PUBLIC DISCLOSURE

September 17, 2018

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

North Brookfield Savings Bank
RSSD # 528102

35 Summer Street
North Brookfield, Massachusetts 01535

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.

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

- The average loan-to-deposit (LTD) ratio of 81.5 percent is reasonable given the bank’s size, financial condition, and assessment area credit needs.

- A majority (57.5 percent) of residential mortgages were in the bank’s assessment area during the review period.

- The geographic distribution of residential mortgages reflects reasonable dispersion throughout the assessment area.

- The distribution of borrowers reflects, given the demographics of the bank’s assessment area, reasonable penetration among individuals of different income levels (including to low- and moderate-income).

- There have been no complaints regarding the bank’s CRA performance since the previous CRA evaluation.

SCOPE OF EXAMINATION

North Brookfield Savings Bank's CRA performance was reviewed in accordance with the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Small Institutions. Small institutions are those that, as of December 31 of either of the prior two calendar years, had assets of less than $1.252 billion. As the bank's assets were also below $313 million, the bank was not considered an intermediate small institution, and was evaluated solely under the lending test based on the following performance 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 evaluation period for the CRA performance review was August 11, 2014 through September 17, 2018. The lending test was based on home mortgage loans reported by the bank from January 1, 2014 to December 31, 2017. Data from the two most recent full years, 2016 and 2017, and information for these years are included in tables unless otherwise noted, though 2014 and 2015 data was also reviewed and was found to be consistent with the 2016 and 2017 data. Home mortgage lending reviewed during this evaluation 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 multi-family (five or more unit) properties. The bank's home mortgage data is shown in comparison to the 2016 and 2017 aggregate data obtained from the FFIEC. Aggregate data consist of lending information from all HMDA reporters that originated or purchased home mortgage loans in the bank's assessment area. The analysis of the bank's net LTD ratio incorporated 17 quarters, representing the period since the prior CRA evaluation in 2014.

Demographic information referenced throughout the evaluation was obtained from the 2010 United States (U.S.) Census Bureau's American Community Survey (ACS) for comparison purposes to the bank's 2016 HMDA. The bank's lending performance for 2017 was compared to the 2015 ACS based on the FFIEC's policy regarding the implementation of the ACS.

Two third-party community organizations that operate within the bank's market were contacted to provide additional insight into the credit needs and opportunities of the assessment area.

North Brookfield Savings Bank's CRA performance was last examined by the Federal Reserve Bank of Boston on August 11, 2014 in accordance with the FFIEC Examination Procedures for Small Institutions. The examination resulted in a "Satisfactory" rating.

DESCRIPTION OF INSTITUTION

North Brookfield Savings Bank is a state-chartered mutual savings bank headquartered in the town of North Brookfield, MA. North Brookfield is a small community in Worcester County, centrally located in the Commonwealth, and 66 miles west of Boston. The town is equidistant between the Quabbin Reservoir to the west and Worcester, MA to the east. The bank was founded in 1854 and has one wholly-owned subsidiary, North Brookfield Savings Security Corporation, which is a Massachusetts Securities Corporation, established to engage in securities transactions.

The bank’s corporate office is located in North Brookfield. In addition to this location, the bank maintains seven full service branch offices located in North Brookfield, Belchertown, East Brookfield, Palmer, Three Rivers (a village in Palmer), Ware and West Brookfield. Each branch has an ATM.

North Brookfield Savings Bank offers traditional consumer and business banking products, which are available throughout the bank’s assessment area and at every location. Consumer products and services include checking and savings accounts, fixed-rate mortgages, adjustable-rate mortgages, construction loans, home equity loans and lines of credit, consumer loans, online banking, and mobile banking. Business products and services include checking and savings accounts, lines of credit, small business loans, USDA farm loans, commercial mortgages, equipment loans, land loans, and construction mortgages.

