

# **PUBLIC DISCLOSURE**

April 26, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

East Cambridge Savings Bank  
RSSD # 738303

292 Cambridge Street  
Cambridge, MA 02141

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 following table indicates the performance level of East Cambridge Savings Bank (ECSB or the bank) with respect to the Lending, Investment, and Service Tests.

	<u>East Cambridge Savings Bank</u>		
	PERFORMANCE TESTS		
PERFORMANCE LEVELS	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

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

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

**Lending Test**

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

### **Investment Test**

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

### **Service Test**

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

## DESCRIPTION OF INSTITUTION

ECSB is a state-chartered mutual bank, headquartered at 292 Cambridge Street, Cambridge, Massachusetts. Established in 1854, ECSB is wholly owned by mutual holding company (MHC), 1854 Bancorp. The bank has two wholly owned subsidiaries, Lee-Way Realty Corporation and East Cambridge Savings Security Corporation. In addition to ECSB, the MHC is parent to 1854 Securities LLC.

In addition to its headquarters, the bank maintains nine full-service branches, and an educational training facility housed at Cambridge Rindge and Latin School in Cambridge. Branch offices are in Arlington, Belmont, Cambridge (2), Chelsea, Malden, Medford (2), Somerville, and Waltham. Since the last examination, the bank opened a branch, located at 98 Pleasant Street in Malden, on October 11, 2019, and the bank closed a branch, located at 2067 Massachusetts Avenue in Cambridge, on February 8, 2021. Each branch location is equipped with an ATM, and the bank maintains a stand-alone ATM in Somerville.

As of December 31, 2020, bank assets totaled \$1.2 billion; loans totaled \$947.5 million, and deposits totaled \$1.0 billion. Since the last evaluation, the bank's assets increased by 19.9 percent, which is attributed to organic growth in the loan and deposit portfolio. Total loans increased 24.0 percent, or \$183.7 million, and total deposits increased by 21.1 percent, or \$181.5 million since the last evaluation. The increase in the dollar volume of loans is partly attributed to a \$45.8 million increase in multifamily loans and to a \$65.5 million increase in commercial real estate loans.

Table 1 demonstrates the bank's loan portfolio distribution as of December 31, 2020. The bank is primarily a residential real estate lender, with closed-end loans secured by 1-4 family properties totaling \$495.3 million, comprising 52.3 percent of the bank's total loan portfolio. Since the previous CRA evaluation, 1-4 family closed end loans increased by \$58.6 million, or 13.4 percent. As previously indicated, commercial real estate loans and multi-family loans, have increased since the previous evaluation by 54.6 percent and 55.5 percent, respectively, which contributed to the overall real estate growth. As displayed below, commercial real estate lending totals \$185.4 million, and comprises 19.6 percent of the portfolio; and multi-family lending totals \$128.3 million and comprises 13.5 percent of the portfolio.

Table 1 Loan Distribution as of December 31, 2020		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
1-4 Family Residential	495,281	52.3
Commercial Real Estate	185,381	19.6
Multi-Family	128,304	13.5
Construction & Land	56,652	6.0
Revolving 1-4 Family	28,421	3.0
<b>Total Real Estate Loans</b>	<b>894,039</b>	<b>94.4</b>
Commercial & Industrial	41,889	4.4
Consumer	9,719	1.0
Other Loans	1,840	0.2
<b>Total Loans</b>	<b>947,487</b>	<b>100.0</b>

Call Report as of December 31, 2020.

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

In addition to the loan products noted above, the bank provides a variety of deposit products and services and investment products. Deposit products include savings and checking accounts, money market accounts, and certificates of deposit. These products and services are provided through the bank's branch network and other alternative delivery systems, such as the bank's website, ATM network, mobile banking, internet banking, remote deposit capture, and telephone banking. Information about the bank's products and services can be found at [www.ecsb.com](http://www.ecsb.com).

The bank operates in a highly competitive environment among numerous depository institutions, including many large banks with a national presence. According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranked 12<sup>th</sup> out of 32 institutions operating in the assessment area, with 2.7 percent of total deposits. By comparison, the three institutions with the largest market share were larger institutions such as Bank of America, NA (23.5 percent), Citizens Bank, NA (12.6 percent), and Century Bank and Trust Company (10.2 percent).

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, there are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area.

The previous CRA evaluation was conducted concurrently by the Federal Reserve Bank of Boston and the Massachusetts Division of Banks on January 23, 2017. The bank was rated "Satisfactory" by both agencies.

ECSB defined one assessment area for CRA purposes, which includes two partial metropolitan divisions (MDs), the Boston, MA MD, and the Cambridge-Newton-Framingham, MA MD, that are part of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The assessment area consists of 16 whole, contiguous cities and towns located in Essex, Middlesex, and Suffolk Counties. Essex County cities and towns include Lynn and Saugus. Middlesex County cities and towns include Arlington, Belmont, Cambridge, Everett, Lexington, Malden, Medford, Newton, Somerville, Waltham, Watertown, and Winchester. Lastly, Suffolk County cities include Chelsea and Revere.

Since the prior CRA evaluation, the bank added the City of Lynn to its assessment area in June of 2019. The City of Lynn increased the size and demographic configuration of the assessment area.

Table 2 details pertinent demographic data related to the bank's assessment area.

<b>Table 2</b>								
<b>Assessment Area Demographics Report</b>								
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>	
	#	%	#	%	#	%	#	%
Low-income	22	11.5	21,456	11.1	4,473	20.8	52,394	27.1
Moderate-income	55	28.8	56,420	29.2	7,158	12.7	32,911	17.0
Middle-income	58	30.4	59,173	30.6	3,427	5.8	35,862	18.5
Upper-income	55	28.8	56,331	29.1	1,672	3.0	72,213	37.3
Unknown-income	1	0.5	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>191</b>	<b>100.0</b>	<b>193,380</b>	<b>100.0</b>	<b>16,730</b>	<b>8.7</b>	<b>193,380</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	37,315	9,687	5.9	26.0	25,260	67.7	2,368	6.3
Moderate-income	102,345	39,402	23.8	38.5	56,761	55.5	6,182	6.0
Middle-income	117,844	57,012	34.5	48.4	53,882	45.7	6,950	5.9
Upper-income	91,754	59,142	35.8	64.5	27,655	30.1	4,957	5.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>349,258</b>	<b>165,243</b>	<b>100.0</b>	<b>47.3</b>	<b>163,558</b>	<b>46.8</b>	<b>20,457</b>	<b>5.9</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
	#	%	#	%	#	%	#	%
Low-income	4,415	10.0	3,912	9.7	475	12.3	28	12.9
Moderate-income	9,160	20.7	8,501	21.2	625	16.2	34	15.7
Middle-income	15,191	34.4	13,391	33.4	1,732	44.9	68	31.3
Upper-income	15,410	34.9	14,302	35.6	1,021	26.5	87	40.1
Unknown-income	28	0.1	21	0.1	7	0.2	0	0.0
<b>Total Assessment Area</b>	<b>44,204</b>	<b>100.0</b>	<b>40,127</b>	<b>100.0</b>	<b>3,860</b>	<b>100.0</b>	<b>217</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>90.8</b>		<b>8.7</b>		<b>0.5</b>

Based on 2015 ACS Information

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

As displayed above, the assessment area includes 191 census tracts comprised of 22 or 11.5 percent low-income tracts, 55 or 28.8 percent moderate-income tracts, 58 or 30.4 percent middle-income tracts, 55 or 28.8 percent upper-income tracts, and 1 or 0.5 percent unknown tract. The total families living in the assessment area include 27.1 percent low-income, 17.0 moderate-income, 18.5 middle-income, and 37.3 upper-income. Of the total families, 8.7 percent live below the poverty level.

