while relatively comfortable overall, many residents in the assessment area may experience economic insecurity.

Employment Statistics

According to data released by the U.S. Bureau of Labor Statistics, as of 2023 the average

unemployment rate in the Commonwealth was 3.2 percent which was slightly lower than the unemployment rate for Bristol County, at 3.8 percent and Plymouth County, at 3.3 percent. The unemployment rate for Norfolk County was slightly lower than the assessment area, at 2.9 percent. Unemployment rates for all three counties in the assessment area have decreased significantly since the prior CRA evaluation as economic conditions associated with the COVID-19 pandemic improved.

Community Contact

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing 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 whose mission is to help low- and moderate-income families and individuals throughout southeastern Massachusetts prosper through affordable housing and financial literacy. The contact noted housing affordability challenges and indicated there is a need for more flexible home buyer programs. Specifically, the contact stated the need for programs with higher income level thresholds to accommodate middle-income borrowers who struggle with housing affordability because their income is too high to qualify for the special programs designed to assist lower-income borrowers. In addition to loan programs, the contact noted the need for financial literacy training and first-time home buyer education.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Bluestone'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 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 loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the bank's size, financial condition, and assessment area credit needs. Table 4 provides a comparison of the bank's average LTD over the past 14 quarters under evaluation to similarly sized institutions operating within the assessment area.

Table 4 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets* \$(000)	Average LTD Ratio** (%)
Bluestone Bank	1,552,375	81.0
Coastal Heritage Bank	989,294	94.6
North Easton Savings Bank	1,658,421	82.1
Fall River Five Cents Savings Bank	1,867,006	99.3

*Call Report as of September 30, 2024

**Call Reports from June 30, 2021 to September 30, 2024

As reflected in the table above, the bank's ratio is in-line with similarly sized institutions operating within the assessment area. From June 30, 2021, to September 30, 2024, Bluestone's average LTD ratio was 81.0 percent. The bank's quarterly LTD ratio ranged from a low of 70.6 percent, as of March 31, 2022, to a high of 92.0 percent, in December 31, 2023. This trend can be partially attributed to the industry-wide deposit surge spurred by the COVID-19 pandemic, which generated significant cash inflows without a corresponding increase in loan volume. Additionally, the bank sells many of its loans on the secondary market. During the review period, home mortgage loans were sold at a decreasing rate, with more loan remaining in portfolio in 2023.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of loans and other lending related activities are in the bank's assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area for the entire review period.

Table 5 Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	94	73.4	\$12,200	62.6	34	26.6	\$7,290	37.4
Home Purchase - Conventional	236	55.4	\$100,132	47.2	190	44.6	\$112,043	52.8
Home Purchase - FHA	8	61.5	\$4,698	67.4	5	38.5	\$2,275	32.6
Home Purchase - VA	3	75	\$1,485	70.0	1	25.0	\$636	30.0
Multi-Family Housing	22	43.1	\$39,311	35.2	29	56.9	\$72,491	64.8
Refinancing	146	67.6	\$36,291	47.5	70	32.4	\$40,175	52.5
Total HMDA related	509	60.7	\$194,117	45.2	329	39.3	\$234,910	54.8
Small Business	28	37.3	\$8,528	33.4	47	62.7	\$16,974	66.6
Total Small Bus. related	28	37.3	\$8,528	33.4	47	62.7	\$16,974	66.6
TOTAL LOANS	537	58.8	\$202,645	44.6	376	41.2	\$251,884	55.4

HMDA and small business for 2022 and 2023

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

During the review period, the bank originated a total of 913 home mortgage and small business loans, of which 537, or 58.8 percent, were inside the assessment area. The total percentage of home mortgage and small business loans made within the assessment area increased year over

year during the review period, despite a decrease in total number of loan originations.

Home Mortgage Lending

A majority of home mortgage loans were originated inside the assessment area. Over the review period, the bank originated a total of 838 home mortgage loans, of which 509, or 60.7 percent, were inside the assessment area. The percentage of home mortgage loans made inside the assessment area trended upward during the review period. In 2022 and 2023, the bank originated 58.1 percent and 64.1 percent of its home mortgage loans inside the assessment area, respectively. The concentration of loan types was consistent across the review period, with home purchase loans most heavily concentrated within the assessment area.

