

PUBLIC DISCLOSURE

November 1, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cornerstone Bank
RSSD # 447100

176 Main Street
Spencer, Massachusetts 01562

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

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

Lending Test

- The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonable variations) given the bank's size, financial condition, the credit needs of its assessment area and taking into account, as appropriate, other lending related activities;
- A majority of its loans and, as appropriate, other lending related activities, are in the bank's assessment area;
- The distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low-and moderate-income individuals) and businesses of different sizes is reasonable given the demographics of the bank's assessment area;
- The geographic distribution of loans is reasonable given the bank's 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 in 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

Cornerstone's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions¹. These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment area concentration of loans, geographic distribution of loans, loan distribution according to the income of the borrower, and response to CRA-related complaints. The Community Development Test measures the number and amount of community development loans; the number and amount of qualified investments; the extent to which the institution provides community development services; and the bank's responsiveness through such activities.

The data used for the evaluation and the applicable timeframes are discussed below.

The Lending Test evaluated residential loans and small business loans originated by the bank from January 1, 2018 to December 31, 2020. The two most recent calendar years of loan data, 2019 and 2020, are presented in the tables unless otherwise noted. The 2018 data was reviewed for trend analysis, and applicable information is provided in the narrative.

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 the new loan type of "other purpose." "Other purpose" loans are for purposes other than home purchase, refinancing, or home improvement. This evaluation does not include analysis of "other purpose" 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.

Small business loans, for the purpose of this evaluation, include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. While the bank is not currently required to collect and report small business loan data, this data was obtained from bank records and reviewed given the proportion of the bank's loan portfolio comprised of commercial loans. The bank's 2018, 2019 and 2020 small business lending performance was compared to business demographics obtained from Dun & Bradstreet, Short Hills, NJ (D&B).

Given the composition of the bank's loan portfolio, more emphasis was placed on mortgage lending than small business lending in consideration of a rating for the Lending Test.

¹ "Intermediate small institution" means a bank or savings association with assets of at least \$330 million as of December 31 of both prior two calendar years and less than \$1.322 billion as of December 31 of either of the prior two calendar years.

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

The Community Development Test included a review of community development loans, qualified investments, and community development services for the period of October 15, 2018 through November 1, 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.

Cornerstone's CRA performance was last evaluated by the Federal Reserve Bank of Boston on October 15, 2018, 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."

DESCRIPTION OF INSTITUTION

Cornerstone is a state-member bank with its main office located at 176 Main Street, Spencer, Massachusetts (MA). Cornerstone was formed in 2017 as a result of a merger between Southbridge Savings Bank and Spencer Bank. Cornerstone is a wholly owned subsidiary of SSB Community Bancorp, a mutual holding company.

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. The bank also offers online and mobile banking.

The bank operates 12 full-service branches, including its main office, throughout Worcester County, MA. The branches are in the following towns and cities; Charlton, Holden, Leicester, Rutland, Southbridge, Spencer (2), Sturbridge, Warren, Webster, and Worcester (2). Of the 12 full-service branches, one branch is in a low-income tract, three branches are in moderate-income tracts, three are in middle-income tracts, and five are in upper-income tracts. Cornerstone operates one stand-alone ATM in a low-income census tract in Worcester, MA.

The bank closed three branches during the evaluation period. In 2018, the bank closed a branch in North Oxford and a branch in Spencer. In 2020, the bank closed a branch in Southbridge. All three of the closed branches were in middle-income tracts. The bank opened a loan production office (LPO) in Westborough, MA in 2020. The LPO is in an upper-income census tract.

As of June 30, 2021, the bank's assets totaled \$1.4 billion, loans totaled \$1.2 billion, and deposits totaled \$1.2 billion. Since June 30, 2018, assets have increased by 23.2 percent, loans increased by 17.9 percent, and deposits increased by 27.8 percent.

Table 1 provides details of the bank's loan portfolio as of June 30, 2021.

Table 1		
Loan Distribution as of June 30, 2021		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	12,858	1.1
Revolving 1-4 Family Residential	28,449	2.4
Secured by Farmland	91	0.0
1-4 Family Residential	594,484	50.7
Multifamily (5 or more) Residential	63,015	5.4
Commercial RE	382,406	32.6
Total Real Estate Loans	1,081,303	92.2
Commercial and Industrial	84,189	7.2
Consumer	7,092	0.6
Other Loans	545	0.0
Less unearned income	0	0.0
Total Loans	1,173,129	100.0

Call Report as of June 30, 2021

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

Cornerstone is primarily a residential lender. Residential loans, which include closed-end and revolving 1-4 family loans, as well as loans secured by multifamily properties, accounted for 58.5 percent of the bank's loan portfolio. Commercial loans, which include loans secured by commercial real estate and commercial and industrial loans, totaled 39.8 percent of the loan portfolio.

The bank operates in a competitive environment for home mortgage loans, competing against national banks, mortgage companies, community banks, and credit unions. HMDA aggregate data from 2019 showed 410 lenders had originated or purchased a home mortgage loan in the bank's CRA assessment area. Out of these 410 lenders, Cornerstone ranked 13th. In 2020, the bank ranked 7th out of 428 lenders. The top five lenders in the bank's assessment area in 2020 were Rocket Mortgage, LLC d/b/a Quicken Loans, Fairway Independent Mortgage Company, Wells Fargo Bank, NA, United Wholesale Mortgage LLC, and Residential Mortgage Services.

Though the bank is not a CRA small business loan reporter, CRA small business aggregate loan data provides information on the competition for small business loans in the assessment area. CRA small business loan aggregate data only includes entities which are required to report their CRA small business lending. In 2019, there were 109 lenders which reported originating or purchasing a CRA small business loan in the assessment area, while in 2020 there were 113 lenders. The top three lenders in 2020 were American Express NB, Bank of America, NA, and Synchrony Bank.