### *Housing Characteristics*

Based on 2019 Federal Financial Institutions Examination Council (FFIEC) Census Data, the assessment area includes 349,258 housing units, consisting of 47.3 percent owner-occupied units, 46.8 percent rental units, and 5.9 percent vacant units. The assessment area housing characteristics are somewhat comparable to the composition of the Commonwealth of Massachusetts, which includes 56.0 percent owner-occupied units, 34.2 percent rental units, and 9.8 percent vacant units. However, less than half of the units within the assessment area are owner-occupied, and housing costs are high. Based on 2015 ACS data, the median housing value in the assessment area was \$440,785, exceeding the median housing value of \$333,100 in Massachusetts. Further, according to 2019 data from The Warren Group, Peabody, MA, the median sales prices for homes in the assessment area have increased. In Essex County, Middlesex County, and Suffolk County, where the assessment area is located, median sales prices were \$429,820, \$533,000, and \$640,000, respectively. These values exceed the median sales price for Massachusetts, which was \$396,000 for the same timeframe. The shortage in owner-occupied units coupled with elevated housing prices, makes it difficult for low- and moderate-income individuals to obtain home ownership.

As presented in Table 2, the total owner-occupied units in the assessment area are distributed as follows: 5.9 percent are in low-income tracts, 23.8 percent are in moderate-income tracts, 34.5 percent are in middle-income tracts, and 35.8 percent are in upper-income tracts. The small percentage of owner-occupied units within the low-income geographies limits the bank's ability to extend home mortgage loans within those census tracts. Furthermore, most properties in the low-income tracts are rental units, at 67.7 percent, which attracts investor demand. Similarly, the majority of housing units within the assessment area's moderate-income tracts are rental units, at 55.5 percent, while a majority of owner-occupied housing units are within middle- and upper-income tracts, at 48.4 percent and 64.5 percent, respectively.

### *Business Characteristics*

According to Dun & Bradstreet, Inc., Short Hills, NJ (D&B) data, 90.8 percent of businesses in the assessment area have revenues under \$1 million, 8.7 percent have revenues over \$1 million and 0.5 percent are unknown. Based on 2019 data, 10.0 percent of businesses were located in low-income census tracts, 20.7 percent were located in moderate income census tracts, 34.4 percent were in middle-income tracts, 34.9 percent were located in upper income census tracts, and 0.1 percent were located in tracts with no income designation. The primary industries in the assessment area are healthcare, biotechnology, retail services, and education. According to the Massachusetts' Department of Unemployment Assistance Labor Market Information website, some of the chief employers in the assessment area include Cambridge Health Alliance, EF Education First, Genzyme Corp, Amazon Delivery Station, Harvard University, and Massachusetts Institute of Technology

### *Population Characteristics*

The assessment area population includes 865,769 individuals. The population increased 15.5 percent since the previous CRA evaluation when the population totaled 749,800 individuals. Increasing population can be indicative of increased loan demand. Based on the 2019 data, the population was distributed as follows: 10.8 percent in low-income tracts, 30.4 percent in



moderate-income tracts, 32.0 percent in middle-income tracts, and 26.8 percent in upper-income tracts.

Approximately 27.1 percent of families in the assessment area are low-income, 17.0 percent are moderate-income, 18.5 percent are middle-income, and 37.3 percent are upper-income. There is a wide disparity in income levels within the assessment area, as evidenced by this distribution. Further, the percent of assessment area families with incomes below the poverty level is 8.7 percent. Of the total families with incomes below the poverty level, 69.5 percent reside in the assessment area's low- and moderate-income census tracts. Within the Commonwealth of Massachusetts, 8.1 percent of families have incomes below the poverty level. Of the 328,801 households in the assessment area, 12.3 percent reside below the poverty level, which is consistent with the 12.0 percent of households statewide.

### *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 MFI for the state increased from \$80,700 in 2018 to \$102,600 in 2019. While the MFI is relatively high, it is important to note the income disparity identified previously. Further, the MFI varied widely among the counties comprising the assessment area from \$62,050 in Suffolk County to \$107,772 in Middlesex County. Table 3 displays the MFI for 2018 and 2019 within the assessment area.

<b>Table 3</b>		
<b>Median Family Income Used to Classify Borrowers</b>		
<b>MSA/MD</b>	<b>FFIEC Estimated MFI</b>	
	<b>2018</b>	<b>2019</b>
Cambridge-Newton-Framingham, MA (MD)	\$110,300	\$115,500
Boston, MA (MD)	\$99,300	\$105,500
Massachusetts	\$80,700	\$102,600

*FFIEC median family income estimates*

### *Employment Statistics*

According to the U.S. Bureau of Labor, in December of 2019, the national average unemployment rate was 3.5 percent, which was slightly higher than the Massachusetts unemployment rate of 2.9 percent for the same timeframe. Unemployment rates for the cities and towns within the assessment area were stable and lower than the state and national averages. The unemployment rates within the assessment area, as of December 2019, fluctuated from a low rate of 1.4 percent in Arlington to a high of 2.6 percent in Chelsea, Lynn, and Revere. Recently, unemployment rates were impacted by the COVID-19 pandemic, which caused economic

disruption locally and nationally. The unemployment rates experienced historical highs but are slowly recovering. Table 4 displays the unemployment rates for the cities and towns in the assessment area compared to the state unemployment rate.

<b>Table 4</b>		
<b>Unemployment Rates</b>		
<b>City/Town</b>	<b>City/Town Rate</b>	<b>Massachusetts Rate</b>
<i>Arlington</i>	1.4	2.9
<i>Belmont</i>	1.7	2.9
<i>Cambridge</i>	1.4	2.9
<i>Chelsea</i>	2.6	2.9
<i>Everett</i>	2.0	2.9
<i>Lexington</i>	1.6	2.9
<i>Lynn</i>	2.6	2.9
<i>Malden</i>	2.1	2.9
<i>Medford</i>	1.9	2.9
<i>Newton</i>	1.6	2.9
<i>Revere</i>	2.6	2.9
<i>Saugus</i>	2.5	2.9
<i>Somerville</i>	1.5	2.9
<i>Waltham</i>	2.0	2.9
<i>Watertown</i>	1.6	2.9
<i>Winchester</i>	1.5	2.9

*Bureau of Labor and Statistics December 2019*

## 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.

Two community contacts were conducted as part of the evaluation. Both contacts are executives of different organizations that preserve homeownership and provide housing services in the assessment area. The contacts assist with affordable housing and promoting housing security. Specific activities of the organizations include providing affordable homes for low- and moderate-income individuals to rent or purchase and offering financial literacy programs and foreclosure prevention services. The contacts noted that workshops for first-time homebuyers and financial literacy seminars for both homebuyers and renters are important credit needs, as maintaining a budget and repairing credit are important when individuals are applying for affordable housing. According to the contacts, financial seminars provide an opportunity for financial institutions to offer their expertise. In addition, one of the contacts noted the need for Paycheck Protection Program (PPP) loans to help stabilize small businesses disrupted by the COVID-19 pandemic. The contact indicated the COVID-19 pandemic caused economic challenges with small businesses and these loans would help the community coffee shops and restaurants to continue operating.

