

PUBLIC DISCLOSURE

August 23, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Watertown Savings Bank
RSSD #886204

60 Main Street
Watertown, MA 02472

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

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

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

The Lending Test is rated: SATISFACTORY.

The Community Development Test is rated: OUTSTANDING.

Watertown Savings Bank (Watertown or the bank) demonstrates reasonable responsiveness to the credit needs of its assessment area. The major components supporting this rating include:

Lending Test

- The loan-to-deposit (LTD) 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).
- 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 previous examination.

Community Development Test

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

SCOPE OF EXAMINATION

Watertown's CRA examination was based on CRA activities within its assessment area using the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution Examination Procedures¹. Intermediate small institution examination 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, loan distribution according to the income of the borrower, geographic distribution of loans, 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 residential loans originated by the bank from January 1, 2018 to December 31, 2020. Home mortgage lending data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans, and refinance loans for one-to-four family and multifamily (five or more unit) properties. 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 loan purpose "not applicable". 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 LARs. Aggregate HMDA data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment area. The bank's residential loan performance was compared to applicable aggregate data; that was obtained from the Consumer Finance Protection Bureau (CFPB). Other purpose loans were excluded from the aggregate. Finally, the bank's home mortgage lending performance was compared to demographics from the 2015 American Community Survey (ACS), unless otherwise noted.

The bank's net LTD ratio was calculated from FFIEC Call Reports from September 30, 2018 through March 31, 2021.

The Community Development Test included a review of community development loans, investments, and services for the period of January 14, 2019 through August 25, 2021. The Community Development Test is evaluated in the context of the community needs and the capacity of the bank. Third-party community organizations were contacted to provide additional insight into the credit and community development needs of the assessment area.

Watertown's CRA performance was last evaluated by the Federal Reserve Bank of Boston on January 14, 2019, using intermediate small institution examination procedures. During that evaluation, the bank received an overall rating of "Satisfactory," with the Lending Test rated "Satisfactory" and the Community Development Test rated "Satisfactory."

¹ "Intermediate small institution" means a bank or savings association with assets of at least \$321 million as of December 31 of both of the prior two calendar years and less than \$ 1.322 as of December 31 of either of the prior two calendar years.

DESCRIPTION OF INSTITUTION

Watertown is a mutual savings bank headquartered at 60 Main Street, Watertown, MA. The bank was incorporated in 1870 and became a state member bank of the Federal Reserve System in 2011. Watertown has one non-lending subsidiary, Watertown Five, Inc. The subsidiary primarily buys, sells, and holds securities. The bank offers traditional loan and deposit products to consumers and businesses, such as checking and savings accounts, certificates of deposit, and consumer and business loans. In addition to its full-service branches, the bank also offers online banking through its website.

Including the main office, the bank has 10 full-service branches located in Middlesex County, MA in the cities and towns of Watertown (5), Waltham (2), Arlington (1), Belmont (1), and Lexington (1). The bank has 2 stand-alone ATMs in Waltham. The bank has not closed a branch since the last examination. Based on ACS demographic data, 1 branch is in a moderate-income census tract, 7 are in middle-income tracts, and 2 are in upper-income tracts.

As of June 30, 2021, bank assets total \$1.5 billion, loans total \$586.3 million, and deposits total \$1.3 billion. Since June 30, 2018, assets increased by 2.5 percent, loans decreased by 0.5 percent, and deposits increased by 2.5 percent. Table 1 provides a breakout of the bank's loan portfolio.

Table 1 Loan Distribution as of June 30, 2021		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	18,505	3.2
Revolving 1-4 Family Residential	71,471	12.2
1-4 Family Residential	422,358	72.0
Multi-Family (5 or more) Residential	11,046	1.9
Commercial Real Estate	40,955	7.0
Total Real Estate Loans	564,335	96.3
Commercial and Industrial	22,270	3.8
Consumer	667	0.1
Other	62	0.0
Less unearned income	(1,005)	-
Total Loans	586,329	100.0

Consolidated Report of Condition and Income (Call Report) as of June 30, 2021
Total percentage shown may vary by 0.1 percent due to automated rounding differences

As shown above, the bank is primarily a residential lender, with 1-4 family loans accounting for 72.0 percent of the banks' loan portfolio. Residential loans, which include one-to-four family open and closed-end loans, and multifamily residential properties, account for 86.1 percent of the portfolio. Commercial loans, which include commercial real estate and commercial and industrial loans, account for 10.8 percent. This is a slight increase from the previous CRA examination when commercial loans accounted for 8.4 percent. This growth is primarily driven by an increase within commercial and industrial loans, which previously stood at \$5.0 million and accounted for just 0.9 percent of the portfolio.

