

# **PUBLIC DISCLOSURE**

December 2, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Reading Cooperative Bank  
RSSD # 1008674

180 Haven Street  
Reading, MA 01867

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

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

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**INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.**  
**The Lending Test is rated: SATISFACTORY.**  
**The Community Development Test is rated: SATISFACTORY.**

Reading Cooperative Bank (Reading or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following findings:

**Lending Test**

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area, though this criteria was not weighed as heavily in the overall rating.
- There have been no complaints regarding the bank's CRA performance since the last CRA examination.

**Community Development Test**

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

## SCOPE OF EXAMINATION

Reading's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution Examination Procedures.<sup>1</sup> These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment area concentration of loans, 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 institution provides community development services, and the responsiveness of such activities to the needs of the bank's assessment area.

The Lending Test was based on residential mortgage and small business loans originated from July 1, 2016 to December 31, 2018. Although loan data from the last two quarters of 2016 was included in the analysis, the lending tables for the Borrower Profile and Geographic Distribution criteria present data from only 2017 and 2018. This review placed emphasis on residential mortgage loans for each performance criterion due to a higher volume of mortgage originations during the evaluation period. While both number and dollar volume of the bank's residential mortgage and small business loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of number of borrowers served.

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

Small business loans include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. Although the bank is not currently required to collect and report small business loan data, the bank maintained the data for use in this evaluation. A comparison to aggregate lenders for small business lending was not considered appropriate, however, since the bank is not subject to the reporting requirements applicable to large banks. The bank's small business loan performance is shown in comparison to small business demographic data obtained from Dun & Bradstreet, Inc., Short Hills, New Jersey (D&B).

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<sup>1</sup> "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 \$1.284 billion as of December 31 of either of the prior two calendar years.

The Community Development Test included a review of community development loans, qualified investments, and community development services from October 25, 2016, through December 2, 2019. The Community Development Test was evaluated in the context of community needs and the capacity of the bank to meet them. Third-party community organizations were consulted and provided additional insight into the credit and community development needs of the bank's assessment area.

Reading's last CRA examination was conducted by the Federal Reserve Bank of Boston on October 24, 2016, in accordance with the FFIEC's Intermediate Small Institution Examination Procedures. This examination resulted in an overall rating of "Satisfactory." Both the Lending Test and the Community Development Test were rated "Satisfactory."

## DESCRIPTION OF INSTITUTION

Reading is a full service community bank headquartered in Reading, Massachusetts. The bank maintains two wholly-owned subsidiaries: 180 Haven Street Securities Corporation and 230 Lowell Street Securities Corporation. Both of these entities acquire, sell, and hold investment securities. The bank also maintains the Reading Cooperative Charitable Foundation, which is committed to supporting education, civic, and charitable events throughout its assessment area.

In addition to its main office in Reading, the bank operates five full service branches in the surrounding towns of Andover, Burlington, North Reading, and Wilmington (2), as well as two educational branches located in Reading and Wakefield. The Reading educational branch is a student-run branch located at Reading Memorial High School, which is open exclusively to the high school community. The Wakefield educational branch is located at the Northeast Metropolitan Regional Vocational School and is open to the public. In December 2017, the bank permanently closed its Woburn branch, which was located in a middle-income census tract at 300 Trade Center Drive. The bank's main office as well as its Andover and North Reading branches are located in upper-income census tracts; the remaining branches are located in middle-income census tracts.

As of September 30, 2019, Reading's assets totaled \$591.4 million, loans totaled \$472.1 million, and deposits totaled \$477.9 million. Since the last examination, the bank's assets increased by 21.0 percent, loans by 20.7 percent, and deposits by 30.3 percent.

Table 1 shows the bank's loan distribution by dollar volume as well as each loan category's percentage of total loans, as of September 30, 2019. The loan portfolio is comprised primarily of real estate secured loans, at 95.1 percent. From June 30, 2016 to December 31, 2019, total loans by dollar volume increased by \$81.0 million, or 20.7 percent. The increase by dollar volume can be attributed to increases in the following loan categories: a \$54.9 million increase in closed end 1-4 family residential loans; a \$13.2 million increase in revolving open-end loans secured by 1-4 family residential properties and extended under lines of credit; a \$7.1 million increase in other nonfarm nonresidential loans; and a \$6.0 million increase in loans secured by multifamily (5 or more) residential properties.

Table 1 Loan Distribution as of September 30, 2019		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	27,293	5.8
Revolving 1-4 Family Residential	29,549	6.3
1-4 Family Residential	283,702	60.1
Multi-Family (5 or more) Residential	38,038	8.1
Commercial RE	70,190	14.9
<b>Total Real Estate Loans</b>	<b>448,772</b>	<b>95.1</b>
Commercial and Industrial	22,019	4.7
Consumer	313	0.1
Less unearned income	(997)	0.2
<b>Total Loans</b>	<b>472,101</b>	<b>100.0</b>

*Consolidated Report of Condition and Income (Call Report) as of September 30, 2019.  
Total percentages shown may vary by 0.1 percent due to automated rounding differences.*

Reading operates in a competitive market for residential and small business lending. According to bank HMDA and aggregate data, Reading ranked 44<sup>th</sup> out of 397 mortgage lenders in 2017, and 48<sup>th</sup> out of 387 mortgage lenders in 2018. The top mortgage lenders in the bank's assessment area are the following large national financial institutions and/or mortgage companies: Wells Fargo Bank N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A., Santander Bank, N.A., Guaranteed Rate Inc., and Quicken Loans Inc.