In 2016, the bank became a participating statewide lender in the Mass Solar Loan program (Solar) offered by the Massachusetts Clean Energy Center (MassCEC). MassCEC is a state economic development agency dedicated to accelerating the growth of the clean energy sector across the Commonwealth. Through Solar, participating lenders offer low-interest rate loans ranging from $3,000 to $50,000 to Massachusetts residents and residential property owners. Based on HMDA reporting requirements, Solar loans were reported on the bank’s HMDA LARs.

Customers can access information about the bank’s products and services and online banking through the bank’s website, www.northbrookfieldsavingsbank.com. The website includes information about consumer and business products and services. Online banking allows customers to check balances and pay bills. The website also provides branch and ATM locations. Customers have additional access to services through the bank’s mobile application where they can check balances, pay bills, and make transfers.

As of June 30, 2018, North Brookfield Savings Bank’s assets totaled $303.1 million, with total loans of $218.3 million and total deposits of $241.8 million. The asset size experienced an increase since the last CRA evaluation, partially due to the acquisition of FamilyFirst Bank on June 1, 2014. The bank’s asset size increased from $216.8 million, as of March 31, 2014, to $258.7 million, as of June 30, 2014. The bank experienced steady organic growth after the acquisition.

Table 1 illustrates the breakdown of the bank's loan portfolio as of June 30, 2018.

Table 1
Loan Distribution as of June 30, 2018

Loan Type	Dollar Amount $(000s)	Percent of Total Loans
1-4 Family- Closed-End	146,132	66.9
Multi-Family	17,422	8.0
1-4 Family - Revolving	10,124	4.6
Residential Real Estate Loan Total	*173,678*	*79.5*
Commercial Real Estate	28,329	13.0
Construction and Land Development	5,561	2.5
Commercial and Industrial	2,182	1.0
Commercial Loan Total	*36,072*	*16.5*
Consumer Loans	6,536	3.0
Farm Land	2,008	0.9
Other Loans	34	0.0
Total Loans	***218,328***	***100.00***

Consolidated Report of Condition and Income (Call Reports) as of June 30, 2018
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As the data in Table 1 show, as of June 30, 2018, the bank is primarily a real estate lender, with 1-4 family closed-end residential loans comprising the 66.9 percent of the real estate loan portfolio. Residential real estate loans include 1-4 family residential closed-end mortgage loans (including junior liens), multi-family loans, and 1-4 family residential revolving home equity lines of credit. Commercial loans include commercial real estate loans, commercial and industrial loans, and construction and land development loans. Commercial real estate is the largest segment of the commercial loan portfolio and represents 13.0 percent of the loan portfolio. Commercial real estate loans are typically collateralized by the properties used for the borrowers' businesses, such as office and retail buildings. Other loan types comprise the balance of the loan portfolio.

North Brookfield Savings Bank operates in a competitive environment for both loans and deposits, and competes against both similarly-situated community banks and larger national and regional institutions. While large national and regional banks have some competitive advantages, including advanced technology and a wider array of products and services, by focusing on core lending and deposit products, the bank is able to provide more personalized service to the local community and to build and maintain valuable customer relationships. The bank identified its primary local competitors as Cornerstone Bank, Savers Co-operative Bank, Country Bank for Savings, Athol Savings Bank and Monson Savings Bank.

According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, as of June 30, 2018, there were 15 institutions operating 49 branches that offer deposit services within the bank's assessment area. North Brookfield Savings Bank ranks third for deposit market share, at 10.0 percent within the area. Country Bank for Savings, Ware, MA, ranked first in deposit market share, at 34.4 percent, followed by Cornerstone Bank, Spencer, MA, at 20.8 percent. The bank faces greater competition for loans as there were 281 financial institutions and mortgage companies that either originated or purchased a loan in the bank's assessment area in 2017. North Brookfield Savings Bank ranked eleventh with 90 loan originations. Wells Fargo Bank, N.A., ranked first with a combined 246 loan originations and purchases, followed by Quicken Loans (245 loans), Fairway Independent Mortgage Corporation (227 loans), Country

Bank for Savings (227 loans), Cornerstone Bank (182 loans), and Digital Federal Credit Union (130 loans).