According to HMDA market peer data, with 127 loans made in its assessment area in 2019, Watertown ranked 19th in HMDA lending out of 335 lenders who originated or purchased a home mortgage loan in the bank's assessment area. The bank ranked 40th in home mortgage lending in 2020, originating 103 loans, competing with 370 lenders who extended home mortgage loans in the bank's assessment area in that year. It is noted that the market was heavily dominated by national banks and mortgage companies, with Guaranteed Rate, Inc; Leader Bank, N.A.; Citizens Bank, N.A.; Quicken Loans, LLC; and JP Morgan Chase Bank, N.A. representing the top five lenders in 2020.

Not included in the bank's HMDA lending ranking noted above are Paycheck Protection Program (PPP) loans and loan forbearances. PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act. PPP loans are designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. In 2020, the bank extended 285 PPP loans, 246 or 86.3 percent of which were made within the bank's assessment area. As an intermediate small bank, the bank opted to have these included as community development loans. The bank extended an additional 233 PPP loans in 2021. The bank also made 126 loan forbearance agreements during the review period to accommodate borrowers who were experiencing financial hardship due to the COVID-19 crisis. Of these, 82 loan forbearances, or 65.1 percent, were inside the bank's assessment area.

According to the Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2021, there were 20 banks offering deposit services within the assessment area. Competition for deposits includes large national banks and community banks. Bank of America, N.A., ranked 1st for deposit market share, at 21.7 percent, followed by Citizens Bank, N.A. and People's United Bank, N.A., at 14.1 percent and 10.9 percent, respectively. Watertown ranked 5th overall, with a deposit market share of 9.3 percent.

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 of the assessment area. Furthermore, 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

Watertown's assessment area includes six contiguous cities and towns in the eastern portion of Middlesex County, MA. Middlesex County is in the Cambridge-Newton-Framingham MA, Metropolitan Division (Cambridge MD), which is part of the Boston-Cambridge-Newton MA-NH Metropolitan Statistical Area. The cities and towns which comprise the assessment area are Arlington, Belmont, Lexington, Newton, Waltham, and Watertown. There have been no changes to the assessment area since the last examination.

Table 2 displays the demographic data used for comparison purposes in the Lending Test tables.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	10,646	15.4
Moderate-income	3	5.1	1,678	2.4	191	11.4	8,923	12.9
Middle-income	21	35.6	24,510	35.5	1,269	5.2	11,803	17.1
Upper-income	35	59.3	42,944	62.1	1,315	3.1	37,760	54.6
Total Assessment Area	59	100.0	69,132	100.0	2,775	4.0	69,132	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	4,590	772	1.1	16.8	3,336	72.7	482	10.5
Middle-income	46,980	23,095	34.0	49.2	21,289	45.3	2,596	5.5
Upper-income	63,987	44,142	64.9	69.0	16,726	26.1	3,119	4.9
Total Assessment Area	115,557	68,009	100.0	58.9	41,351	35.8	6,197	5.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	597	3.2	540	3.2	53	2.8	4	4.0
Middle-income	7,465	39.4	6,324	37.3	1,111	58.9	30	29.7
Upper income	10,887	57.5	10,098	59.5	722	38.3	67	66.3
Unknown income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	18,949	100.0	16,962	100.0	1,886	100.0	101	100.0
	Percentage of Total Businesses:			89.5		10.0		.5

2015 ACS and 2020 D&B data.

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

The assessment area contains 59 census tracts: 3 moderate-income tracts, or 5.1 percent, all of which are in Waltham; 21 middle-income tracts, or 35.6 percent; and 35 upper-income tracts, or 59.3 percent. The assessment area does not contain any low-income census tracts.

Housing

The assessment area includes 115,557 housing units, of which 4.0 percent are in moderate-income tracts, 40.7 percent are in middle-income tracts, and 55.4 percent are in upper-income tracts. Of the housing units, 58.9 percent are owner-occupied, 35.8 percent are rental units, and 5.4 percent are vacant. Of the 68,009 owner-occupied housing units, only 772 units, or 1.1 percent, are in moderate-income tracts, which would suggest limited opportunity to penetrate these areas with home mortgage loans.