The Federal Deposit Insurance Corporation's Deposit Market Share Report indicates that 27 institutions offered deposit services within the assessment area as of June 30, 2021. The bank ranked 7th out of 27 institutions, with a 5.1 percent market share. The top three depository institutions were Bank of America, NA, TD Bank, NA, and UniBank for Savings.

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

Cornerstone has defined its CRA assessment area to include 34 contiguous towns and cities located in portions of Worcester County, MA; Hampden County, MA; Hampshire County, MA; and Windham County, CT. Worcester County and Windham County are part of the Worcester MA-CT Metropolitan Statistical Area (Worcester MSA), while Hampshire and Hampden Counties are within the Springfield, MA MSA (Springfield MSA). The following cities and towns are in Worcester County: Auburn, Boylston, Brookfield, Charlton, Dudley, Douglas, East Brookfield, Grafton, Holden, Leicester, Millbury, North Brookfield, Oakham, Oxford, Paxton, Rutland, Shrewsbury, Spencer, Southbridge, Sturbridge, Sutton, Warren, Webster, West Boylston, West Brookfield, and Worcester. The municipalities of Brimfield, Holland, Monson, Palmer, and Wales are in Hampden County. The town of Ware is in Hampshire County. The towns of Thompson and Woodstock are located Windham County.

There have been no changes to the assessment area since the last examination.

Table 2 displays the relevant assessment area demographics.

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	15	13.4	12,915	10.3	3,967	30.7	29,016	23.3
Moderate-income	21	18.8	18,762	15.0	3,013	16.1	21,165	17.0
Middle-income	46	41.1	55,639	44.6	3,013	5.4	25,154	20.2
Upper-income	27	24.1	37,143	29.8	1,113	3.0	49,457	39.6
Unknown-income	3	2.7	333	0.3	124	37.2	0	0.0
Total Assessment Area	112	100.0	124,792	100.0	11,230	9.0	124,792	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	26,060	4,405	3.6	16.9	18,946	72.7	2,709	10.4
Moderate-income	37,107	13,642	11.3	36.8	18,883	50.9	4,582	12.3
Middle-income	91,641	61,958	51.2	67.6	21,971	24.0	7,712	8.4
Upper-income	53,372	40,976	33.8	76.8	9,116	17.1	3,280	6.1
Unknown-income	1,540	111	0.1	7.2	1,184	76.9	245	15.9
Total Assessment Area	209,720	121,092	100.0	57.7	70,100	33.4	18,528	8.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	1,994	9.5	1,780	9.2	197	12.2	17	12.2
Moderate-income	3,041	14.5	2,754	14.3	264	16.3	23	16.5
Middle-income	8,931	42.5	8,218	42.6	658	40.6	55	39.6
Upper-income	6,113	29.1	5,696	29.5	379	23.4	38	27.3
Unknown-income	958	4.6	830	4.3	122	7.5	6	4.3
Total Assessment Area	21,037	100.0	19,278	100.0	1,620	100.0	139	100.0
	Percentage of Total Businesses:			91.6		7.7		0.7

2015 ACS and 2020 Dun & Bradstreet data.

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

The assessment area contains 112 census tracts, of which 15, or 13.4 percent, are low-income tracts, 21, or 18.8 percent, are moderate-income tracts, 46, or 41.1 percent, are middle-income tracts, 27, or 24.1 percent, are upper-income tracts, and 3, or 2.7 percent, are tracts with an unknown-income. Of the 15 low-income tracts, 13 are in Worcester and 2 are in Southbridge. Of the 21 moderate-income tracts, 12 are in Worcester and 3 are in Webster. The following municipalities each contain a moderate-income tract; Dudley, Millbury, Southbridge, Spencer, Ware, and Warren.

Housing

The assessment area includes 209,720 housing units, of which 12.4 percent are in low-income tracts and 17.7 percent are in moderate-income tracts. Of the total housing units, 57.7 percent are owner-occupied, 33.4 percent are rental, and 8.8 percent are vacant.

Based on 2015 ACS data, the median housing value in the assessment area in 2015 was \$241,413, which was lower than the overall median housing value in the Commonwealth of Massachusetts, at \$333,100. Within the bank's assessment area, the 2015 median housing value in low-income tracts was \$188,502, in moderate-income tracts was \$188,048, in middle-income tracts was \$226,365, and in upper-income tracts was \$303,029.

Housing prices have increased since 2015 in the assessment area. Data obtained from The Warren Group, Boston, MA, shows that the median housing sales price in Worcester County in 2019 was \$278,900 and in 2020 was \$311,000; in Windham County, the median housing sales price in 2019 was \$180,000 and in 2020 was \$210,000; in Hampden County, the median housing sales price in 2019 was \$199,900 and in 2020 was \$220,000; in Hampshire County, the median housing sales price in 2019 was \$266,000 and in 2020 was \$280,000.

Business Characteristics

Based on 2020 D&B data, there were 21,037 businesses in the assessment area, of which 1,994, or 9.5 percent, were in low-income tracts, 3,041, or 14.5 percent, were in moderate-income tracts, 8,931, or 42.5 percent, were in middle-income tracts, 6,113, or 29.1 percent, were in upper-income tracts, and 958, or 4.6 percent, were in tracts with an unknown-income. Of the businesses in the assessment area, 19,278, or 91.6 percent, had gross annual revenues (GARs) of less than or equal to \$1 million, 1,620, or 7.7 percent, had GARs above \$1 million, and 139, or 0.7 percent, had unknown revenues.

The top industries in the Worcester MSA include education, healthcare, insurance, and retail. Top employers include the University of Massachusetts, MSC Industrial Supply Company, Commerce Insurance Company, Community Healthlink Inc, and Fallon Health.