## SCOPE OF EXAMINATION

While eligible to be evaluated as an Intermediate Small Institution based on the bank's asset size, ECSB elected to be evaluated as a Large Institution.

ECSB's performance review was based on CRA activities conducted using the FFIEC Examination Procedures for Large Institutions<sup>1</sup>. These procedures evaluate banks under three tests: the Lending Test, the Investment Test, and the Service Test.

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

The evaluation focused on home mortgage and small business lending from January 1, 2017 to December 31, 2019. The bank's two most recent full years of lending data for which aggregate data is available, 2018 and 2019, are included in the tables unless otherwise noted. Performance in 2017 was generally in line with the years presented in the tables and will only be discussed where anomalies were present. Home mortgage and small business data for 2017 was used to analyze the assessment area concentration of loans. Given the composition of the loan portfolio, greater weight was given to home mortgage loans than small business loans in arriving at overall conclusions.

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). Changes in HMDA reporting requirements for 2018 included the determination of whether a loan is HMDA-reportable and includes new loan types of other purpose and not applicable purpose. Other purpose loans are for purposes other than home purchase, refinancing, or home improvement. This evaluation does not include analysis of other loans reported on the bank's 2018 and 2019 LARs. Small business loan data was obtained from the small business loan registers produced and maintained by the bank, as required for large banks under the CRA. Small business loans included commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less.

Community development activities are not evaluated using a separate test, but are included as a component of the Lending, Investment, or Service Test, depending on the nature of the activity. For the community development component of the Lending Test, the Investment Test, and the Service Test, the evaluation period spanned from the prior CRA examination on January 23, 2017, to the current evaluation date of April 26, 2021. Community development activities are evaluated as a component of each, in the context of community development needs of the assessment area and the bank's capacity to meet those needs.

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<sup>1</sup> "Large institutions" are banks or savings associations with assets of at least \$1.322 billion as of December 31 of both of the prior two calendar years.

It should be noted that the bank originated 512 PPP small business loans totaling \$40 million. However, the retail lending activity considered in this evaluation ended in 2019, so PPP loans closed during the COVID-19 pandemic will be captured at the next examination. Community development activities were reviewed through the examination start date of April 26, 2021. Therefore, the bank's efforts to respond to the COVID-19 pandemic through community development loans, investments, and services were included in this examination.

Aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB) and consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the assessment areas. The bank's residential mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS). The bank's small business lending performance was compared to aggregate small business data obtained from the FFIEC and compared to demographic information obtained from D&B.

Two third-party community organizations were contacted to provide additional insight into the credit needs of the assessment area.

The bank's lending and operations occurred primarily in the Boston-Cambridge-Newton, MA-NH MSA; accordingly, a full-scope review was performed using this assessment area.

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

### **LENDING TEST**

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

The Lending Test is rated Low Satisfactory as the bank's performance is adequate. Lending levels reflect adequate responsiveness to the credit needs of the assessment area and the geographic distribution of loans reflects adequate dispersion. The distribution of borrowers reflects, given the product lines offered, adequate penetration among customers of different income levels and businesses of different sizes. The bank exhibits an adequate record of serving the credit needs of low-income individuals and areas and a good response to very small businesses. The bank makes an adequate level of community development loans. The bank uses innovative and flexible lending practices in serving assessment area credit needs.

## Lending Activity

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

In 2017, the bank originated a total of 494 residential and small business loans, of which 357 were located inside the assessment area. During the 2018 and 2019 evaluation period, the bank originated a total of 656 residential and small business loans, of which 381 were originated in the assessment area. Residential loan originations remained flat during the review period due to the 2018 HMDA reporting changes, which mainly impacted home improvement loans. For instance, the bank originated 334 residential loans in 2017, and similarly originated 335 residential loans during the 2018 and 2019 review period. Small business originations remained stable throughout the review period.

Based on 2018 peer comparison, the bank extended 164 home mortgages, and was ranked 35<sup>th</sup> out of the 410 lenders. For the same timeframe, the bank originated 19 small business loans and ranked 49<sup>th</sup> out of 113 reporters. In 2019, ECSB ranked 39<sup>th</sup> out of 447 reporters and extended 172 home mortgages. The CRA market peer report in 2019, noted that the bank extended 27 small business loans and ranked 47<sup>th</sup> out of 118 reporters.

## Assessment Area Concentration

The following table displays the proportion of the bank's lending in the bank's assessment area. The bank made an adequate percentage of its loans in its assessment area. A majority of loans, at 72.3 percent in 2017, and 58.1 percent in 2018 and 2019 were made within the bank's assessment area. Refer to Table 5 below for a breakout of the bank's lending within its assessment area by product type.

Table 5 Lending Inside and Outside the Assessment Area								
2017 Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	74	52.9	\$46,561	57.1	66	47.1	\$34,940	42.9
Home Improvement	183	96.3	\$5,344	71.5	7	3.7	\$2,134	28.5
Multifamily Housing	10	76.9	\$25,343	81.9	3	23.1	\$5,600	18.1
Refinancing	67	55.4	\$28,254	51.2	54	44.6	\$26,945	48.8
Total HMDA related	334	72.0	\$105,502	60.2	130	28	\$69,619	39.8
Total Small Business related	23	76.7	\$7,459	78.4	7	23.3	\$2,052	21.6
Total Loans	357	72.3	\$112,961	61.2	137	27.7	\$71,671	38.8
2018 & 2019 Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	181	59.9	\$122,491	63.8	121	40.1	\$69,566	36.2
Home Improvement	8	53.3	\$1,504	30.5	7	46.7	\$3,428	69.5
Multifamily Housing	11	50.00	\$27,167	40.8	11	50	\$39,452	59.2
Refinancing	135	57.00	\$76,659	62.7	102	43	\$45,615	37.3
Total HMDA related	335	58.2	\$227,821	59.0	241	24.2	\$158,061	41
Total Small Business related	46	57.5	\$5,768	40.2	34	6.5	\$8,572	59.8
Total Loans	381	58.1	\$233,589	58.4	275	11.8	\$166,633	41.6

HMDA and small business data for 2017, 2018, and 2019. HMDA data for 2019 and small business data for all years is bank provided. Total percentages shown may vary by 0.1 percent due to automated rounding differences.

### *Residential Lending*

ECSB extended a majority of HMDA loans by number and dollar within the assessment area in 2017, at 72.0 percent and 60.2 percent, respectively. As indicated above, the total HMDA-related loans originated during the 2018 and 2019 review period were impacted by the HMDA reporting changes implemented in 2018. Home improvement loans were primarily impacted by the reporting changes, and the bank's popular product, consumer HEAT loans, offered through Mass Save, were no longer HMDA reportable. As a result, the bank's home improvement loans decreased from 183 in 2017 to 8 during the review period. As such, the bank originated 335 residential loans or 58.2 percent within the assessment area. During the review period, the bank originated 181 home purchase loans, 135 refinance loans, 11 multifamily loans, and 8 home improvement loans within the assessment area.