According to the 2015 ACS, the median housing value in the assessment area was \$586,361, which is significantly higher than that of Middlesex County, at \$414,600, the Cambridge MD, at \$390,820, and the Commonwealth of Massachusetts (the Commonwealth), at \$333,100. Within the assessment area's moderate-income census tracts, the median home value was \$361,261, within middle-income census tracts the median value was \$443,405 and the median home value increased to \$688,732 in upper-income census tracts. More recent data obtained from The Warren Group, Peabody, MA, indicates home values have significantly increased since the time of the census. The median sales price ranged from a high of \$1.4 million in Lexington in 2020, to a \$580,000 in Waltham in 2019. Lexington contains all upper-income census tracts. Newton and Belmont are also comprised primarily of upper-income geographies. Even within the more affordable towns within the bank's assessment area housing, costs are still substantial, making home ownership challenging for low- and moderate-income borrowers.

Table 3		
Municipality	2019 Median Sales Price	2020 Median Sales Price
Arlington	\$775,000	\$780,000
Belmont	\$1,033,000	\$1,173,000
Lexington	\$1,058,500	\$1,400,000
Newton	\$1,232,500	\$1,180,000
Waltham	\$580,000	\$647,000
Watertown	\$687,000	\$675,000

Source: MA December 2020 Sales, Prices By Town For Single-Family Homes -- The Warren Group 2021

Population

The assessment area is comprised of 285,628 individuals, of which 3.4 percent reside in moderate-income tracts, 38.3 percent reside in middle-income tracts, and 58.3 percent reside in upper-income tracts. The assessment area contains 69,132 families, of which 15.4 percent are low-income, 12.9 percent are moderate-income, 17.1 percent are middle-income, and 54.6 percent are upper income.

Income

The FFIEC adjusts the Median Family Income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper income is defined as 120 percent of median income and above. Table 4 displays the MFIs for the assessment area and larger geographic areas that include portions of the assessment area.

Table 4 Median Family Income Comparison		
Year	Geographic Area	MFI
2019	Cambridge MD	\$115,500
2019	The Commonwealth	\$102,600
2020	Cambridge MD	\$118,800
2020	The Commonwealth	\$109,900

Source: FFIEC Estimated Median Family Income

As shown the MFI for the Cambridge MD was higher than that of the Commonwealth in both years. Based on the 2015 ACS data, the median family income for the assessment area was \$131,291, which is higher than that of Middlesex County, the Cambridge MD, and the Commonwealth. Although the assessment area MFI is higher than the county and the state, a low-income family earning \$65,645 would likely have difficulty affording a home within the assessment area given the very high median housing values.

Employment Statistics

According to the ACS, the unemployment rate for the assessment area was 5.5 percent, which was lower than Middlesex County (6.1 percent), the Cambridge MD (6.6 percent), and the Commonwealth (7.6 percent). Data released by the U.S. Bureau of Labor Statistics noted that the unemployment rate in Massachusetts was at 3.2 percent as of January 2019. In 2020, the COVID-19 pandemic resulted in significant increases in the unemployment rate across the United States in a very short period. In April of 2020, the unemployment rate in Massachusetts was at a high of 16.4 percent and remained high in May, at 15.3 percent, and June, at 14.8 percent. The unemployment rate declined steadily in the following months, eventually landing at 4.9 percent as of July 2021.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing, credit, and community development 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 individual involved with community development and planning for a municipality in the assessment area. The contact stated one challenge is affordable housing, citing that even affordable housing is expensive and not truly affordable in the region. The contact would like to see affordable housing further subsidized and more financing available. The contact stated that Watertown contributes to non-profits and sponsors events in the community. The contact also stated that a member of Watertown's board of directors is on the affordable housing partnership. A second community contact was conducted with a representative from an organization whose mission is to create and preserve affordable housing, promote economic development, and support community development within the assessment area. The contact also cited the need for

affordable housing and financing for these projects. The contact stated that the COVID crisis has negatively impacted the community and contributed to job loss, particularly within the service industry. The contact stated that credit scores have been adversely affected and products to assist people in rebuilding? their credit as they come out of the pandemic are in need. Watertown was also mentioned by the contact as a community bank that has been involved with financing an affordable housing project with the organization.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

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

Loan-to-Deposit Ratio

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

The bank's net LTD figures were calculated based on the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The bank's average LTD was 53.8 percent for the previous 11 quarters. Refer to Table 5 for a comparison of the bank's LTD to similarly situated institutions over the past 11 quarters, beginning September 30, 2018 ending March 31, 2021.