The top industries in the Springfield MSA include healthcare, insurance, government, and retail. Top employers include Baystate Health, C&S Wholesale Grocers Inc, Hampden County Correctional Facilities, and Massachusetts Mutual Life Insurance.

Population

The total population in the assessment area is 510,736 based on the 2015 ACS. Of this total population, 11.8 percent reside in low-income tracts, 16.6 percent reside in moderate-income tracts, 43.1 percent reside in middle-income tracts, 27.6 percent reside in upper-income tracts, and 0.9 percent reside in tracts with unknown income.

The assessment area contains 124,792 families, of which 23.3 percent are low-income, 17.0 percent are moderate-income, 20.2 percent are middle-income, and 39.6 percent are upper income. The percentage of families below the poverty level is 9.0 percent.

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 incomes for the assessment area.

Table 3 Median Family Income Comparison					
Year	MSA/MD/Town/County/State	MFI	Year	MSA/MD/Town/County/State	MFI
2019	Worcester, MA-CT MSA	\$95,300	2020	Worcester, MA-CT MSA	\$95,300
2019	Springfield, MA MSA	\$76,700	2020	Springfield, MA MSA	\$76,900
2019	Commonwealth of Massachusetts	\$102,600	2020	State of Massachusetts	\$109,900

FFIEC median family income estimates.

Table 3 shows the MFIs for the Worcester MSA, Springfield MSA, and the Commonwealth of Massachusetts. The MFIs in the Worcester MSA and Springfield MSA are below that of the Commonwealth of Massachusetts for both 2019 and 2020. From 2019 to 2020, the Worcester MSA MFI did not change from \$95,300. For the Springfield MSA, the MFI increased slightly from \$76,700 in 2019 to \$76,900 in 2020. For the Commonwealth of Massachusetts, the MFI increased from \$102,600 in 2019 to \$109,900 in 2020.

Employment Statistics

The unemployment rate in the Worcester MSA in December 2019 was 2.8 percent. In 2020, the unemployment rate drastically increased due to economic shutdowns precipitated by the COVID-19 pandemic, reaching a high of 14.7 percent in April 2020. Since then, the unemployment rate has trended downwards, reflecting improved economic conditions. The unemployment rate in December 2020 was 7.3 percent, and in August 2021 was 5.7 percent.

The unemployment rate in the Springfield MSA shows a similar trajectory to that in the Worcester MSA. In December 2019, the unemployment rate was 3.1 percent, reached a high of 15.1 percent in April 2020, and has shown a decreasing trend thereafter. The unemployment rate in December 2020 was 8.3 percent, and in August 2021 was 6.4 percent.

Community Contact

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.

Examiners met with an organization that develops and manages affordable housing throughout Worcester County. The contact stated that affordable housing for low-income individuals is the greatest community development need in the community. Home prices and rents have increased drastically in the Worcester area, exacerbated by the pandemic which has caused tight housing

inventory, supply chain issues, and higher homebuilding prices. Low- and moderate-income borrowers would benefit from greater access to subsidized homebuying loan programs and other flexible forms of credit. Financial institutions can get involved by partnering with organizations such as MassHousing, or by creating loan products that target low- and moderate-income borrowers who do not qualify for traditional mortgage products.

In addition, there is an opportunity for banks to provide multilingual financial services and other forms of technical assistance to their customers, as the area is experiencing a growing immigrant and refugee population whose first language is not English. These types of services could help improve access to credit for this underbanked population.

Overall, the contact mentioned that local community banks are being responsive to the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Cornerstone Bank'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. Cornerstone's LTD ratio is more than reasonable (considering seasonable variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs.

The bank's net LTD ratio 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.

For the 12 quarters from September 30, 2018 to June 30, 2021, Cornerstone's net LTD ratio averaged 107.9 percent. The ratio showed a slightly decreasing trend over the evaluation period; the ratio reached a high of 112.9 percent on June 30, 2019, and a low of 101.0 percent on June 30, 2021. The decrease observed in the net LTD ratio is attributed to the influx of deposits brought upon by the COVID-19 pandemic, a trend that was observed throughout the industry.

Table 4 provides a comparison of the bank's average LTD ratio over the past 12 quarters under evaluation to similarly sized institutions operating within the assessment area. The bank's average LTD ratio of 107.9 percent is higher than the average LTD ratios of three similarly situated institutions.

Table 4 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets*	Average LTD Ratio**

	\$(000's)	(%)
Cornerstone Bank	1,394	107.9
Country Bank for Savings	1,758	102.6
Webster Five Cents Savings Bank	1,010	98.6
Hometown Bank	1,288	75.7

*Call Report as of June 30, 2021

**Call Reports from September 30, 2018 to June 30, 2021

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area using 2019 and 2020 HMDA and small business loan data. As shown below, a majority of loans, at 74.3 percent, are in the bank's assessment area.

Table 5 Lending Inside and Outside Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	53	91.4	\$3,797	91.3	5	8.6	\$364	8.7
Home Purchase - Conventional	220	63.4	\$59,649	54.8	127	36.6	\$49,294	45.2
Multifamily Housing	32	74.4	\$17,915	72.9	11	25.6	\$6,658	27.1
Refinancing	643	76.4	\$146,561	62.9	199	23.6	\$86,599	37.1
Total HMDA related	948	73.5	\$227,922	61.5	342	26.5	\$142,915	38.5
Small Business	156	80.0	\$32,631	76.3	39	20.0	\$10,144	23.7
TOTAL LOANS	1,104	74.3	\$260,553	63.0	381	25.7	\$153,059	37.0

HMDA and small business loans for 2019 and 2020. Small business loan data is bank provided

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

Residential Lending

Cornerstone originated a total of 1,290 HMDA loans, of which 948, or 73.5 percent, were inside the assessment area. By dollar volume, the bank originated 61.5 percent of its HMDA loans inside the assessment area.