According to the June 30, 2019 FDIC Deposit Market Share Report, there are 39 financial institutions operating in the bank's assessment area. Reading ranked 13<sup>th</sup>, with a deposit market share of \$475.1 million, or 2.3 percent. The four financial institutions with the largest deposit market share within the bank's assessment area are: Bank of America, N.A., at 19.4 percent; Citizens Bank, N.A., at 11.2 percent; TD Bank, N.A., at 10.8 percent; and Santander Bank, N.A., at 7.4 percent.

The bank has the ability to meet the credit needs of its assessment area taking into consideration its financial capacity, local economic conditions, demographics, and the competitive market in which operates. Although Reading faces robust competition from larger institutions, there are no legal or financial impediments that would impact the bank's ability to meet the credit needs within its delineated assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is made up of 18 contiguous cities and towns that account for a portion of both Essex and Middlesex Counties in Massachusetts. Both counties are located in the Cambridge-Newton-Framingham, MA Metropolitan Division (Cambridge MD). The Cambridge MD is one of three MDs that make up the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (Boston MSA). The cities and towns in Essex County are: Andover, Lawrence, Lynnfield, Methuen, Middleton, and North Andover. The cities and towns in Middlesex County are: Bedford, Billerica, Burlington, Lexington, North Reading, Reading, Stoneham, Tewksbury, Wakefield, Wilmington, Winchester, and Woburn.

Table 2 displays the demographic data relied upon for the analysis conducted under the Lending Test.

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	18	17.6	17,551	12.9	4,694	26.7	29,711	21.8
Moderate-income	5	4.9	6,803	5.0	766	11.3	20,985	15.4
Middle-income	46	45.1	63,190	46.3	2,426	3.8	27,601	20.2
Upper-income	33	32.4	48,897	35.8	1,056	2.2	58,144	42.6
<b>Total Assessment Area</b>	<b>102</b>	<b>100.0</b>	<b>136,441</b>	<b>100.0</b>	<b>8,942</b>	<b>6.6</b>	<b>136,441</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	26,433	6,094	4.6	23.1	18,718	70.8	1,621	6.1
Moderate-income	11,375	6,352	4.8	55.8	4,543	39.9	480	4.2
Middle-income	94,226	66,309	50.5	70.4	23,812	25.3	4,105	4.4
Upper-income	65,988	52,568	40.0	79.7	10,578	16.0	2,842	4.3
<b>Total Assessment Area</b>	<b>198,022</b>	<b>131,323</b>	<b>100.0</b>	<b>66.3</b>	<b>57,651</b>	<b>29.1</b>	<b>9,048</b>	<b>4.6</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,342	7.7	2,124	7.9	203	6.1	15	7.5
Moderate-income	1,103	3.6	1,008	3.7	86	2.6	9	4.5
Middle-income	15,281	50.1	13,166	48.8	2,037	61.3	78	39.2
Upper-income	11,774	38.6	10,682	39.6	995	30	97	48.7
<b>Total Assessment Area</b>	<b>30,500</b>	<b>100.0</b>	<b>26,980</b>	<b>100.0</b>	<b>3,321</b>	<b>100.0</b>	<b>199</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.5</b>		<b>10.9</b>		<b>0.7</b>

2015 ACS and 2018 D&B data.

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

### *Assessment Area Composition*

The assessment area consists of 102 census tracts, of which 18 tracts, or 17.6 percent, are low-income; 5 tracts, or 4.9 percent, are moderate-income; 46 tracts, or 45.1 percent, are middle-income; and 33 tracts, or 32.4 percent, are upper-income. The low- and moderate-income tracts are located in the 3 contiguous cities and towns of Lawrence (17 low-income tracts and 1 moderate-income tract); Methuen (1 low-income tract and 3 moderate-income tracts); and North Andover (1 moderate-income tract).

### *Housing*

The assessment area contains 198,022 housing units, of which 13.3 percent are located in low-income tracts, 5.7 percent are located in moderate-income tracts, 47.6 percent are located in middle-income tracts, and 33.3 percent are located in upper-income tracts. Of the total number of housing units within the assessment area 66.3 percent are owner-occupied housing units (OOHU); 29.1 percent are rental units; and 4.6 percent are vacant. Within the low-income tracts, 23.1 percent of housing units are OOHU, 70.8 percent are rental units, and 6.1 percent are vacant units. Within the moderate-income tracts, 55.8 percent of units are OOHU, 39.9 percent are rental units and 4.2 percent are vacant units. This relatively low percentage of OOHU in low-income census tracts would suggest limited opportunities for originating home mortgage loans in these tracts.

The City of Lawrence contains 28,065 housing units, which constitute 14.2 percent of the total housing units within the assessment area. Of the housing units located in low-income tracts within the assessment area, 94.8 percent are in located in the city of Lawrence.

Per the 2015 ACS, the median home value within the assessment area was \$398,737 which is higher than the median home value in Essex County which was \$353,100, the Commonwealth of Massachusetts which was \$333,100, and the Cambridge MD, at \$390,820. This value is lower than the median home value in Middlesex County which was \$414,600. Although median home values within the assessment area are relatively high, these values are substantially lower in low-income and moderate-income census tracts. Per the 2015 ACS, median home values within the assessment area's low-income tracts and moderate-income tracts were \$217,207, and \$251,492, respectively.