Table 5		
Loan-to-Deposit Ratio Comparison		
Bank	Total Assets* \$(000's)	Average LTD Ratio** (%)
The Village Bank	1,564,753	91.8
East Cambridge Savings Bank	1,228,490	93.0
North Shore Bank	1,553,176	88.0
Winchester Cooperative Bank	767,880	86.3
Watertown Savings Bank	1,433,858	53.8

***Call Reports from September 30, 2018 to March 31, 2021*

Although the bank's LTD ratio is below similarly situated banks, it is considered reasonable based on management's strategy for managing the loan portfolio, management's overall financial strategy, and a competitive lending environment. Further, examiners can consider "lending-related activities," including lending-related qualified investments when evaluating the LTD ratio. Although lending-related community development activities are evaluated under the community development test applicable to intermediate small institutions, these activities may also augment the

loan-to-deposit ratio analysis². During the review period the bank purchased two pools of mortgaged backed securities (MBS), totaling \$18.0 million. The bank also holds 32 MBS pools, totaling \$5.8 million, as well as 20 SBA loan pools, totaling \$2.6 million.

Assessment Area Concentration

This performance criterion evaluates the concentration of loans originated within the assessment area. Table 6 presents the bank's levels of lending inside and outside the assessment area from January 2019 through December 2020. As shown below, a majority of loans and other lending related activities were located in the assessment area.

Table 6								
Lending Inside and Outside of the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	17	77.3	\$8,210	85.9	5	22.7	\$1,351	14.1
Home Purchase	64	45.4	\$48,085	51.9	77	54.6	\$44,628	48.1
Multi-Family Housing	2	100.0	\$3,225	100.0	0	0.0	\$0	0.0
Refinancing	147	68.1	\$60,625	66.5	69	31.9	\$30,565	33.5
Total HMDA related	230	60.2	\$120,145	60.9	152	39.8	\$77,044	39.1

January 2019 – December 31, 2020 HMDA data

During the evaluation period, the bank originated 382 loans, of which 230 loans, or 60.2 percent, were inside the assessment area. Further, the majority of loans by dollar volume were also extended in the assessment area. The number of originations represents an increase in the percentage of lending inside the assessment areas since the last examination, when 56.0 percent of HMDA loans were made within the assessment area. A majority of home improvement and refinance loans were made within the bank's assessment area; however, just 45.4 percent of home purchase loans were extended in the assessment area. The lower volume of home purchase lending is in part due to the high cost of housing in the assessment area and competitive banking environment. Although not included in the table, the bank's 2018 lending was also reviewed to determine the amount of lending extended in the assessment area, by number 65.1 percent of loans were made within the assessment area.

Borrower's Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. 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 when compared to area demographics and aggregate performance.

Table 7 compares the bank's 2019 and 2020 lending by income level of the borrower to the

² Interagency Questions and Answers Regarding Community Reinvestment. § 11.26(b)—1_A1.

aggregate lending data and to the income distribution of families in the assessment area.