By product type, home improvement loans had the greatest concentration inside the assessment area, at 91.4 percent, while home purchases had the lowest concentration, at 63.4 percent. The concentrations for multifamily housing loans and refinance loans were consistent with the overall concentration of HMDA loans inside the assessment area.

In 2018, the bank originated 79.2 percent of HMDA loans inside the assessment area.

Small Business Lending

The bank originated a total of 195 small business loans, of which 156, or 80.0 percent, were inside the assessment area by number, and 76.3 percent by dollar volume.

In 2018, the bank originated 75.2 percent of its small business loans inside the assessment area.

Borrower Profile

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

Residential Lending

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and aggregate data. Emphasis was placed on the number rather than the dollar amount of loans. The table further outlines the bank's performance by loan type. The bank's performance in home mortgage lending to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

Table 6 - HMDA Distribution by Borrower Income														
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	23.2%	12	10.8%	8.0%	\$1,952	6.8%	5.0%	6	5.5%	6.6%	\$1,136	3.7%	4.2%
	Moderate	17.0%	25	22.5%	28.6%	\$5,000	17.4%	24.1%	23	21.1%	28.6%	\$5,056	16.3%	23.8%
	Middle	20.2%	25	22.5%	24.3%	\$5,611	19.5%	24.7%	30	27.5%	24.8%	\$7,575	24.5%	25.0%
	Upper	39.6%	41	36.9%	25.7%	\$14,613	50.9%	32.5%	42	38.5%	28.6%	\$15,410	49.8%	35.4%
	Unknown	0.0%	8	7.2%	13.3%	\$1,538	5.4%	13.7%	8	7.3%	11.4%	\$1,758	5.7%	11.5%
	Total	100.0%	111	100.0%	100.0%	\$28,714	100.0%	100.0%	109	100.0%	100.0%	\$30,935	100.0%	100.0%
REFINANCE	Low	23.2%	15	10.6%	6.7%	\$1,926	7.0%	4.0%	21	4.2%	4.6%	\$2,823	2.4%	2.7%
	Moderate	17.0%	29	20.4%	18.0%	\$4,199	15.3%	14.0%	105	21.0%	16.9%	\$17,865	15.0%	12.9%
	Middle	20.2%	37	26.1%	23.6%	\$6,515	23.7%	22.4%	128	25.5%	24.3%	\$24,894	20.9%	22.5%
	Upper	39.6%	61	43.0%	35.0%	\$14,855	54.0%	41.6%	245	48.9%	40.0%	\$73,148	61.4%	46.8%
	Unknown	0.0%	0	0.0%	16.6%	\$0	0.0%	18.0%	2	0.4%	14.2%	\$336	0.3%	15.0%
	Total	100.0%	142	100.0%	100.0%	\$27,495	100.0%	100.0%	501	100.0%	100.0%	\$119,066	100.0%	100.0%
HOME IMPROVEMENT	Low	23.2%	3	10.3%	6.8%	\$90	6.3%	4.3%	2	8.3%	5.8%	\$125	5.3%	4.8%
	Moderate	17.0%	4	13.8%	20.6%	\$199	13.9%	14.7%	9	37.5%	19.0%	\$768	32.4%	15.8%
	Middle	20.2%	9	31.0%	27.9%	\$289	20.2%	28.2%	4	16.7%	25.8%	\$200	8.4%	22.1%
	Upper	39.6%	12	41.4%	41.6%	\$584	40.9%	46.6%	7	29.2%	44.0%	\$931	39.3%	46.9%
	Unknown	0.0%	1	3.4%	3.1%	\$266	18.6%	6.1%	2	8.3%	5.4%	\$345	14.6%	10.4%
	Total	100.0%	29	100.0%	100.0%	\$1,428	100.0%	100.0%	24	100.0%	100.0%	\$2,369	100.0%	100.0%
MULTIFAMILY	Low	23.2%	0	0.0%	0.7%	\$0	0.0%	0.1%	1	5.3%	0.7%	\$75	0.7%	0.0%
	Moderate	17.0%	1	7.7%	0.7%	\$400	6.1%	0.1%	0	0.0%	0.7%	\$0	0.0%	0.1%
	Middle	20.2%	0	0.0%	2.2%	\$0	0.0%	0.3%	0	0.0%	0.7%	\$0	0.0%	0.1%
	Upper	39.6%	0	0.0%	3.0%	\$0	0.0%	0.3%	0	0.0%	4.9%	\$0	0.0%	1.8%
	Unknown	0.0%	12	92.3%	93.3%	\$6,129	93.9%	99.2%	18	94.7%	93.0%	\$11,311	99.3%	98.0%
	Total	100.0%	13	100.0%	100.0%	\$6,529	100.0%	100.0%	19	100.0%	100.0%	\$11,386	100.0%	100.0%
HMDA TOTAL	Low	23.2%	30	10.2%	7.3%	\$3,968	6.2%	4.3%	30	4.6%	5.2%	\$4,159	2.5%	3.1%
	Moderate	17.0%	59	20.0%	23.1%	\$9,798	15.3%	18.2%	137	21.0%	20.3%	\$23,689	14.5%	16.2%
	Middle	20.2%	71	24.1%	23.7%	\$12,415	19.3%	22.0%	162	24.8%	24.0%	\$32,669	19.9%	22.5%
	Upper	39.6%	114	38.6%	30.4%	\$30,052	46.8%	34.2%	294	45.0%	35.7%	\$89,489	54.6%	41.3%
	Unknown	0.0%	21	7.1%	15.5%	\$7,933	12.4%	21.4%	30	4.6%	14.8%	\$13,750	8.4%	16.7%
	Total	100.0%	295	100.0%	100.0%	\$64,166	100.0%	100.0%	653	100.0%	100.0%	\$163,756	100.0%	100.0%