Financial capacity, legal impediments, local economic conditions, demographics, and market competition are all considered when evaluating the bank's CRA performance. As evidenced by the LTD ratio discussed below, the bank has the financial capacity to make loans. Further, the bank did not face any legal or financial impediments during the review period that would have prevented the bank from meeting the credit needs of its assessment area in a manner consistent with its asset size, business strategy, resources, and local economic conditions.

DESCRIPTION OF ASSESSMENT AREA

CRA requires a financial institution to define an assessment area within which its CRA performance will be evaluated based upon where it focuses its lending efforts. The majority of the evaluation is based upon activity within the defined assessment area.

The bank's assessment area includes a portion of the Worcester, MA-CT Metropolitan Statistical Area (MSA) and a portion of the Springfield, MA MSA. The Worcester MSA is comprised of Worcester County, MA and Windham County, CT. The bank's assessment area includes 24 of the 172 census tracts in Worcester County, and comprises the towns of Athol, Barre, Brookfield, Charlton, East Brookfield, Hardwick, Hubbardston, Leicester, New Braintree, North Brookfield, Oakham, Paxton, Petersham, Phillipston, Rutland, Spencer, Sturbridge, Templeton, Warren, and West Brookfield. As the bank operates solely in the Commonwealth of Massachusetts, its assessment area does not extend into Windham County, CT. The Springfield MSA is comprised of Hampshire County, MA and Hampden County, MA. The bank's assessment area includes 4 of the 103 census tracts in Hampden County, the towns of Brimfield and Palmer, and 4 of the 36 census tracts in Hampshire County, the towns of Belchertown and Ware.

The bank's assessment area changed since the prior CRA evaluation. In April 2017, the bank expanded its assessment area to include: Athol, Barre, Brimfield, Charlton, Hubbardston, Leicester, Paxton, Petersham, Phillipston, Sturbridge, Spencer, and Templeton. The current assessment area comprises 24 contiguous towns.

Relevant demographic data for the bank's assessment area is provided in Table 2 and Table 3. Due to updated census data that was released in 2017, demographic data is presented for both 2016 and 2017.

Table 2 2016 Assessment Area Demographics									
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**		
	#	%	#	%	#	%	#	%	
Low-income	0	0	0	0	0	0	6,981	16.8	
Moderate-income	4	12.5	3,843	9.2	418	10.9	6,980	16.8	
Middle-income	21	65.6	25,231	60.7	1,141	4.5	9,991	24.0	
Upper-income	7	21.9	12,490	30.1	506	4.1	17,612	42.4	
Total Assessment	**32**	**100.0**	**41,564**	**100.0**	**2,065**	**5.0**	**41,564**	**100.0**	
	Housing Units by Tract	**Housing Types by Tract**							
		Owner-Occupied			**Rental**		**Vacant**		
		#	%	%	#	%	#	%	
Low-income	0	0	0	0	0	0	0	0	
Moderate-income	7,265	4,319	9.4	59.4	1,829	25.2	1,117	15.4	
Middle-income	38,998	28,023	60.7	71.9	8,105	20.8	2,870	7.4	
Upper-income	17,621	13,802	29.9	78.3	2,803	15.9	1,016	5.8	
Total Assessment	**63,884**	**46,144**	**100.0**	**72.2**	**12,737**	**19.9**	**5,003**	**7.8**	

2010 Census Data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Table 3 2017 Assessment Area Demographics								
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low-income	0	0	0	0	0	0	7,613	18.4
Moderate-income	5	15.6	5,618	13.6	701	12.5	6,859	16.6
Middle-income	21	65.6	24,895	60.3	1,359	5.5	8,900	21.5
Upper-income	6	18.8	10,800	26.1	303	2.8	17,941	43.4
Total Assessment	**32**	**100.0**	**41,313**	**100.0**	**2,363**	**5.7**	**41,313**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	0	0	0	0	0	0	0	0
Moderate-income	10,666	5,472	11.9	51.3	3,716	34.8	1,478	13.9
Middle-income	40,793	28,814	62.6	70.6	8,231	20.2	3,748	9.2
Upper-income	14,931	11,737	25.5	78.6	2,245	15	949	6.4
Total Assessment	**66,390**	**46,023**	**100.0**	**69.3**	**14,192**	**21.4**	**6,175**	**9.3**