Table 7 - Borrower Distribution														
PRODUCT TYPE	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison											
			2019						2020					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	15.4%	1	2.5%	1.5%	\$193	0.6%	0.7%	2	8.3%	1.3%	\$820	5.3%	0.5%
	Moderate	12.9%	3	7.5%	7.1%	\$1,540	4.7%	3.8%	1	4.2%	7.9%	\$296	1.9%	4.1%
	Middle	17.1%	5	12.5%	15.8%	\$1,989	6.1%	10.7%	5	20.8%	15.0%	\$2,438	15.7%	10.2%
	Upper	54.6%	18	45.0%	63.5%	\$9,880	30.4%	69.9%	10	41.7%	64.7%	\$5,495	35.3%	70.9%
	Unknown	0.0%	13	32.5%	12.0%	\$18,918	58.2%	14.9%	6	25.0%	11.1%	\$6,516	41.9%	14.2%
	Total	100.0%	40	100.0%	100.0%	\$32,520	100.0%	100.0%	24	100.0%	100.0%	\$15,565	100.0%	100.0%
REFINANCE	Low	15.4%	12	16.4%	2.6%	\$2,760	8.8%	1.1%	15	20.3%	1.8%	\$4,405	15.0%	0.9%
	Moderate	12.9%	6	8.2%	7.8%	\$1,894	60.0%	4.4%	9	12.2%	9.1%	\$2,883	9.8%	5.7%
	Middle	17.1%	17	23.3%	18.1%	\$5,960	19.0%	13.3%	16	21.6%	20.4%	\$6,242	21.3%	16.0%
	Upper	54.6%	31	42.5%	63.8%	\$14,032	44.8%	72.9%	28	37.8%	62.0%	\$12,567	42.9%	69.7%
	Unknown	0.0%	7	9.6%	7.6%	\$6,709	21.4%	8.3%	6	8.1%	6.7%	\$3,173	10.8%	7.6%
	Total	100.0%	73	100.0%	100.0%	\$31,355	100.0%	100.0%	74	100.0%	100.0%	\$29,270	100.0%	100.0%
HOME IMPROVEMENT	Low	15.4%	2	16.7%	3.5%	\$115	4.6%	1.9%	1	20.0%	3.1%	\$30	0.5%	1.5%
	Moderate	12.9%	1	8.3%	8.7%	\$30	1.2%	4.8%	0	0.0%	8.2%	\$0	0.0%	5.8%
	Middle	17.1%	3	25.0%	19.3%	\$160	6.4%	12.7%	0	0.0%	17.9%	\$0	0.0%	11.2%
	Upper	54.6%	5	41.7%	62.6%	\$1,483	59.6%	67.6%	1	20.0%	64.8%	\$820	14.3%	68.0%
	Unknown	0.0%	1	830.0%	5.9%	\$700	28.1%	12.9%	3	60.0%	6.0%	\$4,872	85.1%	13.5%
	Total	100.0%	12	100.0%	100.0%	\$2,488	100.0%	100.0%	5	100.0%	100.0%	\$5,722	100.0%	100.0%
Multifamily	Low	15.4%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	12.9%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	17.1%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	54.6%	0	0.0%	6.5%	\$0	0.0%	1.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	2	100.0%	93.5%	\$3,225	100.0%	98.8%	0	100.0%	100.0%	\$0	0.0%	100.0%
	Total	100.0%	2	100.0%	100.0%	\$3,225	100.0%	100.0%	0	100.0%	100.0%	\$0	100.0%	100.0%
Total	Low	15.4%	15	11.8%	2.3%	\$3,068	4.4%	0.9%	18	17.5%	1.8%	\$5,255	10.4%	0.8%
	Moderate	12.9%	10	7.9%	7.7%	\$3,464	5.0%	4.0%	10	9.7%	8.6%	\$3,179	6.3%	5.1%
	Middle	17.1%	25	19.7%	17.0%	\$8,109	11.7%	11.6%	21	20.4%	18.8%	\$8,680	17.2%	13.7%
	Upper	54.6%	54	42.5%	62.6%	\$25,395	36.5%	68.2%	39	37.9%	62.6%	\$18,882	37.3%	68.2%
	Unknown	0.0%	23	18.1%	10.4%	\$29,552	42.5%	15.4%	15	14.6%	8.2%	\$14,561	28.8%	12.2%
	Total	100.0%	127	100.0%	100.0%	\$69,588	100.0%	100.0%	103	100.0%	100.0%	\$50,557	100.0%	100.0%

2015 ACS, 2019 and 2020 HMDA LAR, and 2019 and 2020 aggregate
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2019 the bank made 127 home mortgage loans, 15 loans, or 11.8 percent, were extended to low-income borrowers, 10 loans, or 7.9 percent, were made to moderate-income borrowers, 25 loans, or 19.7 percent, were extended to middle-income borrowers, 54 loans, or 42.4 percent, were made to upper income borrowers and 23 loans, or 18.1 percent, were extended to borrower where the income was unknown.