### *Small Business Lending*

In 2017, a majority of small business loans by number and dollar volume, 76.7 percent and 78.4 percent respectively, were extended within the assessment area. In 2018 and 2019, a slight majority of loans by number at 57.5 percent were made within the bank's assessment area. While the dollar volume was less than a majority inside the assessment area, at 42.5 percent, the number of loans is indicative of businesses benefiting from the loans. Also, smaller dollar loans can be a proxy for smaller size businesses.

## **Geographic Distribution of Loans**

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

### *Residential Lending*

Table 6 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 6 Geographic Distribution of HMDA Loans														
PRODUCT TYPE	Census Tract Income Levels	Owner Occupied Units	Bank & Aggregate Lending Comparison											
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
		%	#	%	%	\$ (000s)	\$ %	\$ %	#	%	%	\$ (000s)	\$ %	\$ %
HOME PURCHASE	Low	5.9%	7	8.1%	8.1%	\$2,306	3.9%	4.5%	5	5.3%	9.4%	\$1,984	3.1%	6.4%
	Moderate	23.8%	27	31.4%	28.7%	\$14,471	24.4%	18.5%	28	29.5%	27.8%	\$18,139	28.7%	22.4%
	Middle	34.5%	27	31.4%	33.6%	\$17,866	30.1%	43.4%	38	40.0%	34.7%	\$21,309	33.8%	31.5%
	Upper	35.8%	25	29.1%	29.7%	\$24,711	41.6%	33.6%	24	25.3%	28.1%	\$21,705	34.4%	39.6%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	86	100.0%	100.0%	\$59,354	100.0%	100.0%	95	100.0%	100.0%	\$63,137	100.0%	100.0%
REFINANCE	Low	5.9%	3	4.5%	7.7%	\$1,184	3.5%	5.6%	3	4.3%	6.3%	\$1,882	4.4%	4.6%
	Moderate	23.8%	25	37.9%	27.6%	\$10,693	31.8%	22.8%	16	23.2%	25.4%	\$8,127	18.9%	20.8%
	Middle	34.5%	24	36.4%	31.6%	\$13,338	39.7%	28.1%	28	40.6%	34.9%	\$15,990	37.1%	30.9%
	Upper	35.8%	14	21.2%	33.1%	\$8,375	24.9%	43.5%	22	31.9%	33.4%	\$17,070	39.6%	43.7%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	66	100.0%	100.0%	\$33,590	100.0%	100.0%	69	100.0%	100.0%	\$43,069	100.0%	100.0%
HOME IMPROVEMENT	Low	5.9%	0	0.0%	7.1%	\$0	0.0%	3.9%	0	0.0%	6.0%	\$0	0.0%	3.8%
	Moderate	23.8%	4	66.7%	24.1%	\$499	40.6%	18.2%	1	50.0%	25.1%	\$75	27.3%	18.5%
	Middle	34.5%	2	33.3%	35.7%	\$730	59.4%	29.1%	1	50.0%	35.1%	\$200	72.7%	29.6%
	Upper	35.8%	0	0.0%	33.1%	\$0	0.0%	48.8%	0	0.0%	33.8%	\$0	0.0%	48.2%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	6	100.0%	100.0%	\$1,229	100.0%	100.0%	2	100.0%	100.0%	\$275	100.0%	100.0%
MULTIFAMILY	Low	15.1%	1	16.7%	21.1%	\$450	2.5%	8.1%	0	0.0%	20.3%	\$0	0.0%	19.8%
	Moderate	23.8%	4	66.7%	37.0%	\$4,966	27.7%	30.4%	2	40.0%	31.6%	\$1,851	20.0%	35.2%
	Middle	36.0%	1	16.7%	28.2%	\$12,500	69.8%	45.2%	2	40.0%	30.8%	\$5,400	58.4%	32.1%
	Upper	19.1%	0	0.0%	13.7%	\$0	0.0%	16.4%	1	20.0%	17.3%	\$2,000	21.6%	12.9%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	0.0%	6	100.0%	100.0%	\$17,916	100.0%	100.0%	5	100.0%	100.0%	\$9,251	100.0%	100.0%
HMDA TOTALS	Low	5.9%	11	6.7%	7.8%	\$3,940	3.5%	5.0%	8	4.7%	7.6%	\$3,866	3.3%	6.5%
	Moderate	23.8%	60	36.6%	27.4%	\$30,629	27.3%	20.4%	47	27.5%	26.0%	\$28,192	24.4%	22.4%
	Middle	34.5%	54	32.9%	32.9%	\$44,434	39.6%	38.9%	69	40.4%	34.7%	\$42,899	37.1%	31.0%
	Upper	35.8%	39	23.8%	31.8%	\$33,086	29.5%	35.7%	47	27.5%	31.7%	\$40,775	35.2%	40.1%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	164	100.0%	100.0%	\$112,089	100.0%	100.0%	171	100.0%	100.0%	\$115,732	100.0%	100.0%

\*Distribution of multifamily units by census tract income

2015 ACS, 2018 & 2019 Aggregate HMDA Data, and 2018 & 2019 HMDA LARs.

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

\*\*Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" loans, which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

As displayed above in Table 6, in 2018, the bank extended 11 loans or 6.7 percent of its total loans within low-income census tracts, which exceeds the percentage of owner-occupied housing units (5.9 percent) located in those tracts. However, the bank's performance trailed the percentage achieved by the aggregate (7.8 percent) within low-income tracts. By product, the bank's home purchase lending equaled the aggregate within low-income census tracts, at 8.1 percent, while refinance lagged the aggregate. Home improvement and multi-family numbers do not allow a meaningful analysis.

In 2019, the bank extended 8 loans or 4.7 percent of its total loans within low-income census tracts. The bank trailed the aggregate's overall performance (7.6 percent). While the bank lagged the aggregate overall in the low-income tracts, the percentage of owner-occupied housing units (5.9 percent) in the assessment area is an indication of home shortages in these tracts. Home purchase and refinance products in low-income census tracts also fell below the aggregate.

Of note, the June 2019 inclusion of the city of Lynn in the assessment area with 12 low-income census tracts and lack of branches, may not have provided ECSB the ability to extend home

mortgage loans in these tracts, while the majority of its competitors have already been operating in the city.

In 2018, the bank's lending within moderate-income census tracts exceeded the percentage of owner-occupied units in those tracts and exceeded the aggregate performance. The bank extended 60 loans or 36.6 percent of its total loans in moderate-income tracts, and outperformed the aggregate performance, at 27.4 percent.

In 2019, the bank exceeded the aggregate performance in moderate-income tracts by extending 47 loans or 27.5 percent of its total loans in moderate-income tracts within the bank's assessment area. The bank's home purchase lending also exceeded the aggregate, but its refinance product slightly lagged the aggregate. Overall, the bank performed well in moderate-income tracts, in 2018 and 2019, despite the limited percentage of owner-occupied units in those tracts.

The bank's overall lending within middle-income tracts was at par with the aggregate in 2018; but exceeded the aggregate in 2019. Conversely, the bank's performance within upper-income census tracts trailed the aggregate in both years.

There were no conspicuous gaps, particularly within loans in low- or moderate-income tracts unexplained by performance context.