Small Business Lending

A majority of small business loans were originated outside the assessment area. Over the review period, the bank originated 75 small business loans, of which 28, or 37.3 percent, were inside the assessment area. The percentage of small business loans made inside the assessment area decreased between 2022 and 2023. In 2022, the bank originated 43 small business loans, of which 18, or 41.9 percent, were within the assessment area. In 2023, the bank originated 32 small business loans, of which 10, or 31.3 percent, were within 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, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Residential 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 and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

Table 6
Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level

Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	11	8.0	4.5	1,737	2.7	2.2	11	10.1	3.6	1,310	3.0	1.3	18.5
Moderate	25	18.1	18.7	7,260	11.5	13.6	20	18.3	16.9	4,066	9.4	11.7	15.5
Middle	35	25.4	25.3	13,110	20.7	23.7	35	32.1	26.3	11,412	26.5	24.1	21.0
Upper	63	45.7	34.8	39,610	62.6	43.5	41	37.6	35.5	24,870	57.7	44.2	45.0
Unknown	4	2.9	16.7	1,510	2.4	17.0	2	1.8	17.7	1,430	3.3	18.7	0.0
Total	138	100.0	100.0	63,227	100.0	100.0	109	100.0	100.0	43,088	100.0	100.0	100.0
Refinance Loans													
Low	15	16.0	10.3	1,829	7.1	6.4	5	9.6	10.1	341	3.3	6.3	18.5
Moderate	30	31.9	23.4	6,211	24.0	19.1	12	23.1	20.3	1,528	14.7	16.2	15.5
Middle	17	18.1	24.8	4,088	15.8	23.8	8	15.4	23.9	1,021	9.8	22.1	21.0
Upper	32	34.0	31.0	13,785	53.2	38.4	27	51.9	34.9	7,488	72.2	37.6	45.0
Unknown	0	0.0	10.6	0	0.0	12.2	0	0.0	10.9	0	0.0	17.9	0.0
Total	94	100.0	100.0	25,913	100.0	100.0	52	100.0	100.0	10,378	100.0	100.0	100.0
Home Improvement Loans													
Low	3	13.0	4.7	152	4.5	3.3	5	7.0	5.8	222	2.5	3.3	18.5
Moderate	7	30.4	16.6	385	11.4	12.2	10	14.1	18.1	878	10.0	13.2	15.5
Middle	2	8.7	27.4	150	4.4	22.2	24	33.8	27.1	2,901	32.9	22.8	21.0
Upper	11	47.8	49.3	2,690	79.7	59.3	32	45.1	46.1	4,822	54.7	55.1	45.0
Unknown	0	0.0	1.9	0	0.0	3.0	0	0.0	2.9	0	0.0	5.6	0.0
Total	23	100.0	100.0	3,377	100.0	100.0	71	100.0	100.0	8,823	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	29	11.4	6.5	3,718	4.0	3.5	21	9.1	5.6	1,873	3.0	2.4	18.5
Moderate	62	24.3	19.8	13,856	15.0	15.1	42	18.1	18.0	6,472	10.4	12.5	15.5
Middle	54	21.2	25.5	17,348	18.8	23.6	67	28.9	25.9	15,334	24.6	23.5	21.0
Upper	106	41.6	36.4	56,085	60.6	43.2	100	43.1	37.5	37,180	59.7	43.9	45.0
Unknown	4	1.6	11.8	1,510	1.6	14.6	2	0.9	13.0	1,430	2.3	17.8	0.0
Total	255	100.0	100.0	92,517	100.0	100.0	232	100.0	100.0	62,289	100.0	100.0	100.0

Source: 2023 FFIEC Census Data

2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Multifamily loans are not included in the borrower distribution analysis.

As shown in Table 6, the bank outperformed the aggregate in lending to low- and moderate-income borrowers within the assessment area. In 2022, the bank originated 29 home mortgage loans, or 11.4 percent, to low-income borrowers, which exceeded the aggregate by 4.9 percentage points. That same year, the bank originated 62 home mortgage loans, or 24.3 percent, to moderate-income borrowers, exceeding the aggregate by 4.5 percentage points. In 2023, the bank originated 21 home mortgage loans, or 9.1 percent, to low-income borrowers, which was 3.5 percentage points above the aggregate. That same year, the bank originated 42 loans, or 18.1 percent, to moderate-income borrowers, which was 0.1 percent above the aggregate. Overall, loan originations decreased between 2022 and 2023; similarly, the number of loans made to low- and moderate-income borrowers also decreased year over year during the review period.