2015 Census Data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As shown in the tables above, the assessment area consists of 32 census tracts. As of 2016, 12.5 percent of the tracts were moderate-income, 65.6 percent were middle-income, and 21.9 were upper-income. As of 2017, 15.6 percent are moderate-income tracts, 65.6 percent are middle-income, and 18.8 are upper-income tracts. There were no low-income tracts in the bank's assessment area in 2016 or 2017.

In 2016, the moderate-income tracts were located in Athol (3) and Ware (1). This changed slightly in 2017, with the moderate-income tracts located in Ware (1), Athol (2), Spencer (1), and Warren (1).

Housing

As of 2016, there were 63,884 housing units in the assessment area, of which 72.2 percent were owner-occupied, 19.9 percent were rental units, and 7.8 percent were vacant. As of 2017, the number of housing units increased to 66,390, of which 69.3 percent are owner-occupied, 21.4 percent are rental units, and 9.3 percent are vacant.

As of 2016, of the 46,144 owner-occupied housing units, 9.4 percent by number were located in moderate-income tracts. As of 2017, of the 41,313 owner-occupied units, 11.9 percent by number were located in moderate-income tracts. These percentages indicate that there are limited opportunities for home ownership in the moderate-income census tracts, and similarly, that there are limited opportunities for financial institutions to originate home mortgage loans in these census tracts. In addition, the number of rental units has increased from 12,737 units in 2016 to 14,192 units in 2017. The number of rental units located in moderate-income tracts has increased from 1,829 units, or 25.2 percent in 2016, to 3,716 units, or 34.8 percent in 2017. Although the number of owner-occupied units increased slightly from 2016 to 2017, the number of rental units in these tracts more than doubled, which gives residents alternative options to home ownership.

Based on housing values, income levels, and rental costs, housing costs in the assessment area appears to be more affordable than the average housing costs for Massachusetts. According to 2010 U.S. Census Data, the median housing value for the assessment area was $249,614, while the median housing value for Massachusetts was $352,300. The 2015 ACS lists the median housing value for this area as $230,200, which is below the median housing value for Massachusetts, at $333,100. While the median housing value decreased between the times the 2010 U.S. Census Data and the 2015 ACS data were released, the median gross rent for the assessment area increased from $762 per month to $814 per month. Further, the number of renter households spending more than 30 percent of their income on rental costs increased from 8.9 percent in 2010 to 10.6 in 2015. However, for both the 2010 U.S. Census Data and 2015 ACS sets, the median gross rent for the assessment area was below the median gross rents of Massachusetts. As such, this could create additional demand for rental housing.

Income

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

Table 4 Median Family Income Comparison			
2016 MFI Data*		**2017 MFI Data****	
MSA/County/State	**MFI ($)**	**MSA/County/State**	**MFI ($)**
Assessment Area	78,113	Assessment Area	81,785
Hampden County	61,061	Hampden County	62,350
Hampshire County	80,891	Hampshire County	83,530
Worcester County	79,121	Worcester County	82,733
Springfield, MA MSA	65,262	Springfield, MA MSA	67,381
Worcester, MA-CT MSA	77,128	Worcester, MA-CT MSA	81,137
Massachusetts	81,165	Massachusetts	87,085

FFIEC Median Family Income Reports found at www.ffiec.gov/Medianincome.htm
** MFI based on 2010 U.S. Census Data*
***MFI based on 2015 ACS Data*

As of 2016, the MFI for the assessment area was $78,113, which is lower than the MFI for the Commonwealth of Massachusetts, and the MFI for Hampshire County and Worcester County, but higher than the MFI for Hampden County. In 2017, all MFIs in Table 4 increased. While the MFIs rose for the assessment area, MSA, state, and counties, there is still a financial hurdle to home ownership for borrowers in the assessment. For instance, as of 2017, a low-income family's income is equal to or below $40,893 and a moderate-income family's income is no more than $65,428. With a median housing value of $249,614, the costs to obtain a home mortgage and the resulting monthly payment may put home ownership out of reach for many of these families.