The bank's percentage of loans extended to low-income borrowers was well above that achieved by the 2019 aggregate, which made just 2.3 percent of loans to low-income borrowers. The bank's percentage was below the percentage of low-income families. However, it is not expected that the bank matches the percentage of low-income families. The median family income is \$131,291, which means low-income families would earn under \$65,645; given the cost of housing, a percentage of families with lower incomes would more likely rent. The aggregate is a better

indicator of loan demand. The bank was ranked 2nd in lending to low-income borrowers in the assessment area in 2019. The dollar volume of lending to low-income individuals, at 4.4 percent, was lower by percentage than the percentage of originations by number, at 11.8 percent. As shown, lending to upper-income individuals accounted for just 36.5 percent of the bank's lending by number, but 68.2 percent by dollar volume. The bank's percentage of loans to low-income individuals by dollar volume was still exceeded the aggregate's percentage of 0.9 percent.

In 2020, the bank's percentage of lending to low-income borrowers increased as it extended 18 loans to low-income borrowers. The bank's percentage of lending to low-income borrowers, at 17.5 percent, was well above the 2020 aggregate's, at 1.8 percent. The bank was ranked 3rd in its assessment area in lending to low-income individuals in that year. The percentage of home purchase loans the bank extended to low-income borrowers was lower than the other product categories; however, the bank outperformed the aggregate in both years under review.

The bank slightly exceeded the aggregate in extending loans to moderate-income individuals in 2019, with 10 loans, or 7.9 percent, made to borrowers in that income category as compared to the aggregate's percentage of 7.7 percent. Both the bank and the aggregate lagged the percentage of moderate-income families, at 12.9 percent. In 2020, the bank also outperformed the aggregate in extending home mortgage loans to moderate-income individuals with 10 loans, or 9.7 percent, to moderate-income borrowers compared to the aggregate's 8.6 percent. The bank's performance in lending to moderate-income borrowers was driven by refinance loans.

In 2019, the bank extended 25 loans, or 19.7 percent, to middle-income borrowers, which was slightly above the aggregate's 17.0 percent, and 54 loans, or 42.5 percent, to upper-income borrowers, compared to the aggregate's 62.6 percent. In 2020, the bank extended 21 loans, or 20.4 percent, to middle-income borrowers, and 39 loans, or 37.9 percent, to upper-income borrowers, while the aggregate extended 18.8 percent and 62.6 percent to middle- and upper-income borrowers, respectively.

In both years, the bank's percentage of loans to borrowers where incomes were unknown was slightly higher than the aggregate's; these loans were generally extended to borrowers that were not applying as a natural person, such as a trust or limited liability company.

The bank's 2018 lending was consistent with those years included in the table.

Geographic Distribution of Loans

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

Table 8 compares the bank's 2019 and 2020 lending by census tract income level to the aggregate lending data and the percentage of owner-occupied housing units in the assessment area. As the bank's assessment area contains no low-income census tracts they were excluded from the table.