### *Small Business Lending*

Table 7 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loan is adequate.

Table 7													
Geographic Distribution of Small Business Loans													
Tract Income Levels	Total Businesses	Bank & Aggregate Lending Comparison											
		2018						2019					
		Count			Dollar			Count			Dollar		
		Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
	%	#	%	%	\$ 000s	\$ %	\$ %	#	%	%	\$ 000s	\$ %	\$ %
Low	10.0%	0	0.0%	11.0%	\$0	0.0%	11.0%	1	3.7%	11.3%	\$525	11.7%	12.4%
Moderate	20.7%	6	31.6%	23.5%	\$325	25.0%	23.9%	14	51.9%	24.5%	\$2,892	64.7%	21.6%
Middle	34.4%	7	36.8%	33.7%	\$821	63.3%	37.1%	10	37.0%	33.4%	\$863	19.3%	36.1%
Upper	34.9%	6	31.6%	31.8%	\$152	11.7%	27.8%	2	7.4%	30.7%	\$190	4.3%	29.9%
Unknown	0.1%	0	0.0%	0.0%	\$0	0.0%	0.1%	0	0.0%	0.1%	\$0	0.0%	0.1%
Total	100.0%	19	100.0%	100.0%	\$1,298	100.0%	100.0%	27	100.0%	100.0%	\$4,470	100.0%	100.0%

D&B 2018 & 2019. Small business data for 2018 and 2019.

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

As displayed in Table 7, the bank extended no small business loans within the assessment area's low-income census tracts in 2018. The bank extended 6 loans or 31.6 percent within moderate-income census tracts for the same year exceeding the percentage of businesses (20.7 percent) and the percentage of loans extended by the aggregate in those tracts. The majority of small business loans were extended within middle-income geographies (7 loans at 36.8 percent). Loans in upper-income tracts are at par with the aggregate but slightly below the percentage of businesses.

In 2019, the bank originated 1 loan or 3.7 percent, within low-income geographies, trailing the



aggregate. However, the bank originated a majority of loans, 14 or 51.9 percent, within moderate-income geographies, substantially exceeding the aggregate and percentage of businesses. The bank made 10 loans or 37.0 percent in middle-income census tracts, which surpassed the aggregate and percentage of businesses. Loans in upper-income tracts lagged the aggregate and the percentage of businesses. The 2019 performance indicates an increasing trend in lending to low-, moderate-, and middle-income census tracts since 2018.

As previously indicated, HEAT loans were a popular home improvement product for the bank. With the regulatory reporting changes, this product is no longer HMDA-reportable and has impacted the bank's penetration in low- and moderate-income tracts. Considering that the bank's assessment area is a high cost area, its residential loan distribution indicates a consistent performance. In addition, small business performance shows a positive trend in low- and moderate-income tracts. Overall geographic distribution is considered adequate.

### **Borrowers' Profile**

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The bank demonstrates an adequate distribution of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

#### *Residential Lending*

Table 8 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 8														
Borrower Distribution of HMDA Loans														
PRODUCT TYPE	Borrower Income Levels	Families by Family Income	Bank & Aggregate Lending Comparison											
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			%	#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %
HOME PURCHASE	Low	27.1%	3	3.5%	3.7%	\$498	0.8%	1.4%	7	7.4%	3.5%	\$1,166	1.8%	1.6%
	Moderate	17.0%	5	5.8%	14.4%	\$1,848	3.1%	7.0%	10	10.5%	16.3%	\$3,563	5.6%	10.0%
	Middle	18.5%	6	7.0%	21.2%	\$1,865	3.1%	13.5%	17	17.9%	21.2%	\$8,412	13.3%	17.0%
	Upper	37.3%	27	31.4%	46.3%	\$20,130	33.9%	64.8%	26	27.4%	46.1%	\$18,472	29.3%	56.4%
	Unknown	0.0%	45	52.3%	14.4%	\$35,013	59.0%	13.3%	35	36.8%	12.8%	\$31,524	49.9%	15.0%
	Total	100.0%	86	100.0%	100.0%	\$59,354	100.0%	100.0%	95	100.0%	100.0%	\$63,137	100.0%	100.0%
REFINANCE	Low	27.1%	7	10.6%	8.1%	\$1,974	5.9%	4.2%	0	0.0%	4.8%	\$0	0.0%	2.3%
	Moderate	17.0%	10	15.2%	18.7%	\$3,602	10.7%	13.2%	5	7.2%	15.9%	\$1,372	3.2%	10.0%
	Middle	18.5%	15	22.7%	23.2%	\$6,890	20.5%	19.9%	16	23.2%	22.2%	\$6,369	14.8%	17.9%
	Upper	37.3%	23	34.8%	40.3%	\$13,539	40.3%	51.6%	33	47.8%	46.4%	\$18,090	42.0%	58.3%
	Unknown	0.0%	11	16.7%	9.6%	\$7,585	22.6%	11.1%	15	21.7%	10.7%	\$17,238	40.0%	11.4%
	Total	100.0%	66	100.0%	100.0%	\$33,590	100.0%	100.0%	69	100.0%	100.0%	\$43,069	100.0%	100.0%
HOME IMPROVEMENT	Low	27.1%	0	0.0%	6.5%	\$0	0.0%	3.2%	0	0.0%	6.9%	\$0	0.0%	3.7%
	Moderate	17.0%	0	0.0%	18.1%	\$0	0.0%	10.6%	0	0.0%	17.0%	\$0	0.0%	9.7%
	Middle	18.5%	3	50.0%	24.9%	\$701	57.0%	16.7%	0	0.0%	25.5%	\$0	0.0%	18.7%
	Upper	37.3%	1	16.7%	45.5%	\$255	20.7%	54.3%	1	50.0%	45.9%	\$200	72.7%	56.0%
	Unknown	0.0%	2	33.3%	5.0%	\$273	22.2%	15.3%	1	50.0%	4.6%	\$75	27.3%	11.9%
	Total	100.0%	6	100.0%	100.0%	\$1,229	100.0%	100.0%	2	100.0%	100.0%	\$275	100.0%	100.0%
MULTIFAMILY	Low	27.1%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.4%	\$0	0.0%	0.0%
	Moderate	17.0%	0	0.0%	0.4%	\$0	0.0%	0.0%	1	20.0%	0.4%	\$550	5.9%	0.1%
	Middle	18.5%	1	16.7%	0.4%	\$327	1.8%	0.0%	0	0.0%	0.8%	\$0	0.0%	0.0%
	Upper	37.3%	0	0.0%	0.4%	\$0	0.0%	0.1%	0	0.0%	3.4%	\$0	0.0%	0.6%
	Unknown	0.0%	5	83.3%	98.7%	\$17,589	98.2%	99.8%	4	80.0%	94.9%	\$8,701	94.1%	99.2%
	Total	100.0%	6	100.0%	100.0%	\$17,916	100.0%	100.0%	5	100.0%	100.0%	\$9,251	100.0%	100.0%
HMDA TOTALS	Low	27.1%	10	6.1%	5.6%	\$2,472	2.2%	2.0%	7	4.1%	4.5%	\$1,166	1.0%	1.8%
	Moderate	17.0%	15	9.1%	16.0%	\$5,450	4.9%	7.7%	16	9.4%	15.8%	\$5,485	4.7%	9.1%
	Middle	18.5%	25	15.2%	22.0%	\$9,783	8.7%	13.5%	33	19.3%	21.6%	\$14,781	12.8%	15.8%
	Upper	37.3%	51	31.1%	43.2%	\$33,924	30.3%	54.0%	60	35.1%	45.6%	\$36,762	31.8%	52.2%
	Unknown	0.0%	63	38.4%	13.2%	\$60,460	53.9%	22.8%	55	32.2%	12.6%	\$57,538	49.7%	21.0%
	Total	100.0%	164	100.0%	100.0%	\$112,089	100.0%	100.0%	171	100.0%	100.0%	\$115,732	100.0%	100.0%