Population

As of 2016, the assessment area was comprised of 155,229 individuals, of whom 9.8 percent resided in moderate-income tracts, 60.6 percent resided in middle-income tracts, and 29.6 percent resided in upper-income tracts. As of 2017, the population of the assessment area increased to 157,161, of whom 14.1 percent reside in moderate-income tracts, 60.8 percent reside in middle-income tracts, and 25.0 percent reside in upper-income tracts. With a slight increase in population from the 2016 to 2017, the percentage of the population living in moderate-income tracts increased as well.

As of 2016, the population of the assessment area included 41,564 families, of which 16.8 percent were low-income, 16.8 percent were moderate-income, 24.0 percent were middle-income, and 42.4 percent were upper-income. Of all families in the assessment area, 5.0 percent, were below the poverty level, which is below the percentage of families living below the poverty level in the Hampden County, Hampshire County and Worcester County. As of 2017, the population demographics remain stable, with 41,313 families in the assessment area, of which 18.4 percent are low-income, 16.6 percent are moderate-income, 21.5 percent are middle-income and 43.4 percent are upper-income families.

As of 2016, of the 65,369 households in the assessment area, 21.0 percent were low-income, 14.0 percent were moderate-income, 19.6 percent were middle-income, and 45.3 percent were upper-income. As of 2017, the percentage of low-income households in the assessment area increased to 22.7 percent and the percentage of moderate-income households increased to 14.5 percent.

Employment Statistics

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 7.7 percent, which was higher than the Commonwealth of Massachusetts at 7.3 percent, higher than Hampshire County at 7.2 percent and Worcester County at 7.5 percent, but lower than Hampden County, at 9.5 percent. According to the 2015 ACS, the unemployment rate experienced a slight decrease to 7.5 percent in the assessment area, remained stable for Hampshire County, and increased to 10.0 percent in Hampden County and 7.8 percent in Worcester County. According to the August 2018 release by the U.S. Bureau of Labor Statistics, the average non-seasonally adjusted unemployment rate for Massachusetts[1] was 3.6 percent, while the unemployment rate as of July 2018 was 5.6 percent for Hampden County, 3.9 percent for Hampshire County, and 4.6 percent for Worcester County. Compared to the 2015 ACS, unemployment rates have decreased.

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.

A community contact was conducted with the executive director of a local non-profit that works to strengthen neighborhoods in Central Worcester County by providing affordable housing and homeownership services. The contact stated that the area the organization serves is predominantly rural, and some of the challenges for low-income individuals include limited employment in the area and lack of public transportation. Some of the towns in the area only have elementary schools, and school age children have to travel to neighboring towns for regional middle school and high school. This contact also indicated that grocery stores are sparse in certain towns. A majority of the population in the area comprises homeowners who usually commute to work to either Worcester or Springfield. Although prices of homes in the area are affordable, due to the remote location of some of the towns in the area – away from major highways and distant from major cities – and lack of employment opportunities, low-income individuals still find homeownership unattainable. Local banks are involved in the communities, sponsoring most of the community activities and providing financial literacy in local schools and through first-time homebuyer seminars.