The bank outperformed the demographic indicator for moderate-income families in both 2022 and 2023. Those same years, the bank lagged the demographic indicator of low-income families. However, this may not be an appropriate comparison because families with low-income levels may not qualify for a home mortgage loan. Furthermore, the housing stock available and owner occupancy rates for low-income families are limited within in the assessment area, while housing costs and rental occupancy rates have risen over the course of the review period. These market factors, coupled with community contact interviews, indicate that many low-income residents face significant challenges to obtaining homeownership. These factors further support the bank's commendable performance during the review period.

Bluestone also offers flexible lending programs to serve the credit needs of its assessment area through its TruBlue Mortgage. This product offers a low-down payment to low- and moderate-income buyers in the assessment area. During the evaluation period, the bank closed 12 loans for \$3.1 million under the program, and four of these loans were for homes in Brockton and Taunton, which contributed to the bank's excellent 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 7 details the bank's lending to small businesses according to revenue size. The bank's performance in lending to businesses with GARs of \$1 million or less is excellent.

Table 7													
Distribution of 2022 and 2023 Small Business Lending By Revenue Size of Businesses													
	Bank And Aggregate Loans By Year												Total Businesses %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
By Revenue													
\$1 Million or Less	10	55.6		2,928	61.3		6	60.0		3,188	84.9		91.6
Over \$1 Million	8	44.4		1,847	38.7		4	40.0		566	15.1		7.8
Revenue Unknown	0	0.0		0	0.0		0	0.0		0	0.0		0.6
Total	18	100.0		4,774	100.0		10	100.0		3,754	100.0		100.0
By Loan Size													
\$100,000 or Less	6	33.3		434	9.1		2	20.0	95.7	150	4.0		
\$100,001 - \$250,000	5	27.8		1,021	21.4		3	30.0	2.5	466	12.4		
\$250,001 - \$1 Million	7	38.9		3,319	69.5		5	50.0	1.8	3,138	83.6		
Total	18	100.0		4,774	100.0		10	100.0	100.0	3,754	100.0		
By Loan Size and Revenues \$1 Million or Less													
\$100,000 or Less	2	20.0		139	4.7		1	16.7		50	1.6		
\$100,001 - \$250,000	3	30.0		571	19.5		0	0.0		0	0.0		
\$250,001 - \$1 Million	5	50.0		2,218	75.8		5	83.3		3,138	98.4		
Total	10	100.0		2,928	100.0		6	100.0		3,188	100.0		
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

As shown in Table 7, in 2022, the bank originated 10 small business loans, or 55.6 percent, to

businesses with GARs of \$1 million or less. In 2023, the bank originated 6 small business loans, or 60.0 percent, to businesses with GARs of \$1 million or less. Bluestone's lending to small businesses was below the percentage of businesses with GARs of \$1.0 million or less in 2022 and 2023; however, aggregate performance provides a better indicator of demand than demographics. Examiners did not compare the bank's performance against aggregate data as reporting of small business lending is only required for larger, non-peer institutions. However, available aggregate data for 2022 and 2023, indicate that aggregate performance was 49.6 and 52.7 percent, respectively. Given the competition for small business loans from larger banks in the assessment area, the bank's performance is excellent.

The bank's performance can be attributed, in part, to the Marshfield LPO, as well as committed commercial loan officers lending to small businesses, particularly in Plymouth County. Several members of the commercial lending team are active participants in various loan outreach programs including Southeastern Economic Development (SEED) Corporation, Providence Revolving Fund, and Habitat for Humanity. The bank also recently launched a digital small business loan product, attempting to increase small business lending.

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.

Residential 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 is reasonable.