2015 ACS, 2018 & 2019 Aggregate HMDA Data, and 2018 & 2019 HMDA LARs.

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

\*Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" loans, which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank

ECSB extended 10 loans or 6.1 percent of HMDA reportable loans to low-income borrowers exceeding the aggregate in 2018, which is a good performance for the bank. The percentage of loans the bank extended to low-income borrowers was significantly below the percentage of low-income families within the assessment area, at 27.1 percent. However, the aggregate figure demonstrates the difficulty for low-income borrowers to obtain home mortgages given the median home value was \$440,785 in the assessment area. The bank originated 15 or 9.1 percent of its total mortgage loans to moderate-income borrowers, trailing the aggregate, at 16.0 percent. The aggregate percentage was in line with the percentage of moderate-income families, while the bank lagged.

In 2019, the bank slightly lagged aggregate in lending to low-income borrowers, as the aggregate made 4.5 percent of its loans to low-income borrowers while the bank extended 4.1 percent of its loans to borrowers in this income category. The bank made 16 loans or 9.4 percent of loans to moderate-income borrowers, which trailed the aggregate at 15.8 percent.

Middle- and upper-income borrowers lagged the aggregate in 2018 and 2019. The bank had a

high number and percentage of loans for which the borrower was unknown. Based on the composition of housing units in the assessment area, these unknown borrowers may be owners of rental properties, possibly within low- and moderate-income census tracts.

Over the review period, expensive housing prices limited opportunities for homeownership among low- and moderate-income families, particularly for those with extremely low incomes and persons living below the poverty level. In 2018, ECSB originated 86 home purchase loans in the assessment area, 3 of those loans (3.5 percent) were made to low-income borrowers and 5 loans (5.8 percent) went to moderate-income borrowers. There was a slight improvement in 2019, as 7 loans or 7.4 percent of the 95 home mortgage loans were extended to low-income borrowers, and 10 loans or 10.4 percent were made to moderate-income borrowers. The bank originated 66 refinance loans in 2018 with 10.6 percent to low-income borrowers and 15.2 percent to moderate-income borrowers. In 2019, the bank originated 69 refinance loans with 7.2 percent to moderate-income borrowers and none to low-income borrowers.

As previously noted, ECSB expanded its assessment area in 2019 to include the city of Lynn, based on its location and growing lending footprint; however, the bank did not historically serve this market area prior to the review period and did not have time to gain a presence in Lynn during this evaluation. In addition, the market dynamics, across the assessment area, create challenges for low- and moderate-income earners to obtain a home mortgage.

Despite the bank lagging the aggregate and demographics among low- and moderate-income borrowers, the bank made occasional use of innovative and/or flexible loan programs by partnering with state and federal organizations to provide low cost lending products to help meet the credit needs of low- and moderate-income borrowers. These programs include:

- *Massachusetts Housing Partnership (MHP) ONE Mortgage Program:* This is a first-time homebuyer program in conjunction with MHP. ONE Mortgage is offered by 43 lenders across Massachusetts. It is the state's most affordable mortgage program, helping families purchase their first home. The program features a low-down payment, a low, fixed interest rate and homebuyers do not have to pay for private mortgage insurance, which further lowers monthly payments. During the evaluation period, the bank originated six loans, totaling \$1.7 million, within the assessment area.
- *First Time Home Buyer (FTHB) Product or Program:* The bank's FTHB product comes with a lower rate and/or reduced closing costs. Borrowers must not have had any real estate ownership within the last 18 months. Customers who attend one of the FTHB seminars receive a \$1,000 closing cost credit. During the evaluation period, the bank originated 35 loans, totaling \$15.8 million. Among the borrowers, 22 benefited from the closing cost credit.
- *Federal Home Loan Bank of Boston's Housing Our Workforce (HOW):* The Federal Home Loan Bank of Boston's HOW Program offers members matching grants to provide households earning more than 80 percent and up to 120 percent of the area median income to help them with down payment assistance. During the evaluation period, the bank originated three loans, totaling \$1.1 million, within the assessment area.

- *Freddie Mac Home Possible*: The Freddie Mac Home Possible Program offers options and credit flexibility to low-income borrowers to obtain home mortgages. The program offers a low down payment option of three percent to borrowers obtaining a home. During the evaluation period. The bank originated three loans, totaling \$1.1 million.

As noted earlier, the bank's 2020 retail lending activities will be reviewed at the next examination. However, in response to the COVID-19 pandemic, ECSB assisted its customers through:

- *Loan Forbearance* – In response to the COVID-19 pandemic, the bank permitted loan forbearances on commercial, residential, and consumer loans. In total, the bank granted 92 forbearances on a total loan balance of \$27.4 million. Activities such as loan forbearances are deemed particularly responsive as they promote stability for low- or moderate-income homeowners who are experiencing financial hardship due to COVID-19. The bank's actions in granting loan forbearances during the COVID-19 pandemic was responsive to the credit needs across its assessment area.

### *Small Business Lending*

Table 9 represents the distribution of small business loans by gross annual revenue. The distribution is considered good. It should be noted that aggregate data is not available for businesses with revenues over \$1 million or with unknown revenues.

Table 9 Distribution of Small Business Loans by Gross Annual Revenue of Business													
Gross Annual Revenue	Total Businesses	Bank & Aggregate Lending Comparison											
		2018						2019					
		Count			Dollar			Count			Dollar		
		Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
		#	%	%	\$ 000s	\$ %	\$ %	#	%	%	\$ 000s	\$ %	\$ %
\$1 Million or Less	90.8%	11	57.9%	42.2%	\$715	55.1%	33.6%	19	70.4%	44.4%	\$2,145	48.0%	34.2%
Over \$1 Million	8.7%	8	42.1%					8	29.6%				
Rev. Not Known	0.5%	0	0.0%					0	0.0%				
Total	100.0%	19	100.0%					27	100.0%				

D&B 2018 & 2019. Small business data for 2018 and 2019.

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

During the review period, the bank originated 11 loans or 57.9 percent to businesses with gross annual revenues of \$1.0 million or less, which exceeded the aggregate percentage. While the bank's performance lagged the percentage of total businesses with gross revenues below \$1.0 million, the bank's extension of small business loans is better than the aggregate, which is a more realistic indicator of demand. In 2019, the bank extended 19 loans or 70.4 percent to businesses with gross annual revenues of \$1.0 million or less. Again, the bank far exceeded the aggregate performance.