Per the Warren Group, Boston, MA, median home sales prices in Essex County have increased steadily from \$350,000 in 2016, to \$405,000 in 2018. Middlesex County median sales prices were also on an upward trend from \$460,000 in 2016, to \$533,500 in 2018. During this period, median sales prices for homes in Lawrence fluctuated, with an 8.8 percentage point decrease from \$296,000 in 2016, to \$270,000 in 2017, followed by an 18.5 percent increase in 2018, where median sales prices increased to \$320,000. Lower median home prices in low-income and moderate-income census tracts could potentially increase affordability in these census tracts; however, as previously discussed, there are limited OOHU in those tracts.



### *Business Characteristics*

According to D&B data, in 2017, there were 26,095 businesses in the assessment area, of which 7.3 percent (1,906) were located in low-income census tracts, 3.6 percent (945) were located in moderate-income census tracts, 49.9 percent (13,013) were located in middle-income census tracts, and 39.2 percent (10,231) were located in upper-income census tracts. In 2018, there were 30,500 businesses in the assessment area, of which 7.7 percent (2,342) were located in low-income tracts, 3.6 percent (1,103) were located in moderate income tracts, 50.1 percent (15,281) were located in middle-income tracts, and 38.6 percent (11,774) were located in upper-income tracts. In 2017, 87.1 percent of these businesses had gross annual revenues (GARs) of \$1 million or less, and in 2018, that percentage increased slightly to 88.5 percent.

According to the Massachusetts Executive Office of Labor and Workforce Development, the largest employers in Essex County are Raytheon Systems International Co. in Andover, Mass General Hospital for Children at North Shore Medical Center in Salem, and Columbia Gas of Massachusetts in Lawrence. In Middlesex County, the top employers are Oracle Corporation in Burlington, Dell EMC in Hopkinton, and Staples Inc. in Framingham. In Lawrence, in addition to Columbia Gas of Massachusetts, Home Health VNA, Lawrence General Hospital, and Northern Essex Community College are top employers.

### *Population*

As of 2018, the total population of the assessment area was 530,145 individuals, of which 14.3 percent resided in low-income census tracts, 5.2 percent resided in moderate-income census tracts, 46.0 percent resided in middle-income census tracts, and 34.5 percent resided in upper-income census tracts. There are 188,974 households in the assessment area, of that number 136,441 are families; of this number 12.9 percent resided in low-income census tracts, 5.0 percent resided in moderate-income census tracts, 46.3 percent resided in middle-income census tracts, and 35.8 percent resided in upper-income census tracts. The percentage of families under the poverty level was at 6.6 percent. As of 2018, the population of the city of Lawrence was 78,804 individuals, or 14.9 percent of the total population of the assessment area; however, the city accounts for 94.3 percent of the assessment area's low-income population. There are 26,494 households in the city of Lawrence, of which 18,445 are families; of this number 89.7 percent resided in low-income census tracts and 10.3 percent resided in moderate-income census tracts.

### *Income*

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. Table 3 displays the MFI for the assessment area.

Table 3 Median Family Income Comparison					
Year	MSA/MD/Town/County/ State	MFI	Year	MSA/MD/Town/County/ State	MFI
2017	Assessment Area	\$ 104,511	2018	Assessment Area	\$ 104,511
2017	Essex County	\$ 86,793	2018	Essex County	\$ 86,793
2017	Middlesex County	\$ 107,772	2018	Middlesex County	\$ 107,772
2017	Commonwealth of Massachusetts	\$ 80,000	2018	Commonwealth of Massachusetts	\$ 80,700
2017	Cambridge MD	\$ 104,800	2018	Cambridge MD	\$ 110,300

2015 ACS; 2017 and 2018 FFIEC median family income estimates.

As of 2017, the MFI for the assessment area was \$104,511. This number is slightly lower than the MFI for Middlesex County, at \$107,772; however, it is higher than the MFI for Essex County, at \$86,793, the Commonwealth of Massachusetts, at \$80,000, and the Cambridge MD, at \$104,800. As of 2018, the MFI for the Commonwealth of Massachusetts and the Cambridge MD increased slightly to \$80,700 and \$110,300, respectively. The MFIs for the assessment area as well as Essex and Middlesex Counties are based on the 2015 ACS, and the MFIs for the Commonwealth of Massachusetts and the Cambridge MD are based on the annual FFIEC MFI estimates.

### *Employment Statistics*

As of 2018, the unemployment rate for the assessment area was 7.0 percent, which was higher than the rate in Middlesex County, at 6.1 percent, and the Cambridge MD, at 6.6 percent. However, the assessment area unemployment rate was lower than the unemployment rate in Essex County, at 7.7 percent and in the Commonwealth of Massachusetts, at 7.6 percent. Per the October 2019 release of the U.S. Bureau of Labor Statistics, the average non-seasonally adjusted unemployment rates were: 3.0 percent for Essex County, 2.4 percent for Middlesex County, and 2.5 percent for the Commonwealth of Massachusetts and for the Cambridge MD. The unemployment rate in Lawrence was 4.5 percent.

### **Community Contacts**

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

A community contact was conducted with the executive director of an organization that is located in and serves the city of Lawrence. This organization partners with local Community Development Financial Institutions (CDFI) to provide technical expertise and financing to small businesses with low revenue, poor or no credit, or that have been denied by one or more financial institutions. Per the contact, there are many entrepreneurial individuals in the community; however, many tend to rely on personal connections for loans. The community is made up of a large immigrant community with varying degrees of familiarity with and trust in traditional banking relationships. As such, the community is in need of financial institutions who understand and are willing to respond to these various factors through innovative loan programs. In addition to innovative small business loans, primary community needs include financial literacy, check cashing services, as well as affordable housing.