Table 8
Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography

Geograph ic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	3	2.2	2.8	599	0.9	2.5	0	0.0	3.1	0	0.0	2.8	1.8
Moderate	25	18.1	13.1	7,512	11.9	11.5	12	11.0	12.5	3,012	7.0	11.1	10.1
Middle	50	36.2	43.2	21,206	33.5	38.7	65	59.6	43.1	24,379	56.6	39.0	43.1
Upper	60	43.5	40.9	33,910	53.6	47.3	32	29.4	41.3	15,697	36.4	47.1	45.0
Total	138	100.0	100.0	63,227	100.0	100.0	109	100.0	100.0	43,088	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	2.3	0	0.0	2.2	0	0.0	1.6	0	0.0	1.7	1.8
Moderate	17	18.1	10.6	2,123	8.2	9.2	7	13.5	11.7	911	8.8	10.6	10.1
Middle	35	37.2	44.0	8,882	34.3	39.7	23	44.2	42.3	4,408	42.5	37.3	43.1
Upper	42	44.7	43.1	14,908	57.5	48.8	22	42.3	44.3	5,059	48.7	50.4	45.0
Total	94	100.0	100.0	25,913	100.0	100.0	52	100.0	100.0	10,378	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	1.0	0	0.0	0.8	0	0.0	1.2	0	0.0	1.0	1.8
Moderate	2	8.7	7.3	78	2.3	5.9	12	16.9	8.7	1,580	17.9	6.8	10.1
Middle	9	39.1	40.4	932	27.6	33.5	31	43.7	41.7	3,920	44.4	35.6	43.1
Upper	12	52.2	51.2	2,367	70.1	59.7	28	39.4	48.4	3,323	37.7	56.6	45.0
Total	23	100.0	100.0	3,377	100.0	100.0	71	100.0	100.0	8,823	100.0	100.0	100.0
Multifamily Loans													Multi- family Units %
Low	2	11.1	16.1	1,073	6.6	4.8	0	0.0	11.9	0	0.0	3.0	11.8
Moderate	7	38.9	30.5	5,779	35.7	11.5	1	25.0	32.2	16,000	69.2	39.1	16.1
Middle	5	27.8	35.6	4,043	25.0	48.2	2	50.0	40.7	6,520	28.2	43.7	38.7
Upper	4	22.2	17.8	5,306	32.8	35.5	1	25.0	15.3	590	2.6	14.2	33.4
Total	18	100.0	100.0	16,201	100.0	100.0	4	100.0	100.0	23,110	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	5	1.8	2.3	1,672	1.5	2.4	0	0.0	2.3	0	0.0	2.5	1.8
Moderate	51	18.7	11.1	15,492	14.2	10.4	32	13.6	11.2	21,503	25.2	11.7	10.1
Middle	99	36.3	43.1	35,063	32.3	39.1	121	51.3	42.6	39,227	45.9	38.5	43.1
Upper	118	43.2	43.5	56,491	52.0	48.1	83	35.2	43.8	24,669	28.9	47.4	45.0
Total	273	100.0	100.0	108,718	100.0	100.0	236	100.0	100.0	85,399	100.0	100.0	100.0

Source: 2023 FFIEC Census Data

2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Bluestone originated a total of five loans in low-income census tracts over 2022 and 2023. In 2022, the bank originated five loans, or 1.8 percent, in low-income census tracts, lagging the aggregate by only .5 percent. In 2023, the bank made no home mortgage loans, lagging the aggregate by 2.3 percent. Although the bank was below the aggregate and demographic indicator for both years, it is noted that the aggregate performance was stagnant between 2022 and 2023.

The bank originated a total of 83 home mortgage loans in moderate-income census tracts over

2022 and 2023. In 2022, the bank made 51 home mortgage loans, or 18.7 percent, in moderate-income census tracts, exceeding the aggregate by 7.6 percent. In 2023, the bank's performance continued to exceed the aggregate, however to a lesser extent, with the bank making 32 home mortgage loans, or 13.6 percent, and exceeding the aggregate by 2.4 percent.

A factor that potentially limited the bank's opportunity for home mortgage lending in the assessment area's low- and moderate-income census tracts is that 62.7 and 38.0 percent of all units in those tracts, respectively, are rental units. In addition, the percentage of housing units within the assessment area that are located in low- and moderate-income census tracts are 4.4 percent and 13.2 percent, respectively. The percentages of owner-occupied units in low- and moderate-income census tracts are 1.8 percent and 10.1 percent, respectively, reflecting limited opportunity for home mortgage lending in these tracts.