Table 8 - Geographic Distribution														
PRODUCT TYPE	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison											
			2019						2020					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
Home Purchase	Moderate	1.1%	1	2.5%	1.9%	\$668	2.1%	1.4%	1	4.2%	2.1%	\$1,256	8.1%	1.4%
	Middle	34.0%	25	62.5%	40.5%	\$13,609	41.8%	30.8%	16	66.7%	35.7%	\$9,597	61.7%	26.3%
	Upper	64.9%	14	35.0%	57.6%	\$18,243	56.1%	67.8%	7	29.2%	62.2%	\$4,712	30.3%	72.2%
	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%	40	100.0%	100.0%	\$32,520	100.0%	100.0%	24	100.0%	100.0%	\$15,565	100.0%	100.0%
Refinance	Moderate	1.1%	0	0.0%	1.6%	\$0	0.0%	1.3%	2	2.7%	1.7%	\$583	2.0%	1.3%
	Middle	34.0%	59	80.8%	33.5%	\$24,819	79.2%	26.5%	60	81.1%	34.1%	\$22,900	78.2%	27.5%
	Upper	64.9%	14	19.2%	64.9%	\$6,536	20.8%	72.2%	12	16.2%	64.2%	\$5,787	19.8%	71.3%
	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%	73	100.0%	100.0%	\$31,355	100.0%	100.0%	74	100.0%	100.0%	\$29,270	100.0%	100.0%
Home Improvement	Moderate	1.1%	0	0.0%	1.0%	\$0	0.0%	1.2%	0	0.0%	1.8%	\$0	0.0%	1.6%
	Middle	34.0%	10	83.3%	30.1%	\$1,508	60.6%	18.5%	2	40.0%	31.6%	\$477	8.3%	22.3%
	Upper	64.9%	2	16.7%	68.9%	\$980	39.4%	80.2%	3	60.0%	66.6%	\$5,245	91.7%	76.1%
	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%	12	100.0%	100.0%	\$2,488	100.0%	100.0%	5	100.0%	100.0%	\$5,722	100.0%	100.0%
Multi-Family	Moderate	9.2%	0	0.0%	6.5%	\$0	0.0%	2.2%	0	0.0%	14.7%	\$0	0.0%	2.7%
	Middle	50.5%	2	100.0%	58.7%	\$3,225	100.0%	57.6%	0	0.0%	64.7%	\$0	0.0%	58.1%
	Upper	40.3%	0	0.0%	34.8%	\$0	0.0%	40.2%	0	0.0%	20.6%	\$0	0.0%	39.2%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	100.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	2	100.0%	100.0%	\$3,225	100.0%	100.0%	0	100.0%	100.0%	\$0	100.0%	100.0%
Total	Moderate	1.1%	1	0.8%	1.6%	\$668	1.0%	1.3%	3	2.9%	1.8%	\$1,839	3.6%	1.3%
	Middle	34.0%	96	75.6%	35.5%	\$43,161	62.0%	28.8%	78	75.7%	34.1%	\$32,974	65.2%	27.6%
	Upper	64.9%	30	23.6%	62.8%	\$25,759	37.0%	69.8%	22	21.4%	64.1%	\$15,744	31.1%	71.1%
	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%	127	100.0%	100.0%	\$69,588	100.0%	100.0%	103	100.0%	100.0%	\$50,557	100.0%	100.0%

2015 ACS, 2019 and 2020 HMDA LAR, and 2019 and 2020 aggregate HMDA data.

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

The bank extended loans within the assessment area across census tracts for all income categories represented. As previously discussed, the bank has no low-income tracts, and the three moderate-income census tracts in the bank's assessment area are all in Waltham, where the bank has two branch offices, one of which is in a moderate-income census tract. As shown by the demographics, with just 1.1 percent of owner-occupied units located in moderate-income census tracts, there is limited opportunity to lend in these geographies. The bank originated just one loan, or 0.8 percent, in a moderate-income census tract in 2019, which was below the 1.6 percent achieved by the 2019 aggregate. Lending in the moderate-income census tracts increased in 2020, with 3 loans, or 2.9 percent, originated in those tracts, which was slightly above the aggregate's 1.8 percent.

In 2019, the bank made the majority of its loans, 75.6 percent, in middle-income census tracts, which is where the majority of the bank's branch offices are located. The bank's percentage of lending in middle-income tracts was above the aggregate's which stood at 35.5 percent. This held true for 2020 when the bank extended 75.7 percent in middle-income census tracts compared to the aggregate's 34.1 percent. The bank's 2018 lending was consistent with those years included in the table.

The lowest percentage of the bank's loans were made in upper-income census tracts in all years under review. The percentage of loans extended in upper-income census tracts by dollar volume was slightly higher by percentage than by number. However, as previously discussed, the median home value in the assessment area's upper income geographies is significantly higher.

There were no conspicuous gaps in loans in moderate-income tracts unexplained by performance context.

Response to Substantiated Complaints

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

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area is demonstrated by its excellent penetration among individuals of different income levels (including low- and moderate-income), and through its reasonable dispersion of loans throughout the assessment area (including moderate-income tracts). The bank has also met the credit needs in its assessment area by making the majority of its loans within its assessment area and has maintained a reasonable LTD ratio. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect a reasonable level of responsiveness and is therefore rated "Satisfactory".

COMMUNITY DEVELOPMENT TEST

Watertown's performance under the Community Development Test is rated Outstanding. The bank's community development performance demonstrates excellent 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.

The bank extended 519 community development loans, totaling \$43.1 million. This is a significant increase since the previous examination when the bank did not extend any community development loans. Community development loans were made primarily through the bank's participation in the PPP. As previously stated, PPP loans were designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. These loans were considered highly responsive to the needs of small businesses during the COVID-19 pandemic. Of further note, as a primarily residential real-estate lender, Watertown was not an approved SBA lender prior to the pandemic. The bank became an SBA lender to participate in the PPP program and assist the community in weathering the crisis.