2015 ACS, 2019 & 2020 Aggregate HMDA Data, and 2019 & 2020 HMDA LARs.

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

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

In 2019, the bank's lending to low-income borrowers was at 10.2 percent, outperforming the aggregate, at 7.3 percent, but well below the percentage of low-income families, at 23.2 percent. For the same year, the bank originated 20.0 percent of its loans to moderate-income borrowers, which is below the aggregate at 23.1 percent but above the percentage of moderate-income families at 17.0 percent. The bank originated 24.1 percent of loans to middle-income borrowers, which is higher than the aggregate, at 23.7 percent, and the percentage of families, at 20.2 percent. Cornerstone originated 38.6 percent of loans to upper-income borrowers, which is higher than the aggregate, at 30.4 percent, but lower than the percentage of families, at 39.6 percent. The bank originated 7.1 percent of loans to borrowers with an unknown-income, which is lower than the aggregate, at 15.5 percent.

In 2020, Cornerstone's performance fell to 4.6 percent of loans originated to low-income borrowers, which was below both the aggregate, at 5.2 percent, and the percentage of low-income families, at 23.2 percent. The bank's lending to moderate-income borrowers for 2020 was at 21.0 percent, which was slightly higher than the aggregate, at 20.3 percent, and above the percentage of moderate-income families, at 17.0 percent. Cornerstone originated 24.8 percent of loans to middle-income borrowers, which is slightly higher than the aggregate, at 24.0 percent, and the percentage of families, at 20.2 percent. The bank originated 45.0 percent to upper-

income borrowers, which is higher than both the aggregate, at 35.7 percent, and the percentage of families, at 39.6 percent. Cornerstone originated 4.6 percent of loans to borrowers with an unknown income, which is lower than the aggregate, at 14.8 percent.

As mentioned, the bank's lending to low-income borrowers was well below the percentage of families for both years. This is not unexpected due to the relatively high housing values as compared to median family incomes, which makes it difficult to qualify for mortgage financing for these borrowers. As noted by the community contact, there is a need for subsidized homebuying loan programs and other flexible forms of credit to make mortgage financing accessible to low-income borrowers. As further noted by the community contact, home prices have substantially increased year over year in the assessment area, particularly during the pandemic, resulting in further barriers to homeownership for low-income borrowers. Therefore, comparisons of the bank's lending to aggregate serves as a better indicator of the bank's performance.

Moderate-income borrowers also face challenges in obtaining mortgages due to rising housing values. Cornerstone was able to lend to these borrowers at a rate comparable to the aggregate and the percentage of families for both 2019 and 2020.

By dollar volume, a significant percentage of loans were originated to upper-income borrowers in both 2019 and 2020. This is not unexpected due to the expanded financial capacity that these borrowers often have.

There was a large increase in refinance loans from 142 loans in 2019 to 501 loans in 2020, as consumers took advantage of the low-interest rate environment. Refinance loans made up 76.7 percent of the bank's HMDA lending in 2020, and the performance within this product category was consistent with the overall HMDA performance under this criterion. For 2020 in this loan category, the bank originated 4.2 percent of its refinance loans to low-income borrowers, which is lower than both the aggregate, at 4.6 percent, and the demographics, at 23.2 percent. Cornerstone originated 21.0 percent of its refinance loans to moderate-income borrowers, which is higher than the aggregate, at 16.9 percent, and the demographics, at 17.0 percent.

The bank's performance in the other home mortgage product categories is consistent with the overall HMDA performance under this criterion.

Cornerstone's 2018 HMDA lending was consistent with the years included in Table 6. The bank originated 8.3 percent of loans to low-income borrowers, and 21.4 percent of loans to moderate-income borrowers for that year.

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. Emphasis was placed on the number of loans rather than the dollar amount when compared to business demographics. Table 7 details the bank's lending to small businesses according to revenue size. The bank's performance in lending to businesses with GARs of \$1 million or less is reasonable.

Table 7 Distribution of Small Business Loans By Gross Annual Revenue of Business										
Gross Annual Revenues	2019 Total Businesses %	2019 Bank				2020 Total Businesses %	2020 Bank			
		#	%	\$\$	%		#	%	\$\$	%
\$1 Million or Less	91.5%	51	60.7%	\$11,491	62.7%	91.6%	46	63.9%	\$7,654	53.5%
Over \$1 Million	7.9%	33	39.3%	\$6,844	37.3%	7.7%	26	36.1%	\$6,642	46.5%
Rev. Not Known	0.6%	0	0.0%	\$0	0.0%	0.7%	0	0.0%	\$0	0.0%
Total	100.0%	84	100.0%	\$18,335	100.0%	100.0%	72	100.0%	\$14,296	100.0%

Dun & Bradstreet 2019 and 2020. Small business data for 2019 and 2020 is bank provided.

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

In 2019, the bank originated 60.7 percent of loans to businesses with GARs of \$1 million or less, as compared to the percentage of businesses, at 91.5 percent. In 2020, the bank originated 63.9 percent of loans to businesses with GARs of \$1 million or less, as compared to the percentage of businesses, at 91.6 percent.

Though not included in the table, the bank's 2018 performance was similar to the performance in 2019 and 2020. In 2018, the bank originated a majority of its loans, at 58.2 percent, to businesses with GARs of \$1 million or less.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrates a reasonable geographic distribution of loans given its assessment area.