A second community contact was conducted with the director of a community development corporation located in and serving Lawrence, as well as the surrounding towns of Methuen and Haverhill. The organization offers a variety of services focused on asset building, community building, and youth initiatives. Under its asset building programs, services include financial literacy, affordable housing, as well as workforce training and education. Per the contact, financial literacy and affordable housing are primary community needs. With regard to financial literacy, individuals within the community would benefit from financial literacy services with a special focus on credit counseling, credit repair, and savings. The contact also indicated that small businesses and start-ups would benefit from additional access to capital as well as technical assistance. In terms of affordable housing, the community would benefit from additional first time homebuyer programs. The organization has worked with various banks in the area stating ultimately that some banks are offering more help than others.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Reading'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 are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 4 provides a comparison of the bank's average LTD ratio to similarly situated institutions operating within Essex and Middlesex Counties over 13 quarters from July 1, 2016 to September 30, 2019. Reading's average LTD ratio for that period was 103.0 percent.

Table 4 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets \$(000's)	Average LTD Ratio (%)
Winter Hill Bank	366,505	107.7
Reading Cooperative Bank	591,492	103.0
The Savings Bank	615,260	97.9
Winchester Savings Bank	552,194	86.6
Haverhill Bank	412,900	85.6
Cape Ann Savings Bank	676,529	85.2

\*Call Report as of September 30, 2019

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

The bank's LTD ratio decreased by 4.9 percentage points since the last examination. Despite the decrease, the bank's LTD ratio ranks higher than most similarly situated institutions. From September 30, 2016 through December 31, 2018, the bank's LTD ratio ranged from 101.7 percent to 108.0 percent; however, as of March 31, 2019, the bank's LTD ratio decreased to 94.8 percent. This change may be attributed to a decrease in on-balance sheet loans as well as organic deposit growth. Since this decrease, the bank's LTD ratio has risen steadily for the two quarters ending on June 30, 2019 and September 30, 2019.

### **Assessment Area Concentration**

This criterion evaluates the concentration of loans originated by the bank within its assessment area.<sup>2</sup> As shown below, a majority of loans are in the bank's assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area for the evaluation period.

Table 5 Lending Inside Outside Assessment Area										
Loan Type	Inside				Outside				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
Home Purchase	77	38.7	29,958	33.9	122	61.3	58,465	66.1	199	88,423
Home Improvement	53	79.1	11,760	63.9	14	20.9	6,630	36.1	67	18,390
Multifamily Housing	1	6.7	3,040	18.9	14	93.3	13,031	81.1	15	16,071
Loan Purpose -NA	0	0.0	0	0.0	1	100.0	233	100.0	1	233
Refinancing	87	65.9	27,217	59.2	45	34.1	18,740	40.8	132	45,957
Residential Total	218	52.7	71,975	42.6	196	47.3	97,099	57.4	414	169,074
Small Business Total	38	59.4	6,403	39.8	26	40.6	9,680	60.2	64	16,083
Grand Total	256	53.6	78,378	42.4	222	46.4	106,779	57.6	478	185,157

HMDA and small business data July 1, 2016 through December 31, 2018. Small business data is bank provided.  
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

During the evaluation period, the bank originated a total of 478 loans, of which 414 were residential mortgage loans and 64 were small business loans. The bank originated 53.6 percent of its total loans inside the assessment area.

### *Residential Lending*

The bank originated 218 mortgage loans, or 52.7 percent, inside of the assessment area. In the last two quarters of 2016, the bank originated 40.0 percent of loans inside the assessment area. The overall percentage of originations inside the assessment area decreased from 54.4 percent in 2017, to 49.0 percent in 2018. The decrease in the percentage of loans originated inside the assessment area may be due to competition for loans. Bank management also indicated that the decrease in the percentage of loans originated inside the assessment was due to increased competition for loans as well as bank partnerships with mortgage referral services that referred loans from outside of the assessment area.

<sup>2</sup> The bank is partially exempt from filing the expanded HMDA fields and is also exempt from reporting open-end lines of credit. The bank also did not optionally report any open-ended loans. Originations with loan purpose "other" are excluded from the table above.

### *Small Business Lending*

The bank originated 38 small business loans, or 59.4 percent, inside the assessment area. In the last two quarters of 2016, the bank originated 19 small business loans, or 59.4 percent, inside the assessment area. In 2017, the bank originated 11 small business loans, or 64.7 percent, inside the assessment area. Lastly in 2018, the bank originated 8 loans, or 53.3 percent, inside the assessment area. As stated above, the decrease in the number of originations as well as the percentage of lending inside of the assessment area may be attributed to the competitive environment in which the bank operates.

### **Borrower Profile**

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes when compared to area demographics and aggregate performance.

### *Residential Lending*

Tables 6 and 7 provide a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data in 2017 and 2018. The tables further outline the bank's performance by loan type in comparison to the aggregate group.