As part of its flexible programs, the bank offers Small Business Administration (SBA) 7a and 504 loan programs to help business customers obtain lending products. In addition, ECSB engaged in the SBA PPP in response to the COVID-19 pandemic. The following summarize the bank's loans:

- *SBA/7a Program and SBA Certified Development Companies (CDC)/504 Loan Program:* The SBA provides financial assistance to help qualified small businesses<sup>2</sup> obtain financing in the form of low down payments, loan guarantees, and flexible terms. The bank offers SBA 7a and 504 loan products to help fund small businesses. ECSB has made seven SBA loans, totaling \$1.9 million, during the evaluation period.
- *PPP* - In response to the COVID-19 pandemic, the bank originated 512 PPP loans, totaling \$40.0 million. These loans are administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria. Under the large bank evaluation, ECSB will be required to report these PPP loans as small business loans if they are in amounts of \$1 million or less; they will, therefore, be included in the bank's next CRA evaluation. PPP loans in amounts greater than \$1 million were considered as community development loans for this evaluation if they had a primary purpose of community development as defined under the CRA. The volume of PPP loans originated, which nearly exceeded the volume of small business loans originated in 2018 and 2019 combined, demonstrates the bank's responsiveness in serving the credit needs of all its assessment areas.

The bank's small business lending reflects a good responsiveness to assessment area credit needs.

### **Community Development Lending<sup>3</sup>**

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

The bank made an adequate level of community development loans, considering the needs and opportunities in the community and the economic environment in which the bank was operating during the period considered. The bank's assessment area is considered high cost and comprises very limited opportunity for affordable housing rentals.

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<sup>2</sup> The SBA defines a "small business" differently from the CRA regulation. The SBA defines a small business by the number of employees, the amount of annual receipts, and the type of industry. See the agency's website at <http://www.sba.gov/content/table-small-business-size-standards>.

<sup>3</sup> As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low- and moderate-income individuals; community services targeted to low- and moderate-income individuals; activities that promote economic development by financing small businesses or small farms; or activities that revitalize or stabilize low- and moderate income geographies; designated disaster areas; or distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency. Furthermore, the loan must benefit the bank's assessment area or a broader statewide area that also includes the assessment area. Loans required to be reported as home mortgage loans or small business loans cannot also be reported as community development loans unless the loan is for a multi-family dwelling (five or more units), and meets the community development definition, and benefits the bank's assessment area or a broader statewide area that includes the assessment area.

The bank demonstrates it has made an adequate level of community development loans. ECSB originated five qualified community development loans, four affordable housing loans and one economic development loan within the assessment area, totaling \$5.6 million, to for-profit entities. The bank made six loans, totaling \$6.8 million, at the previous evaluation. The bank's community development lending activity is provided below.

- In 2017, the bank originated two loans totaling \$2.1 million to two for-profit companies to purchase and rehabilitate multi-family properties in two moderate-income census tracts.
- Similarly, in 2020, the bank extended two loans totaling \$2.1 million to two for-profit companies to purchase and rehabilitate multi-family properties in a moderate-income census tract and a middle-income census tract.
- The multi-family properties have rents below the U.S. Department of Housing and Urban Development's (HUD) fair market rent levels.
- In 2020, the bank originated one PPP loan to a non-profit, totaling \$1.4 million, as a working capital loan to sustain its operation during the COVID-19 pandemic. As indicated by a community contact, the PPP loans saved small business jobs.

<b>Table 10</b>						
<b>Qualified Community Development Loans</b>						
<b>Category</b>	<b>2017</b>		<b>2020</b>		<b>Total Review Period</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Affordable Housing	2	2,070,300	2	2,092,502	4	4,162,802
Economic Development	0	0	1	1,402,900	1	1,402,900
Total	2	2,070,300	3	3,495,402	5	5,565,702

*Bank provided data*

While outside its assessment area, ECSB made three community development loans totaling \$11.9 million to for-profit entities that benefited low- and moderate-income renters; and three loans for economic development purposes totaling \$3.6 million, including a PPP loan that provided continuous working capital to a corporation that provides preschool and day care services to culturally diverse and bilingual neighborhood schools; and two loans to a non-profit that operates and maintains a summer camp for underprivileged children.

## INVESTMENT TEST

ECSB's performance relative to the Investment Test is rated High Satisfactory based on a good level of qualified community development investments and grants. The Investment Test evaluates the bank's record of meeting the credit needs of its assessment area through its use of qualified investments<sup>4</sup> that benefit the assessment area or a broader statewide or regional area that includes the bank's assessment area. The bank's investment performance is evaluated pursuant to the following criteria: 1) the number and dollar amount of qualified investments; 2)

<sup>4</sup> A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate- income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies, or distressed or underserved middle-income areas.

the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

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

ECSB's overall investments totaled \$13,269,716, including \$12,467,096 in equity investments, \$734,375 in donations and grants, \$5,744.95 in Interest on Lawyers' Trust Accounts (IOLTA), and \$62,500 in scholarships.

### *Equity Investments*

Total community development investments for the current review period is significant, totaling \$12.5 million and comprised of mortgage-backed securities (MBS) and certificates of deposit. The bank reported four new investments in MBS pools, totaling \$10.1 million, during the current period, and prior outstanding investments, totaling \$1.9 million. The bank's MBS investments during the current period exceeded the \$5.5 million from prior evaluation period. The investments are primarily comprised of MBS pools issued by the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), and Wells Fargo Securities that have loans located in the low- and moderate-income census tracts in the assessment area and to low- and moderate-income individuals. While these investments are responsive to affordable housing needs, they are not considered innovative or complex. However, the bank made use of an innovative or complex investment in a minority-owned financial institution within the assessment area. The bank invested \$500,000 through two certificates of deposit in Leader Bank, a minority-owned institution that serves low- and moderate-income communities. The investments allow the institution to respond effectively to demand for affordable financial products and services in economically distressed markets and by low- and moderate-income individuals.

### *Grants and Donations*

The bank demonstrates good responsiveness to credit and community economic development needs of low- and moderate-income individuals in the assessment area through the provision of grants and charitable contributions to organizations, which have supported pressing community development needs such as education, youth programs, and human services.

The current period grants and donations totaled approximately \$901,017, of which \$734,375, or 81.5 percent, were qualified. The qualified donations far exceeded \$337,412 at the previous examination. Grants and donations were extended through ECSB and the ECSB Charitable Foundation.

The following is a sample of the organizations that benefited from the bank and ECSB Charitable Foundation contributions: Cambridge YMCA, Bread for Life - Malden, Arlington Youth Counseling Center, East End House, Caritas Communities, Somerville Homeless Coalition, Somerville Community Corporation, Cambridge Housing Assistance Fund,

Cambridge Family and Children's Services, The Neighborhood Developers - Chelsea, Jordan Boys and Girls Club, Chelsea Collaborative, Homeowner's Rehabilitation Inc., Little Sisters of the Poor, Respond Inc., and Community Cooks.

Table 11 details the bank's qualified contributions by primary community development purposes.