A second community contact was conducted with the director of business development of a local non-profit organization that is dedicated to providing families in the Southern Central Worcester County area with housing, transportation, employment, food pantry and clothing services. The contact worked in the banking industry in the area for over two decades, and moved to the non-profit world over a year ago. The contact stated that the area that the organization serves is a former mill and manufacturing industry area that is still struggling economically. Some of the challenges for low-income individuals in the area are limited public transportation and limited

[1] https://www.mass.gov/orgs/labor-market-information

employment opportunities in the area. The prices of homes in the area are affordable, but the need to travel long distances for employment is a hurdle for low-income families in the area. The contact also noted that for low-income families, rent represents a big percentage of their monthly income, leaving little money for savings toward a down payment for a home purchase. The contact identified needs for flexible lending products, particularly those that offer low down payments and that accept higher loan-to value ratios and lower credit scores. Local banks dominate the financial landscape of the community and they are providing financial literacy and sponsorship of local community events. When it comes to residential mortgages, however, people shop for rate and fees and are more likely to go online or to a mortgage company than walking into a local branch.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

A small bank's lending performance is evaluated pursuant to the following criteria: the bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary market, community development loans, or qualified investments; the percentage of loans and, as appropriate, other lending-related activities located in the bank's assessment area; the bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of the bank's loans; and the bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area. The following details the bank's efforts with regard to each performance criterion.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The bank's net LTD figures are calculated from the bank's quarterly FFIEC Consolidated Reports of Condition and Income (Call Reports) over the past 17 quarters, from April 1, 2014 through June 30, 2018. The ratio is based on total loans, net of unearned income and net of the allowance for loan and lease losses (ALLL), as a percentage of total deposits.

North Brookfield Savings Bank's average LTD ratio of 81.5 percent is reasonable given the institution's size, financial condition, capacity to lend, lending opportunities and assessment area credit needs. Table 5 provides a comparison of the bank's average LTD to similarly situated institutions operating within the assessment area.

Table 5
Loan-to-Deposit Ratio Comparison

Institution	Total Assets* $(000's)	Average LTD Ratio** (%)
Clinton Savings Bank	560,532	96.9
Monson Savings Bank	392,833	87.2
Millbury Savings Bank	231,487	86.6
North Brookfield Savings Bank	**303,711**	**81.5**
Athol Savings Bank	427,361	77.4

**Call Report as of June 30, 2018*
***Call Report from June 30, 2014 to June 30, 2018.*

While North Brookfield Saving's average net LTD ratio is lower than some of its comparable peers, the ratio increased during the evaluation period. The bank's LTD ratio was as low as 67.3 percent, as of June 30, 2014, and increased to 72.4 percent, as of September 30, 2014. This increase is attributed to the bank's merger with FamilyFirst Bank on June 1, 2014. During the examination period, the bank's LTD was as high as 90.7 percent, as of September 30, 2017, and is currently at 89.7 percent, as of June 30, 2018. The overall average LTD ratio of 81.5 percent demonstrates the bank's ability to use deposits to originate loans.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of loans and other lending related activities are located in the bank's assessment area. Table 6 presents the bank's levels of lending inside and outside the assessment area from January 1, 2014 to December 31, 2017.

Table 6
Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	$(000s)	%	#	%	$(000s)	%
Home Improvement	203	46	$14,402	58.9	238	54	$10,031	41.1
Refinancing	179	81.7	$29,148	73.2	40	18.3	$10,694	26.8
Home Purchase	146	58.4	$27,924	51.1	104	41.6	$26,686	48.8
Multi-Family Housing	10	38.5	$7,257	44.6	16	61.5	$9,006	55.4
TOTAL LOANS	**538**	**57.5**	**$78,731**	**58.3**	**398**	**42.5**	**$56,417**	**41.7**

HMDA LAR data January 1, 2014 through December 31, 2017

The bank made a majority of HMDA-reportable loans inside the assessment area during the review period. As shown in Table 6, the bank made a total of 936 loans from January 1, 2014 to December 31, 2017. Of these loans, 57.5 percent by number and 58.3 percent by dollar volume were inside the assessment area, with home improvement loans comprising the largest percentage by number (203), followed by refinances (179). Of the 398 loans originated outside of the assessment area, home improvement loans account for the largest number (238), followed by purchase loans (104). The high number of home purchase loans outside the assessment area can be attributed to the bank's purchase of mortgages from the secondary market, with most of the loans secured by properties outside the bank's assessment area.