Table 6 2017 Borrower Distribution of HMDA Loans								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			2017					
			Count			Dollar		
			Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	21.8%	1	3.0%	5.8%	\$150	1.2%	2.7%
	Moderate	15.4%	8	24.2%	17.8%	\$2,290	17.9%	12.2%
	Middle	20.2%	8	24.2%	22.0%	\$2,409	18.9%	19.0%
	Upper	42.6%	14	42.4%	40.1%	\$7,304	57.2%	52.1%
	Unknown	0.0%	2	6.1%	14.3%	\$621	4.9%	14.0%
	Total	100.0%	33	100.0%	100.0%	\$12,774	100.0%	100.0%
REFINANCE	Low	21.8%	2	7.7%	6.4%	\$310	3.6%	3.3%
	Moderate	15.4%	2	7.7%	19.5%	\$641	7.5%	14.3%
	Middle	20.2%	7	26.9%	24.2%	\$1,498	17.4%	21.6%
	Upper	42.6%	11	42.3%	38.9%	\$4,961	57.8%	49.4%
	Unknown	0.0%	4	15.4%	11.1%	\$1,179	13.7%	11.4%
	Total	100.0%	26	100.0%	100.0%	\$8,589	100.0%	100.0%
HOME IMPROVEMENT	Low	21.8%	5	25.0%	6.1%	\$565	15.8%	3.0%
	Moderate	15.4%	1	5.0%	16.9%	\$50	1.4%	11.9%
	Middle	20.2%	5	25.0%	25.6%	\$1,175	32.8%	22.0%
	Upper	42.6%	7	35.0%	46.2%	\$1,450	40.4%	57.7%
	Unknown	0.0%	2	10.0%	5.2%	\$345	9.6%	5.4%
	Total	100.0%	20	100.0%	100.0%	\$3,585	100.0%	100.0%
MULTIFAMILY	Low	21.8%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	15.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	20.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	42.6%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	0	0.0%	100.0%	\$0	0.0%	100.0%
	Total	100.0%	0	100.0%	100.0%	\$0	100.0%	100.0%
HMDA TOTALS	Low	21.8%	8	10.1%	6.0%	\$1,025	4.1%	2.8%
	Moderate	15.4%	11	13.9%	18.2%	\$2,981	11.9%	12.4%
	Middle	20.2%	20	25.3%	23.0%	\$5,082	20.4%	19.4%
	Upper	42.6%	32	40.5%	39.9%	\$13,715	55.0%	49.7%
	Unknown	0.0%	8	10.1%	12.9%	\$2,145	8.6%	15.7%
	Total	100.0%	79	100.0%	100.0%	\$24,948	100.0%	100.0%

2015 ACS, 2017 Aggregate HMDA Data, 2018 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 banks comprising the aggregate and may include additional loan types not required to be reported by the bank.

Table 7 2018 Borrower Distribution of HMDA Loans								
Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison					
			2018					
			Count			Dollar		
			Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Low	21.8%	5	17.9%	5.9%	\$851	8.3%	2.8%
	Moderate	15.4%	4	14.3%	18.5%	\$1,197	11.7%	12.9%
	Middle	20.2%	3	10.7%	21.9%	\$829	8.1%	19.3%
	Upper	42.6%	10	35.7%	39.4%	\$4,214	41.2%	50.2%
	Unknown	0.0%	6	21.4%	14.3%	\$3,126	30.6%	14.8%
	Total	100.0%	28	100.0%	100.0%	\$10,217	100.0%	100.0%
REFINANCE	Low	21.8%	1	2.8%	8.4%	\$86	0.7%	4.6%
	Moderate	15.4%	7	19.4%	19.3%	\$1,692	13.8%	14.9%
	Middle	20.2%	12	33.3%	23.5%	\$3,111	25.4%	21.4%
	Upper	42.6%	12	33.3%	39.9%	\$3,833	31.3%	49.0%
	Unknown	0.0%	4	11.1%	8.8%	\$3,530	28.8%	10.1%
	Total	100.0%	36	100.0%	100.0%	\$12,252	100.0%	100.0%
HOME IMPROVEMENT	Low	21.8%	0	0.0%	6.1%	\$0	0.0%	4.3%
	Moderate	15.4%	1	20.0%	15.0%	\$160	20.1%	10.1%
	Middle	20.2%	2	40.0%	24.7%	\$415	52.2%	19.0%
	Upper	42.6%	2	40.0%	50.0%	\$220	27.7%	56.0%
	Unknown	0.0%	0	0.0%	4.2%	\$0	0.0%	106.0%
	Total	100.0%	5	100.0%	100.0%	\$795	100.0%	100.0%
MULTIFAMILY	Low	21.8%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	15.4%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	20.2%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	42.6%	0	0.0%	3.1%	\$0	0.0%	0.3%
	Unknown	0.0%	1	100.0%	96.9%	\$3,040	100.0%	99.7%
	Total	100.0%	1	100.0%	100.0%	\$3,040	3040.0%	100.0%
HMDA TOTALS	Low	21.8%	6	8.6%	6.9%	\$937	3.6%	3.3%
	Moderate	15.4%	12	17.1%	18.4%	\$3,049	11.6%	12.8%
	Middle	20.2%	17	24.3%	22.6%	\$4,355	16.6%	19.0%
	Upper	42.6%	24	34.3%	40.3%	\$8,267	31.4%	48.0%
	Unknown	0.0%	11	15.7%	11.9%	\$9,696	36.9%	16.9%
	Total	100.0%	70	100.0%	100.0%	\$26,304	100.0%	100.0%

2015 ACS, 2018 Aggregate HMDA Data, 2018 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 banks comprising the aggregate and may include additional loan types not required to be reported by the bank.

In 2017, the bank originated 8 loans, or 10.1 percent, to low-income borrowers, which exceeded the aggregate by 4.1 percentage points. For the same year, the bank originated 11 loans, or 13.9 percent, to moderate-income borrowers which trailed the aggregate by 4.3 percentage points. In 2018, the bank originated 6 loans, or 8.6 percent, to low-income borrowers which exceeded the aggregate by 1.7 percentage points. For the same year, the bank originated 12 loans, or 17.1 percent, to moderate-income borrowers which trailed the aggregate by 1.3 percentage points. The bank's lending performance to low- and moderate-income borrowers in the last two quarters of 2016 was consistent with its performance in 2017 and 2018.