Residential Lending

Table 8 provides a comparison of the bank's home mortgage lending by census tract income level to the aggregate lending data and demographics of the assessment area. The analysis focuses on the number rather than dollar amount of loans. The bank's geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.

Table 8 - HMDA Distribution by Census Tract Income														
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	Low	3.6%	7	6.3%	6.7%	\$1,327	4.6%	6.6%	3	2.8%	5.9%	\$416	1.3%	5.8%
	Moderate	11.3%	14	12.6%	14.0%	\$2,329	8.1%	11.5%	7	6.4%	13.9%	\$1,462	4.7%	11.7%
	Middle	51.2%	56	50.5%	47.2%	\$14,395	50.1%	43.7%	57	52.3%	49.1%	\$15,006	48.5%	45.2%
	Upper	33.8%	34	30.6%	32.0%	\$10,663	37.1%	38.1%	42	38.5%	31.0%	\$14,051	45.4%	37.3%
	Unknown	0.1%	0	0.0%	0.2%	\$0	0.0%	0.1%	0	0.0%	0.1%	\$0	0.0%	0.1%
	Total	100.0%	111	100.0%	100.0%	\$28,714	100.0%	100.0%	109	100.0%	100.0%	\$30,935	100.0%	100.0%
REFINANCE	Low	3.6%	0	0.0%	4.2%	\$0	0.0%	3.7%	11	2.2%	3.5%	\$1,813	1.5%	3.1%
	Moderate	11.3%	14	9.9%	10.3%	\$1,871	6.8%	8.2%	40	8.0%	8.6%	\$5,880	4.9%	6.8%
	Middle	51.2%	80	56.3%	47.4%	\$14,198	51.6%	43.1%	257	51.3%	45.2%	\$53,528	45.0%	40.3%
	Upper	33.8%	48	33.8%	38.1%	\$11,426	41.6%	44.9%	193	38.5%	42.7%	\$57,845	48.6%	49.7%
	Unknown	0.1%	0	0.0%	0.1%	\$0	0.0%	0.0%	0	0.0%	0.1%	\$0	0.0%	0.0%
	Total	100.0%	142	100.0%	100.0%	\$27,495	100.0%	100.0%	501	100.0%	100.0%	\$119,066	100.0%	100.0%
HOME IMPROVEMENT	Low	3.6%	1	3.4%	4.2%	\$25	1.8%	5.7%	1	4.2%	2.4%	\$335	14.1%	4.4%
	Moderate	11.3%	4	13.8%	9.4%	\$180	12.6%	6.7%	1	4.2%	8.2%	\$28	1.2%	7.0%
	Middle	51.2%	16	55.2%	48.7%	\$938	65.7%	42.7%	12	50.0%	47.2%	\$973	41.1%	42.6%
	Upper	33.8%	8	27.6%	37.6%	\$285	20.0%	44.8%	10	41.7%	42.0%	\$1,033	43.6%	45.9%
	Unknown	0.1%	0	0.0%	0.1%	\$0	0.0%	0.1%	0	0.0%	0.1%	\$0	0.0%	0.2%
	Total	100.0%	29	100.0%	100.0%	\$1,428	100.0%	100.0%	24	100.0%	100.0%	\$2,369	100.0%	100.0%
MULTIFAMILY*	Low	26.3%	5	38.5%	31.3%	\$3,065	46.9%	20.0%	3	15.8%	27.3%	\$2,616	23.0%	40.7%
	Moderate	25.5%	5	38.5%	35.1%	\$2,154	33.0%	23.5%	11	57.9%	36.4%	\$5,821	51.1%	24.2%
	Middle	30.4%	1	7.7%	16.4%	\$280	4.3%	21.5%	4	21.1%	26.6%	\$2,034	17.9%	22.8%
	Upper	13.8%	2	15.4%	14.2%	\$1,030	15.8%	11.4%	1	5.3%	9.1%	\$915	8.0%	11.8%
	Unknown	4.0%	0	0.0%	3.0%	\$0	0.0%	23.7%	0	0.0%	0.7%	\$0	0.0%	0.5%
	Total	100.0%	13	100.0%	100.0%	\$6,529	100.0%	100.0%	19	100.0%	100.0%	\$11,386	100.0%	100.0%
HMDA TOTAL	Low	3.6%	13	4.4%	5.6%	\$4,417	6.9%	6.3%	18	2.8%	4.4%	\$5,180	3.2%	5.0%
	Moderate	11.3%	37	12.5%	12.2%	\$6,534	10.2%	10.9%	59	9.0%	10.5%	\$13,191	8.1%	9.0%
	Middle	51.2%	153	51.9%	47.3%	\$29,811	46.5%	42.1%	330	50.5%	46.6%	\$71,541	43.7%	41.8%
	Upper	33.8%	92	31.2%	34.7%	\$23,404	36.5%	39.2%	246	37.7%	38.4%	\$73,844	45.1%	44.1%
	Unknown	0.1%	0	0.0%	0.1%	\$0	0.0%	1.6%	0	0.0%	0.1%	\$0	0.0%	0.1%
	Total	100.0%	295	100.0%	100.0%	\$64,166	100.0%	100.0%	653	100.0%	100.0%	\$163,756	100.0%	100.0%

2015 ACS, 2019 & 2020 Aggregate HMDA Data, and 2019 & 2020 HMDA LARs.

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

*Distribution of multifamily units by census tract income

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

In 2019, Cornerstone's lending in low-income tracts was at 4.4 percent, which was slightly below the aggregate, at 5.6 percent, but above the percentage of owner-occupied units, at 3.6 percent. For the same year, the bank originated 12.5 percent of its loans in moderate-income tracts, which was slightly above the aggregate, at 12.2 percent, and above the percentage of owner-occupied units, at 11.3 percent. In middle-income tracts, the bank originated 51.9 percent of loans, which is higher than the aggregate, at 47.3 percent, and slightly higher than the percentage of owner-occupied units, at 51.2 percent. The bank originated 31.2 percent of loans in upper-income tracts, which is lower than the aggregate, at 34.7 percent, and percentage of owner-occupied units, at 33.8 percent.