As the largest product type by number, home improvement loans had a significant impact on the bank's assessment area concentration. As a statewide Solar lender, between December 2015 and October 2016, the bank originated a large volume of these loans, which are considered home improvement loans when reported on the bank's HMDA LAR. In 2016 in particular, the bank's home improvement loan volume jumped significantly, with a majority of these loans originated outside of the assessment area. Given the high volume of these loans, the bank's ratio of loan originations outside of the assessment area increased, causing the assessment area concentration to fall to a lower level than it would have been otherwise.

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 a reasonable dispersion throughout the assessment area. Although both the number and the dollar volume of the bank's loans were reviewed, the number of originations was weighted more heavily than the dollar volume, as the number of loans is more correlated to the number of borrowers served.

Residential Mortgage Lending

Table 7 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 7
Geographic Distribution of HMDA Loans

Product Type	Tract Income Levels	2016 Owner Occupied Units %	2016 Count Bank #	2016 Count Bank %	2016 Count Agg %	2016 Dollar Bank $ (000s)	2016 Dollar Bank $ %	2016 Dollar Agg $ %	2017 Owner Occupied Units %	2017 Count Bank #	2017 Count Bank %	2017 Count Agg %	2017 Dollar Bank $ (000s)	2017 Dollar Bank $ %	2017 Dollar Agg $ %
HOME PURCHASE	Low	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	9.4%	2	5.3%	10.1%	$271	3.5%	6.5%	11.9%	5	15.6%	15.4%	$655	10.8%	11.0%
	Middle	60.7%	31	81.6%	57.0%	$6,447	82.4%	55.1%	62.6%	19	59.4%	57.0%	$3,455	56.9%	55.0%
	Upper	29.9%	5	13.2%	32.9%	$1,109	14.2%	38.4%	25.5%	8	25.0%	27.6%	$1,957	32.3%	34.0%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*38*	*100.0%*	*100.0%*	*$7,827*	*100.0%*	*100.0%*	*100.0%*	*32*	*100.0%*	*100.0%*	*$6,067*	*100.0%*	*100.0%*
REFINANCE	Low	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	9.4%	1	1.6%	5.0%	$148	1.4%	3.3%	11.9%	3	10.7%	10.1%	$541	10.1%	7.4%
	Middle	60.7%	53	86.9%	58.1%	$9,058	84.8%	55.2%	62.6%	20	71.4%	58.4%	$3,693	68.7%	55.6%
	Upper	29.9%	7	11.5%	36.9%	$1,481	13.9%	41.5%	25.5%	5	17.9%	31.5%	$1,141	21.2%	37.0%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*61*	*100.0%*	*100.0%*	*$10,687*	*100.0%*	*100.0%*	*100.0%*	*28*	*100.0%*	*100.0%*	*$5,375*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	9.4%	2	1.8%	4.5%	$85	1.1%	3.0%	11.9%	3	10.7%	9.2%	$133	6.4%	10.1%
	Middle	60.7%	79	70.5%	61.3%	$6,193	83.7%	65.7%	62.6%	22	78.6%	57.0%	$1,432	68.6%	55.5%
	Upper	29.9%	31	27.7%	34.3%	$1,117	15.1%	31.3%	25.5%	3	10.7%	33.7%	$522	25.0%	34.4%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*112*	*100.0%*	*100.0%*	*$7,395*	*100.0%*	*100.0%*	*100.0%*	*28*	*100.0%*	*100.0%*	*$2,087*	*100.0%*	*100.0%*
MULTIFAMILY	Low	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	9.4%	0	0.0%	23.1%	$0	0.0%	11.4%	11.9%	1	50.0%	39.4%	$280	5.4%	24.0%
	Middle	60.7%	4	66.7%	57.7%	$1,372	91.6%	77.3%	62.6%	1	50.0%	51.5%	$4,880	94.6%	69.4%
	Upper	29.9%	2	33.3%	19.2%	$125	8.4%	11.3%	25.5%	0	0.0%	9.1%	$0	0.0%	6.6%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*6*	*100.0%*	*100.0%*	*$1,497*	*100.0%*	*100.0%*	*100.0%*	*2*	*100.0%*	*100.0%*	*$5,160*	*100.0%*	*100.0%*
HMDA TOTALS	Low	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	9.4%	5	2.3%	7.6%	$504	1.8%	5.2%	11.9%	12	13.3%	13.2%	$1,609	8.6%	10.2%
	Middle	60.7%	167	77.0%	57.9%	$23,070	84.2%	55.9%	62.6%	62	68.9%	57.4%	$13,460	72.0%	55.4%
	Upper	29.9%	45	20.7%	34.5%	$3,832	14.0%	38.9%	25.5%	16	17.8%	29.4%	$3,620	19.4%	34.4%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*217*	*100.0%*	*100.0%*	*$27,406*	*100.0%*	*100.0%*	*100.0%*	*90*	*100.0%*	*100.0%*	*$18,689*	*100.0%*	*100.0%*