Overall, the bank's lending to low- and moderate-income borrowers is reasonable. The bank's lending percentage to low-income borrowers outperformed the aggregate for lending to low-income borrowers in both 2017 and 2018. Additionally, while lagging the aggregate in lending to moderate-income borrowers, the bank's percentage of originations to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area in 2017 and 2018.

### *Small Business Lending*

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 8 details the bank's lending to small businesses according to revenue size.

Table 8 Distribution of Small Business Loans By Gross Annual Revenue of Business						
Gross Annual Revenues	2017 Total Businesses	2017 Bank		2018 Total Businesses	2018 Bank	
	%	#	%	%	#	%
< \$1MM	87.1	13	68.4	88.5	6	75.0
> \$1MM	12.4	6	31.6	10.9	2	25.0
N/A	0.5	0	0.0	0.7	0	0.0
<b>Total</b>	100.0	19	100.0	100.0	8	100.0

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

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

The bank originated 19 small business loans in 2017, of which 13, or 68.4 percent, were to businesses with GARs of \$1 million or less. In 2018, the bank originated 8 small business loans, of which 6, or 75.0 percent were to businesses of a \$1 million or less. Furthermore, a majority of the small business loans made to businesses with GARs of \$1 million or less were small dollar loans, which are considered more responsive to the credit needs of small businesses. In 2017, of the 13 loans to businesses with GARs of \$1 million or less, 11 or 84.6 percent, were in amounts of \$100,000 or less. In 2018, of the 6 loans to businesses with GARs of \$1 million or less, 4 loans, or 66.7 percent, were in amounts of \$100,000 or less.

### **Geographic Distribution of Loans**

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The geographic distribution of loans reflects poor dispersion throughout the assessment area. Tables 9 and 10 provide a comparison of the bank's lending by census tract income level to the aggregate level and demographics in the assessment area.



Table 9 Geographic Distribution of HMDA Loans								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			2017					
			Count			Dollar		
			Bank		Agg %	Bank		Agg \$ %
			#	%	%	\$ (000s)	\$ %	\$ %
HOME PURCHASE	Low	4.6%	0	0.0%	9.3%	\$0	0.0%	6.0%
	Moderate	4.8%	0	0.0%	6.4%	\$0	0.0%	4.2%
	Middle	50.5%	20	60.6%	47.4%	\$7,140	55.9%	40.3%
	Upper	40.0%	13	39.4%	36.9%	\$5,634	44.1%	49.4%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	33	100.0%	100.0%	\$12,774	100.0%	100.0%
REFINANCE	Low	4.6%	0	0.0%	6.7%	\$0	0.0%	4.3%
	Moderate	4.8%	0	0.0%	5.1%	\$0	0.0%	3.4%
	Middle	50.5%	12	46.2%	52.0%	\$3,282	38.2%	45.4%
	Upper	40.0%	14	53.8%	36.2%	\$5,307	61.8%	46.8%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	26	100.0%	100.0%	\$8,589	100.0%	100.0%
HOME IMPROVEMENT	Low	4.6%	1	5.0%	5.7%	\$330	9.2%	5.0%
	Moderate	4.8%	0	0.0%	5.4%	\$0	0.0%	3.0%
	Middle	50.5%	11	55.0%	48.8%	\$2,335	65.1%	42.2%
	Upper	40.0%	8	40.0%	40.1%	\$920	25.7%	49.8%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	20	100.0%	100.0%	\$3,585	100.0%	100.0%
MULTIFAMILY	Low	18.9%	0	0.0%	68.1%	\$0	0.0%	17.6%
	Moderate	6.8%	0	0.0%	9.2%	\$0	0.0%	4.0%
	Middle	51.5%	0	0.0%	16.0%	\$0	0.0%	44.7%
	Upper	22.8%	0	0.0%	6.7%	\$0	0.0%	33.7%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	0	100.0%	100.0%	\$0	100.0%	100.0%
HMDA TOTALS	Low	4.6%	1	1.3%	8.4%	\$330	1.3%	5.8%
	Moderate	4.8%	0	0.0%	5.8%	\$0	0.0%	3.9%
	Middle	50.5%	43	54.4%	49.0%	\$12,757	51.1%	42.2%
	Upper	40.0%	35	44.3%	36.7%	\$11,861	47.5%	48.0%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	79	100.0%	100.0%	\$24,948	100.0%	100.0%

\* Distribution of multifamily units by census tract income.  
2015 ACS, 2017 Aggregate HMDA Data, 2017 HMDA LARs.  
Total percentage shown may vary by 0.1 percent due to automated rounding differences.