The examination did not identify any conspicuous gaps in the geographic distribution of home mortgage loans in the assessment area. As previously noted, a significant concentration of the assessment area's low- and moderate-income census tracts are located in Brockton. The bank adequately penetrated Brockton during the review period. According to market share analysis reports, the bank ranked 39th and 28th in 2022 and 2023, respectively, in terms of the number of home mortgage loans made in Brockton. Bluestone's market share is noteworthy, considering the bank does not maintain a branch presence in Brockton, which is heavily banked. Other lenders competing for loans in Brockton include larger national banks and mortgage companies, notably Rocket Mortgage LLC; United Wholesale Mortgage LLC; Citizens Bank, N.A., which were consistently ranked the top three home mortgage lenders in the city, during the review period.

Bluestone engages in targeted activities, including outreach events, in an effort to penetrate low- and moderate-income geographies. As a member of the Brockton Housing Partnership, the bank participates in homebuyer counseling and financial literacy events, such as the Brockton High School Credit-for-Life fair and first-time homebuyer seminars. The bank has attempted to hire staff to improve lending in low- and moderate-income census tracts. The bank also surveyed its employees and compiled a list of bilingual speakers to better assist non-English speaking consumers.

Small Business Lending

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

Table 9
Distribution of 2022 and 2023 Small Business Lending By Income Level of Geography

Geographic Income Level	Bank And Aggregate Loans By Year											Total Businesses %	
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Low	0	0.0		0	0		0	0.0	3.6	0	0.0		3.4
Moderate	3	16.7		675	14.1		1	10.0	10.9	900	24.0		10.5
Middle	7	38.9		1,592	33.3		5	50.0	40.4	1,738	46.3		40.1
Upper	8	44.4		2,507	52.5		4	40.0	45.0	1,116	29.7		46.0
Total	18	100.0		4,774	100.0		10	100.0	100.0	3,754	100.0		100.0

Source: 2023 FFIEC Census Data

2023 Dun & Bradstreet Data

2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

The bank's small business lending to low-income tracts was below demographic data in 2022 and 2023, while the bank's lending in moderate-income tracts was above or in-line with the demographic indicator in 2022 and 2023, respectively. In 2022 the bank made three business loans, or 16.7 percent, in a moderate-income tracts, and in 2023, one loan, or 10.0 percent, was made in a moderate-income tract.

As noted in the table above, 3.4 percent of businesses in the assessment area are located in low-income census tracts, while 10.5 percent are in moderate-income tracts, indicating limited small business lending opportunity, particularly in low-income census tracts. Accordingly, the demographics of the assessment area, including in Brockton, where the bank's low- and moderate-income census tracts are most concentrated, impacted the bank's opportunity to lend in those tracts. Considering these demographic factors, along with the low loan volume, the examination did not identify any conspicuous gaps in the geographic distribution of small business loans in the assessment area.

Response to Complaints

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

CONCLUSIONS: LENDING TEST

Bluestone's performance in meeting the credit needs in the assessment area is demonstrated by a reasonable LTD ratio; majority of loans inside the assessment area; excellent performance in lending to borrowers of different incomes, including small businesses; and reasonable geographic dispersion of home mortgage and small business loans throughout the assessment area. Overall, the Lending Test is rated Satisfactory.

COMMUNITY DEVELOPMENT TEST

Bluestone'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.

Community Development Loans

Bluestone originated nine community development loans, totaling \$8.5 million, during the review period. Community development lending increased from the prior examination, when the bank extended seven community development loans, totaling \$2.1 million. All of the bank's community development loans promoted affordable housing within the assessment area, providing 51 affordable housing units. The percentage of units designated as affordable housing units was calculated and utilized in qualifying the community development loan amounts. The bank's community development loans were considered responsive to the needs of the assessment area. The following are notable examples of the bank's qualified community development loan activity during the review period:

- In 2021, the bank originated a \$2,600,000 permanent loan to refinance debt on a mixed used building in a low-income neighborhood. The building includes seven affordable housing units leased to the Boston Housing Authority or in accordance with a Section 8 housing agreement.
- In 2023, the bank originated a \$6,000,000 loan to fund construction of 86 townhouse units in a residential development located in a moderate-income tract that includes 21 affordable housing units in accordance with a Chapter 40B housing agreement.
- In 2024, the bank originated a \$1,749,000 loan to fund the construction of 12 single-family homes located in a moderate-income census tract that includes three affordable housing units in accordance with a Chapter 40B housing agreement.