In 2020, the bank's performance fell to 2.8 percent of loans originated in low-income tracts, which was below both the aggregate, at 4.4 percent, and the percentage of owner-occupied units, at 3.6 percent. The bank's lending in moderate-income tracts was at 9.0 percent, which was slightly lower than the aggregate, at 10.5 percent, and the percentage of owner-occupied units, at 11.3 percent. In middle-income tracts, the bank originated 50.5 percent of loans, which is higher than the aggregate, at 46.6 percent, but slightly lower than the percentage of owner-occupied units, at 51.2 percent. The bank originated 37.7 percent of loans in upper-income tracts, which is lower than the aggregate, at 38.4 percent, but higher than the percentage of owner-occupied

units, at 33.8 percent.

By dollar volume, the bank originated a majority of loans in middle- and upper-income tracts for both 2019 and 2020. As discussed in the *Description of the Assessment Area*, home values in middle-income tracts and upper-income tracts are much higher than the home values in low-income tracts and moderate-income tracts, and would generally necessitate larger loan amounts.

As mentioned under the *Borrower Profile* section, the bank had an increase in refinance loans from 2019 to 2020, and these loans made up 76.7 percent of the bank's HMDA lending for the latter year. Cornerstone's performance in extending refinance loans to low- and moderate-income tracts in 2020 is consistent with the overall HMDA performance under this criterion; the bank originated 2.2 percent of refinance loans in low-income tracts, which is lower than the aggregate, at 3.5 percent, and the percentage of owner-occupied units, at 3.6 percent, and originated 8.0 percent of refinance loans to moderate-income tracts, which is slightly lower than the aggregate, at 8.6 percent, and the demographics, at 11.3 percent.

The bank's performance in extending home mortgage loans throughout the assessment area was consistent across the other product categories, with the exception of multifamily loans. The bank had a concentration of multifamily loans in moderate-income tracts in 2020, with 11, or 57.9 percent, multifamily loans originated in moderate-income tracts as compared to the aggregate, at 36.4 percent. However, this performance has limited impact on this criterion's rating, as multifamily loans made up only 2.9 percent of the bank's HMDA loans in 2020.

There were no conspicuous gaps in loans in low- or moderate-income tracts unexplained by performance context. The bank had a relatively even dispersion of loans throughout the assessment area. In low- and moderate-income tracts in which the bank did not originate or purchase a HMDA loan, the low level of owner-occupied housing limits opportunities for home mortgage lending. Owner-occupied units as a percentage of housing units is 16.9 percent in low-income tracts and 36.8 percent in moderate-income tracts, as compared to 67.6 percent in middle-income tracts and 76.8 percent in upper-income tracts.

The bank's lending performance in 2018 was similar to the years described above. The bank originated 5.9 percent of loans to low-income tracts and 11.7 percent of loans to moderate-income tracts.

Small Business Lending

Table 9 represents the distribution of small business loans by census tract income level. Emphasis was placed on the number of loans rather than the dollar amount when compared to demographics. The bank's geographic distribution of small business loans is reasonable.

Table 9 - Geographic Distribution of Small Business Loans											
PRODUCT TYPE	Tract Income Levels	Bank Lending & Demographic Data Comparison									
		2019 Total Businesses	2019 Bank				2020 Total Businesses	2020 Bank			
			Count		Dollar			Count		Dollar	
			%	#	%	\$ (000s)		\$ %	%	#	%
SMALL BUSINESSES	Low	9.4%	7	8.3%	\$2,499	13.6%	9.5%	6	8.3%	\$1,969	13.8%
	Moderate	14.5%	17	20.2%	\$4,531	24.7%	14.4%	16	22.2%	\$2,974	20.8%
	Middle	42.2%	38	45.2%	\$6,638	36.2%	42.4%	34	47.2%	\$6,434	45.0%
	Upper	29.4%	20	23.8%	\$4,336	23.6%	29.1%	15	20.8%	\$1,941	13.6%
	Unknown	4.5%	2	2.4%	\$331	1.8%	4.6%	1	1.4%	\$978	6.8%
	Total	100.0%	84	100.0%	\$18,335	100.0%	100.0%	72	100.0%	\$14,296	100.0%

Dun & Bradstreet 2019 & 2020. CRA data for 2019 and 2020.

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

In 2019, the bank originated 8.3 percent of loans in low-income tracts, which was lower than the percentage of businesses in low-income tracts, at 9.4 percent. For the same year, the bank originated 20.2 percent of loans in moderate-income tracts, which was higher than the percentage of businesses, at 14.5 percent. The bank originated 45.2 percent of loans in middle-income tracts, which is slightly higher than the demographics, at 42.2 percent. The bank originated 23.8 percent of loans in upper-income tracts, which is lower compared to the demographics, at 29.4 percent. Cornerstone originated 2.4 percent of loans in unknown-income census tracts, which is lower than the percentage of businesses, at 4.5 percent.

Cornerstone's small business lending performance in 2020 was similar to the prior year. The bank originated 8.3 percent of loans in low-income tracts, which was lower than the percentage of businesses at 9.5 percent. The bank originated 22.2 percent of loans in moderate-income tracts, exceeding the percentage of small businesses at 14.4 percent. For the same year, Cornerstone originated 47.2 percent of loans to middle-income tracts, which is higher than the percentage of small businesses at 42.4 percent. The bank originated 20.8 percent of loans in upper-income tracts, which is lower than the percentage of small businesses at 29.1 percent. The bank originated 1.4 percent of loans in unknown-income tracts, which is lower than demographics at 4.6 percent.