Table 10 Geographic Distribution of HMDA Loans								
Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison					
			2018					
			Count			Dollar		
			Bank		Agg %	Bank		Agg
			#	%	%	\$ (000s)	\$ %	\$ %
HOME PURCHASE	Low	4.6%	0	0.0%	9.1%	\$0	0.0%	6.5%
	Moderate	4.8%	1	3.6%	6.0%	\$295	2.9%	4.1%
	Middle	50.0%	14	50.0%	47.4%	\$5,484	53.7%	41.4%
	Upper	40.0%	13	46.4%	37.5%	\$4,438	43.4%	47.9%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	28	100.0%	100.0%	\$10,217	100.0%	100.0%
REFINANCE	Low	4.6%	0	0.0%	5.8%	\$0	0.0%	4.4%
	Moderate	4.8%	1	2.8%	4.5%	\$245	2.0%	3.3%
	Middle	50.0%	21	58.3%	51.4%	\$6,674	54.5%	45.2%
	Upper	40.0%	14	38.9%	38.3%	\$5,333	43.5%	41.5%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	36	100.0%	100.0%	\$12,252	100.0%	100.0%
HOME IMPROVEMENT	Low	4.6%	0	0.0%	3.1%	\$0	0.0%	3.1%
	Moderate	4.8%	0	0.0%	3.3%	\$0	0.0%	3.3%
	Middle	50.0%	2	40.0%	52.1%	\$415	52.2%	52.1%
	Upper	40.0%	3	60.0%	41.5%	\$380	47.8%	41.5%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	5	100.0%	100.0%	\$795	100.0%	100.0%
MULTIFAMILY	Low	18.9%	1	100.0%	59.4%	\$3,040	100.0%	29.8%
	Moderate	6.8%	0	0.0%	6.3%	\$0	0.0%	3.1%
	Middle	51.5%	0	0.0%	31.3%	\$0	0.0%	66.6%
	Upper	22.8%	0	0.0%	3.1%	\$0	0.0%	0.5%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	1	100.0%	100.0%	\$3,040	100.0%	100.0%
HMDA TOTALS	Low	4.6%	1	1.4%	7.3%	\$3,040	11.6%	6.5%
	Moderate	4.8%	2	2.9%	5.1%	\$540	2.1%	3.7%
	Middle	50.0%	37	52.9%	49.2%	\$12,573	47.8%	43.4%
	Upper	40.0%	30	42.9%	38.3%	\$10,151	38.6%	46.4%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	70	100.0%	100.0%	\$26,304	100.0%	100.0%

\*Distribution of multifamily units by census tract income.

2015 ACS, 2018 Aggregate HMDA Data, 2018 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 banks comprising the aggregate and may include additional loan types not required to be reported by the bank

In 2017, the bank originated 1 loan, or 1.3 percent, in a low-income census tract, which trailed the aggregate by 7.1 percentage points. For the same year, the bank did not originate any loans in moderate-income tracts, as compared to the aggregate, at 5.8 percent. During the evaluation period, the bank penetrated 1 out of the 18 low-income census tracts, or 5.6 percent, and 0 of the 5 moderate-income census tracts in the assessment area. The bank penetrated 1 of the 17 low-income census tracts in Lawrence, and 0 of the 5 moderate-income census tracts in Lawrence, Methuen, and North Andover.

In 2018, the bank originated 1 loan, or 1.4 percent, in low-income census tracts, which trailed the aggregate by 5.9 percentage points. For the same year, the bank originated 2 loans, or 2.9 percent, in moderate-income census tracts, which trailed the aggregate by 2.2 percentage points. During the evaluation period, the bank penetrated 1 out of the 18 low-income census tracts, or 5.6 percent, and 2 out of the 5 moderate-income census tracts, or 40.0 percent, in the assessment area. The bank's lending performance to low- and moderate-income geographies in the last two quarters of 2016 was consistent with its performance in 2017 and 2018. During the evaluation period, the bank penetrated 1 of the 17 low-income tracts and the 1 moderate-income census tract in Lawrence and 1 of the 2 moderate-income census tracts in Methuen.

Given the competitive peer environment in which the bank operates and the low number of OOHUs within the low- and moderate income tracts located in the bank's assessment area, examiners compared the bank's overall loan origination volume in low- and moderate-income census tracts in 2017 and 2018 to similarly-situated financial institutions by asset size. This analysis, which included banks operating within the assessment area with asset sizes from \$250 million to \$750 million, further supported the conclusion that based on overall loan origination volume, there was adequate opportunity for the bank to penetrate these areas with home mortgage loans in 2017 and 2018.

These similarly-situated banks were able to penetrate the low- and moderate-income tracts consistently and achieved higher lending percentages within these areas compared to the bank. These analyses show that there is a conspicuous gap in lending in low- and moderate-income census tracts, and as a result, examiners concluded that the geographic distribution of loans reflects a poor dispersion throughout the assessment area and this criterion is rated needs to improve. While the bank's efforts to lend in low- and moderate-income tracts did not translate into loans during the review period, it was acknowledged that Lawrence is the northern limit of the assessment area. Recent outreach efforts, while noted by examiners may not yet have resulted in the desired level of lending. The bank's continued outreach to these areas, including plans to open a branch in Lawrence, will likely lead to increased application and loan volume from these areas.

### *Small Business Lending*

Table 11 represents the distribution of small business loans by census tract income level.

<b>Table 11</b>						
<b>Geographic Distribution of Small Business Loans by Census Tract</b>						
<b>Census Tract Income Level</b>	<b>2017 % Total Business by Tracts</b>	<b>2017 Bank</b>		<b>2018 % Total Business by Tracts</b>	<b>2018 Bank</b>	
	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	7.3	1	5.3	7.7	0	0.0
Moderate	3.6	0	0.0	3.6	0	0.0
Middle	49.9	5	26.3	50.1	6	75.0
Upper	39.2	13	68.4	38.6	2	25.0
N/A	0.0	0	0.0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>

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

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

During the evaluation period, the bank originated small business loans primarily in middle- and upper income census tracts. In 2017, the bank extended 19 loans to small businesses: 1 loan, or 5.3 percent, was extended to a business located in a low-income census tract. For the same year, the bank did not originate any loans to small businesses located in moderate-income census tracts. In 2018, the bank originated 8 loans to small businesses, none of which were located in low-income or moderate-income census tracts.