Table 11 Qualified Donations by Purpose												
Community Development Category	2017		2018		2019		2020		2021		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	8	12,493	8	47,410	12	37,000	9	37,000	0	0	37	133,903
Community Services	63	98,645	60	100,676	62	145,884	62	169,229	5	8,500	252	522,934
Economic Development	3	6,000	5	9,388	7	25,650	4	12,500	2	15,000	21	68,538
Revitalization/Stabilization	1	1,500	2	2,500	1	2,500	1	2,500	0	0	5	9,000
<b>Total</b>	<b>75</b>	<b>118,638</b>	<b>75</b>	<b>159,974</b>	<b>82</b>	<b>211,034</b>	<b>76</b>	<b>221,229</b>	<b>7</b>	<b>23,500</b>	<b>315</b>	<b>734,375</b>

Bank records

Specific donations responded to the COVID-19 pandemic in the bank's community. A total of approximately \$75,129 was provided to community organizations to assist low- and moderate-income individuals with food and personal protection equipment.

In addition, the bank provided financial assistance of \$62,500 in scholarships to college-bound students in the assessment area. ECSB further demonstrated its responsiveness through several donations to sponsor events to raise funds for civic organizations throughout the assessment area.

While donations are concentrated on community development services, these areas can often overlap. Many organizations that provide community development services also promote and provide affordable housing; an area of need emphasized by community representatives. Activities that promote economic development can also revitalize low- and moderate-income areas. The bank's donations primarily provided needed services to low- and moderate-income individuals. These activities were vital in the economic environment in which the bank was operating, particularly in areas where the bank's assessment area has some unmet resident needs such as financial security, affordable housing, education, and employment.

## SERVICE TEST

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

## Retail Banking Services

Retail banking evaluates the availability and effectiveness of an institution's systems for delivering retail banking services, pursuant to the following criteria: 1) the current distribution of the institution's branches among low-, moderate-, middle-, and upper-income geographies; 2) in the context of its current distribution of branches, the record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low-



or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Table 12 displays the distribution of the bank's current branch network compared to the percentage of census tracts within the assessment area as well as the percentage of the population that resides in those tracts.

Table 12 Distribution of Branch Offices by Income Category				
Census Tract Income Category	Assessment Area Demographics		Bank Offices by Tract Location	
	Total Census Tracts	Total Population		
	% of #	% of #	#	%
Low	11.5	10.8	2	20.0
Moderate	28.8	30.4	1	10.0
Middle	30.4	32.0	6	60.0
Upper	28.8	26.8	1	10.0
Unknown	0.5	0.0	0	0.0
<b>Total</b>	100.0	100.0	10	100.0

2015 ACS data and Bank Records

As of the current evaluation, the bank operates a network of 10 branches (including the main office and branches) and one limited service educational training facility housed at Cambridge Rindge and Latin School in Cambridge. Of these locations, two branches are in low-income tracts, one in moderate-income tract, six are in middle-income tracts, and one in upper-income tract. The branches are located in Arlington, Belmont, Cambridge (2), Chelsea, Malden, Medford (2), Somerville, and Waltham. All offices have an ATM onsite with 24 hours access. In addition, one other cash-only ATM is located in a middle-income tract in Somerville. Since the last evaluation, ECSB has opened one branch with an ATM in a low-income tract in Malden and closed one branch in an upper-income tract, and one ATM in a middle-income tract in Cambridge. The branches and ATMs are spread throughout the assessment area. Five branches offer drive-up/walk-up services with convenient access hours to customers.

The distribution of the branches and ATMs in the assessment area has not adversely affected the accessibility of the bank's delivery systems, particularly to low- and moderate-income geographies and/or low- and moderate-income individuals. Aside from the office locations and ATMs, the bank offers a variety of alternative delivery systems including phone banking, internet banking services, surcharge-free ATM transactions at bank-owned and other SUM network ATMs, and mobile banking services. Further, the bank utilizes several bilingual staff, including among others French, Hindi, Portuguese, and Spanish-speaking individuals to assist non-English speaking consumers.

To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or low- and moderate-income individuals. Since the last examination, ECSB has added a branch and ATM within a low-income tract to reflect the bank's footprint.

The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies. The hours are reasonable as offices generally operate from 8:30 a.m. to 5:00 p.m., Monday through Wednesday, from 8:30 a.m. to 6:00 p.m. on Thursday and Friday, and from 9:00 a.m. to 1:00 p.m. on Saturday.

### **Community Development Services**

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

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

#### *Employee Services*

- The bank's president is a board member and treasurer of the Cambridge YMCA. The Cambridge YMCA promotes life-long development for children, adults and families of economic diversity through programs that build healthy living, social responsibility, and youth development, specifically for individuals of low- and moderate-incomes.
- The bank's president is a board member of the Little Sisters of the Poor, which offers a home for the neediest elderly of every race and religion.
- A bank vice president is a board member of Community Service Network Inc. (CSN). CSN helps low- and moderate-income clients access knowledge, skills, and services that promote independence and self-sufficiency.
- An executive vice president of the bank is a board member and treasurer of Cambridge Neighborhood Apartment Housing Services, Inc. (CNAHS). The CNAHS is a non-profit corporation that works with owners, tenants, city officials, lenders, and housing professionals to provide affordable housing in multi-family dwellings.
- A senior vice president is active with the Bay Cove Human Services (Bay Cove). Bay Cove provides effective, compassionate care to individuals and families with developmental disabilities, mental illness, homelessness, drug and alcohol addiction and aging.
- A senior vice president serves on HarborCOV (Communities Overcoming Violence), which provides free safety and support services, along with housing and economic opportunities that promote long-term stability for people affected by violence and abuse.

- A senior vice president and a vice president serve on the board of the Homeowners Rehab Inc (HRI). HRI aims to improve the quality of housing for low- and moderate-income residents and ensure that such housing remains affordable in perpetuity, and preserve diversity in terms of race, income, age, disability, and household structure in the communities.
- A bank senior vice president is a board member of the Somerville Homeless Coalition. The mission of the Somerville Homeless Coalition is to provide homeless and near homeless individuals and families with individualized supportive services and tailored housing solutions with a goal of obtaining and maintaining affordable housing.
- A division director is treasurer on the Chelsea Corporation for Economic Progress (CCEP), a subsidiary of the Chelsea Restoration Corporation that promotes home ownership for low- and -moderate income residents of Chelsea, Revere, Saugus and the surrounding communities. CCEP makes micro loans to small local businesses and individuals who might not be able to get loans from banks.

#### *Educational Programs and Seminars*

The bank provided several free financial literacy sessions throughout the review period in the form of seminars and workshops to students, adults, and the elderly in schools, and community centers. Examples of venues include: branch locations of the bank, Kelly School in Chelsea, Cambridge Rindge and Latin School in Cambridge, Medford High School in Medford, Tufts University Women's Center in Medford, Saint Patrick's Shelter in Somerville, Waltham Alliance to Create Housing, Senior Living on Bellingham Hill in Chelsea, and others.

Offerings included homebuyer education courses, which allowed participants to receive a certificate for \$1000 credit towards reduced closing costs; personal finance courses centered on introduction to banks; budgeting and saving; building and maintaining good credit; identity theft; identifying streams of income and categorizing expenses; and how to use credit cards responsibly. Other topics covered elder abuse, financial exploitation, and how the bank helps to protect from scams. Bank management and staff also presented estate planning covering federal gift and estate taxes, asset protection, and checking and savings accounts options.

#### *Other Community Development Services*

Further, bank staff participated in interview coaching by conducting mock interviews for program participants preparing to re-enter the workforce; and participated in employer panels to discuss careers in banking. In addition, staff conducted workshops on resume writing.

### **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 A

### GLOSSARY

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

**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