The bank made 518 PPP loans, totaling \$41.8 million. The bank extended 32 PPP loans, totaling \$1.8 million, in low- and moderate-income census tracts, contributing to the stabilization of those tracts during the crisis, and 486 PPP loans that promoted economic development by financing small

businesses and supporting job retention for low- or moderate-income persons. These totaled approximately \$40.0 million. The vast majority of PPP loans, 443 loans, or 85.5 percent, totaling \$33.6 million were made within the bank's assessment area. Of these, 285 were made in 2020 and 233 were extended in 2021.

The remaining community development loan helped support affordable housing in the assessment area, a need highlighted by community contacts. The bank extended a \$1.2 million dollar loan for the construction and permanent financing for a non-profit providing affordable housing to low-income seniors.

The bank's qualified investments total approximately \$26.5 million, which consist of two new Ginnie Mae (GNMA) Mortgage Backed Securities (MBS), totaling \$18.0 million. The bank also holds 32 GNMA MBS, totaling \$5.8 million. As summarized on the U.S. Department of Housing and Urban Development website, GNMA MBS expand affordable housing in America by linking global markets to the nation's housing market. These MBS are secured by mortgage loans guaranteed by the Federal Housing Administration, Veterans Affairs, Rural Housing Service, and Public and Indian Housing mortgage loans.

In addition, the bank holds 20 SBA loan pools, totaling \$2.6 million. These loan pools are securities assembled using the guaranteed portion of SBA 7(a) loans whose subsequent purchases result in liquidity for SBA lenders. These investments help support economic development across the United States through investment in organizations that finance small businesses.

During the evaluation period, the bank made 125 qualified donations, totaling \$223,810, which helped support organizations that focus on community development services and affordable housing. The following is a sample of organizations that received qualified donations from the bank:

Watertown Food Pantry (WFP) – WFP is administered by the Watertown Council of Aging and provides food assistance to Watertown residents. Among the services provided are food and formula vouchers for low-and moderate-income children and pregnant or nursing women.

Springwell's Money Management Program (MMP) – Springwell's mission is to provide comprehensive services to seniors, individuals with disabilities, and those who provide care. The MMP assists low-income seniors and individuals with disabilities who are having difficulty managing personal housing budgets, paying bills, keeping track of bank records, and other personal finance issues.

Housing Corporation of Arlington (HCA) – HCA works to increase affordable housing opportunities for low- and moderate-income families through the purchase and management of apartment units in Arlington. HCA also operates a homelessness prevention program to provide emergency financial support for Arlington residents facing a housing crisis due to unexpected events.

Waltham Fields Community Farm (WFCF) – Waltham Fields Community Farm cultivates sustainable and equitable relationships between people, their food supply, and the land from which

it grows. Contributions to WFCF assist the organization in providing low-income families with access to fresh and organic produce.

Chesterbrook Community Foundation (CCF) - CCF empowers the children and teens who live in the Chesterbrook Gardens and Dana Court subsidized-housing communities in Waltham, by providing them with mentoring, academic support, and enrichment in structured after-school and evening programs.

In addition to providing financial support to local organizations, bank employees have lent their financial expertise to organizations in the assessment area. Bank employees engaged in community development services through participation on boards and committees of community organizations and by providing other community development services. The following lists a sample of the bank's involvement during the evaluation period:

Healthy Waltham – The mission of the organization is to promote collaborative approaches to improving the health and wellness of underserved and low-income populations through programs that increase access to healthy foods, provide nutrition education, and create opportunities for physical activity. A bank vice president is the treasurer of this organization.

Watertown Housing Partnership - A bank senior vice president is a board member of this organization that oversees the development and preservation of affordable housing in Watertown.

Springwell, Inc.- Money Management - The Springwell Money Management program helps vulnerable, low-income seniors with financial management tasks. A bank vice president is a board member.

Watertown Community Foundation - The Watertown Community Foundation raises funds from individuals, families, and businesses to award grants to nonprofit organizations and community projects. Since January 2021, Watertown Community Foundation has distributed grants to frontline community-based organizations to help alleviate the financial burden caused by COVID-19. A bank vice president is a board member of this organization.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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