Although the data indicate low opportunity for lending to businesses in low-and-moderate income tracts, both community contacts stated that small businesses in the city of Lawrence need access to banks who understand and are willing to offer small dollar loans and/or other innovative financing programs aimed at local small businesses. The bank is involved in the city of Lawrence through various outreach activities and is aware of this need. As a result of these factors, the bank's geographic distribution of small business loans reflects a poor dispersion throughout the assessment area.

### **Response to Complaints**

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

### **CONCLUSIONS: LENDING TEST**

Given performance context considerations: the bank's lending levels overall reflected an adequate responsiveness and is "Satisfactory." The bank's performance in meeting the credit needs in the assessment area was demonstrated by maintaining a reasonable LTD ratio and its record of extending the majority of loans inside the assessment area. The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. However, the bank's geographic distribution of loans reflects poor penetration throughout the assessment area, particularly among low- and moderate-income census tracts.

## COMMUNITY DEVELOPMENT TEST

Reading's performance under the Community Development Test is rated Satisfactory. The bank demonstrated an adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services.

During the evaluation period, the bank originated four community development loans, totaling \$4.0 million. These loans supported the creation of 3 deeded affordable housing units in Wilmington, and the acquisition and renovation of 39 rental units and 6 commercial units in a mixed commercial and residential structure in Lawrence. Lastly, two of the loans to local Community Development Corporations (CDC) contributed to economic development and revitalization programs in Lawrence. Per the community contact, affordable housing and funding for small businesses to spur on economic development are primary community needs. As such the bank's community development loans were deemed to be particularly responsive.

The bank also made a total of \$231,642 in qualified investments in the form of donations. Four grants, totaling \$105,000, were made in connection with the Community Investment Tax Credit Program (CITC) created by the Commonwealth of Massachusetts. The CITC encourages initiatives, involving residents, public and private stakeholders as well as CDCs, to develop and implement programs aimed at improving economic opportunities for low and moderate income individuals throughout the Commonwealth. In addition, the bank donated \$126,642 to over 35 organizations serving low-income and moderate-income populations within the assessment area. The following is a sample of organizations to which the bank donated during this evaluation period:

**Greater Lawrence Community Action Council, Inc.** – This organization's mission statement states, "Greater Lawrence Community Action Council, Inc. opens pathways to stability and prosperity for people in need, and prepares them to make decisions that will positively affect their lives." As such, it provides a variety of community services for families, immigrants, youth and seniors. Located in a low-income census tract, the organization's early learner services include Head Start and the Lawrence Early Achievement Partnership (LEAP). It also provides education and training for English for Speakers of Other Languages, as well as assistance in energy conservation and fuel programs. Lastly its health and nutrition services include assistance navigating health care, a lead poisoning prevention program, and the Lawrence Women, Infants and Children program (WIC).

**Lawrence Community Works (LCW)** – LCW is a CDC, located in a low-income census tract, working at the intersection of community planning and organizing, asset building, affordable housing, and economic development. The LCW implements its various programs under three main areas: asset building with programs ranging from matched savings and financial education, to homebuyer education; network organizing focuses on community building; and the Movement City Youth Network, which creates a safe environment for local youth.

**Boys and Girls Club of Lawrence** – This organization's mission is to "enable all young people of Greater Lawrence, especially those who need us most, to reach their full potential as productive, caring, responsible citizens." To further its mission, the organization implements programming to support youth in local community engagement. It also provides academic

support and promotes healthy lifestyles through peer mentoring.

**Mission of Deeds, Inc.** – This Reading-based organization provides basic home necessities, without charge, to those in need in Essex and Middlesex Counties. Per the organization’s website over 70.0 percent of the households served live at or below the federal poverty level. The organization receives assistance referrals from over 200 social services agencies, schools, hospitals, and religious organizations.

**Lazarus House Ministries** – This non-profit organization located in Lawrence provides nutritional services through a soup kitchen, food pantry, evening bag lunch and a winter soup truck to local residents who are in need. The organization also runs an emergency shelter, as well as a thrift shop where clothing can be obtained at low or no cost. Lastly, the organization provides training in culinary arts and classes for English for Speakers of Other Languages.

In addition to community development loans and qualified investments, the bank participated in a variety of community development services during the evaluation period, a sample of which follows:

Bank employees conducted 21 financial literacy events at the **Abbott Lawrence Academy**, where students learned about savings, gross income and net income, the general use of credit, credit scores, credit building, and evaluating credit offers. The majority of students at the Abbott Lawrence Academy qualify for free or reduced lunch.

**Eliot Community Human Services** is a non-profit organization located in Lexington, whose mission is to assist individuals with limited or no resources by providing mental health services as well as homeless services. During the evaluation period, the bank’s vice president of credit served on the organization’s finance committee as treasurer.

As previously mentioned, the bank has a student-run branch in Wakefield at the **Northeast Metropolitan Regional Vocational High School**. The majority of the student body qualifies for free or reduced lunch. During the evaluation period, bank employees served on various committees, conducted financial literacy programs, as well as job training programs at the school.

## CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

During this evaluation period, the bank originated a reasonable level community development loans to borrowers, which helped support the creation and rehabilitation of affordable housing and promoted economic development and revitalization. Reading provided qualified investments in communities within the assessment area through qualified CITC investments and donations to organizations serving low- and moderate-income populations. Lastly, bank employees conducted community services supporting a variety of not-for-profit and public organizations throughout the assessment area. As a result, Reading’s community development initiatives demonstrate an adequate responsiveness to the community development needs of the community and as such is rated “Satisfactory.”

## **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 practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX

### GLOSSARY

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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