Qualified Investments

Bluestone's qualified community development investments consist of mortgage back securities (MBS) and donations to organizations that provide affordable housing, promote economic development, and offer community services that benefit low- and moderate-income individuals.

During the review period, the bank invested in securities backed by residential mortgages totaling \$1,579,000. Here the securities directly benefited the assessment area, and all units in the multifamily building benefited low- or moderate-income borrowers. The bank's MBS investments are below the \$2.5 million in Small Business Investment Company (SBIC) funds extended at the last examination.

In addition to MBS investments, the bank and the Foundation extended donations to address community development needs of low- and moderate-income individuals in the assessment area. Together, the bank and Foundation extended 254 qualified donations, totaling \$530,788, which represents an increase from \$229,017 at the prior examination. Table 10 details the total qualified contributions by primary community development purposes. As indicated in the table, donations are concentrated in community services and are particularly impactful to low- and moderate-income individuals within the bank's assessment area.

Table 10 Qualified Donations by Purpose										
Community Development Category	2021 (as of August 2nd)		2022		2023		2024 YTD		Total	
	#	\$0	#	\$	#	\$	#	\$	#	\$0
Affordable Housing	2	1,250	7	29,119	8	21,970	4	17,250	21	69,589
Community Services	45	72,882	86	161,917	127	118,950	42	93,850	300	447,599
Economic Development	0	0	1	2500	3	6,100	1	5,000	5	13,600
Revitalization/ Stabilization	0	0	0	0	0	0	0	0	0	0
Total	47	74,132	94	193,536	138	153,120	47	133,350	326	530,788

Notably, during the evaluation period, the bank made 60 donations, totaling approximately \$114,732, to local food pantries and related programs that help fight hunger for low- and moderate-income individuals and families. The recipients included food pantries in Attleboro, Bridgewater, Brockton, Franklin, Mansfield, Marshfield, Middleboro, Norton, Pembroke, Plainville, Raynham, and Taunton.

The bank also supported several YMCAs located in its assessment area, including YMCAs primarily serving low- and moderate-income communities such as Brockton, providing opportunities for low- and moderate-income individuals. The YMCA empowers youth and improves the health and well-being of members of the community. The bank also regularly makes donations to organizations that promote literacy as well as English language and career counseling to disadvantaged youth and adults.

Community Development Services

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

- Brockton Housing Partnership – This organization promotes affordable housing for low- and moderate-income individuals and families and meets the needs of the community. A senior bank employee serves on the organization's board of directors and is actively

involved with the organization.

- Old Colony Habitat for Humanity and South Shore Habitat for Humanity – These organizations provide homeownership opportunities to low-income families who are unable to obtain conventional home financing. During the review period, the bank provided charitable donations and volunteer hours to this organization. Additionally, two senior bank employees serve on Habitat for Humanity boards.
- Old Colony YMCA – This organization contributes to the education, wellbeing, and health of low- and moderate-income individuals in the assessment area. Several bank employees are active in this organization and two senior bank employees serve on the board.

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

- SEED Corporation – SEED's mission is to promote economic development in its local region and improve the quality of life for residents of Massachusetts and Rhode Island. Bluestone partners with SEED as part of entrepreneurial workshops to local business owners. A senior bank employee serves on the board of this organization.
- Credit for Life – Several bank employees regularly participate in Credit for Life financial literacy fairs serving local high schools in the assessment area with a sizeable low- and moderate- income student population. Bluestone staff assist students in preparation for real life financial decisions within a set income and savings budget.
- NeighborWorks Housing Solutions – Bank employees participate in first time homebuyer seminars and certificate classes, offering expertise on mortgage programs, down-payment assistance, grants, and other pertinent information to help achieve homeownership.
- Pro-Home, Inc. – This organization offers several programs and services that advocate for the production of affordable housing and prevent housing displacement. The bank regularly participates in first time homebuyers courses and offers financial and mortgage expertise. A senior bank employee is a board member.

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, qualified investments, and community development services that help support low- and moderate-income individuals and small businesses. Overall, the Community Development Test is rated Satisfactory.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a

dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

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

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

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

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

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

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

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

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

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

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

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

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the

context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

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

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

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

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

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

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

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

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

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

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