There were no conspicuous gaps in the distribution of small business loans unexplained by performance context. The bank's small business loans are concentrated around branches and in the City of Worcester, a large population center where the majority of low- and moderate-income tracts are located.

The bank's small business lending in 2018 outperformed the lending in the years described above. In 2018, the bank had originated 16.5 percent of its small business loans in low-income tracts, and 25.3 percent of loans in moderate-income tracts.

Response to Complaints

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

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area is demonstrated by the more than reasonable average LTD ratio, the majority of its loans originated or purchased inside the assessment area, the reasonable penetration among individuals and businesses of different income levels, and the reasonable dispersion of loans throughout the assessment area. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect an adequate level of responsiveness and is therefore rated "Satisfactory".

COMMUNITY DEVELOPMENT TEST

Cornerstone'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.

During the evaluation period, the bank extended 1,092 community development loans, totaling \$80.6 million. This is a large increase from last examination, when the bank originated 22 community development loans, totaling \$12.4 million.

It should be noted that the vast majority of the bank's community development loans during the current evaluation period were through the bank's participation in the Paycheck Protection Program (PPP). PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act. PPP loans were designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. These loans are considered highly responsive to the needs of small businesses during the COVID-19 pandemic.

The bank made a total of 1,080 PPP loans, totaling \$75.9 million, during the evaluation period. Of these loans, 930, or 86.1 percent, were extended inside the assessment area. The bank extended 223 PPP loans, totaling \$16.3 million, in low- and moderate-income census tracts in the assessment area, contributing to the stabilization of those tracts during the crisis, and the remaining PPP loans promoted economic development by financing small businesses and supporting job retention for low- or moderate-income persons.

In addition to the PPP loans, the bank extended 12 community development loans, totaling \$4.7 million. A majority of these loans provided affordable housing to low- and moderate-income individuals, a need highlighted by the community contact. The following is a sample of organizations that received qualified donations from the bank.

- In 2019, the bank originated a loan for \$225,000 secured by a five-unit multifamily property in Worcester. All five units are subsidized by the Worcester Housing Authority.
- In 2020, the bank originated a loan for \$476,000 for the purchase of a six-unit multifamily property in Worcester. All rents are below the U.S. Department of Housing and Urban Development (HUD) fair market rents for the area, helping to promote

affordable housing.

- During the evaluation period, the bank originated two SBA 504 loans, totaling \$302,500. SBA 504 loans help promote economic development.

The bank's equity investments totaled \$5.8 million, and includes two equity investments, totaling \$4.0 million, that were purchased during the current evaluation period, and three prior period equity investments with current book values, totaling \$1.8 million. All five equity investments were in Small Business Investment Companies (SBICs). SBICs are privately owned and managed investment funds that make equity and debt investments in qualifying small businesses. The bank's equity investments promote economic development and target the assessment area.

Cornerstone made a total of 277 qualified donations totaling approximately \$682,000 during the evaluation period. A majority of the donations went to organizations that provide community services to low- and moderate-income individuals.

The following is a sample of organizations that received qualified donations from the bank.

- **Worcester Community Action Council** - a federally designated anti-poverty agency, this organization seeks to break the cycle of poverty through programs such as energy assistance, early education and care, financial literacy, youth services, and workforce development.
- **United Way of South-Central Massachusetts** - based in Southbridge, this organization promotes health, education, and financial stability services to low- and moderate-income individuals.
- **Habitat for Humanity of Central Massachusetts** - Habitat for Humanity creates affordable housing by building single-family homes for low- and moderate-income families.
- **Worcester County Food Bank** - this food bank, along with a network of more than 100 local food pantries and community meal programs, helps distribute food to low- and moderate-income individuals and families throughout Worcester County.

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 development organizations. Further, several employees provided financial literacy seminars and first-time homebuyer programs.

The following is a sample of the bank's involvement during the evaluation period.

- **RCAP Solutions** - based in Worcester, RCAP Solutions provides a variety of services to individuals, families, communities, and small businesses. Services include homelessness prevention, rental assistance, independent living programs, business education and training, and landlord services. A bank assistant vice president served on the organization's board of directors, and a vice president served as a financial education instructor during the evaluation period.

- **Big Brothers/Big Sisters of Central Mass & Metrowest** - this organization provides social services to low-income and at-risk youth. The bank's president serves as treasurer on the organization's board of directors.
- **Literacy Volunteers of Greater Worcester** - this organization provides free English language classes to refugees and immigrants to help them further their education and achieve economic security. A majority of clients served are low- and moderate-income. A vice president and assistant vice president served on the organization's board of directors. This service is particularly responsive to the needs identified by the community contact.
- **Quaboag Valley Community Development Corporation (CDC)** - this nonprofit CDC promotes economic development and assists small businesses by providing small business loans, microenterprise loans, business and community grants, and business development services. A bank vice president serves on the organization's board of directors and loan committee.
- **Tri-Valley Inc. Money Management** - this program assists low-income elders who are at risk losing their independence due to an inability to manage their own finances. A bank vice president and assistant vice president serve as committee members and volunteer as part of the program.

Lastly, the bank was responsive to customer needs during the COVID-19 pandemic. In addition to the PPP lending mentioned above, the bank provided loan forbearances and waived certain deposit and late fees.

CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

Cornerstone has demonstrated excellent responsiveness to community development needs in the assessment area considering the bank capacity and available opportunities. The bank used community development loans, donations, equity investments, and services to meet the needs of its assessment area. In addition, the bank was a leader in originating PPP loans, which assisted businesses during the COVID-19 pandemic. Therefore, the bank's Community Development Test rating is "Outstanding."

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).

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