2010 U.S. Census, 2015 ACS, 2016 and 2017 Aggregate HMDA Data, 2016 and 2017 HMDA LARs.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As noted, there are no low-income tracts in the bank's assessment area.

In 2016, the bank originated 5 home mortgage loans, or 2.3 percent, in moderate-income tracts, which was below the aggregate, at 7.6 percent, and below the percentage of owner-occupied housing in moderate-income tracts, at 9.4 percent. Of the 5 loans, 2 were home purchase loans, 2 were home improvement loans, and 1 was a refinance. The bank's origination activity was lower than the aggregate for each loan type.

However, the bank's performance significantly improved in 2017, when North Brookfield Savings Bank generated 12 home mortgage loans, or 13.3 percent, in moderate-income tracts. Since Solar was discontinued in October 2016, the number of home mortgage loans originated in 2017 significantly decreased. However, the bank more than doubled the number of loans in the moderate-income tracts, and increased its performance by 11.0 percent. The bank also slightly outperformed the aggregate, at 13.2 percent, and exceeded the percentage of owner-occupied housing in moderate-income tracts, at 11.9 percent. Of the 12 loans, 5 were home purchase loans, 3 were refinance loans, 3 were home improvement, and 1 was multifamily. The bank exceeded the aggregate for each loan type.

In 2016, out of all lenders that originated or purchased a home mortgage loan in the assessment area, the bank ranked 13th of 103 institutions for lending in moderate-income tracts. In 2017, the bank's ranking was 14th out of 147 institutions that originated or purchased a home mortgage loan in a moderate-income tract.[2] The bank's performance in these tracts is noteworthy given that a majority of the bank's competitors in the assessment area are mortgage companies and larger regional and national banks with vast branch networks. Additionally, the community contact indicated that people are price sensitive and would probably go to online lenders rather than a branch of a local branch.

A majority of the bank's lending was concentrated in the middle-income census tracts within its assessment area. In 2016, the bank originated 167 home mortgage loans, or 77.0 percent, in middle-income tracts, which was above the aggregate, at 57.9 percent, and above the percentage of owner-occupied housing in moderate-income tracts, at 60.7 percent. Of the 167 loans, the bank originated 79 home improvement loans, 53 refinance loans, 31 home purchase loans, and 4 multi-family loans. The bank exceeded the aggregate for each loan type. In 2017, the bank originated 62 home mortgage loans, or 68.9 percent, in middle-income tracts, which was above the aggregate, at 57.4 percent, and above the percentage of owner-occupied housing units in moderate-income tracts, at 62.6 percent. Of the 62 loans, the bank originated 22 home improvement loans, 20 refinance loans, 19 home purchase loans, and 1 multi-family loan. The bank exceeded the aggregate for each loan type. In upper-income census tracts, in 2016 the bank made 45 home mortgage loans, or 20.7 percent, while in 2017 the bank made 16 home mortgage loans, or 17.8 percent. North Brookfield Savings Bank's performance in the upper-income tracts in 2016 and 2017 is below the aggregate. The bank's geographic distribution of loans is a reflection of the composition of the assessment area.

A majority of North Brookfield Savings Bank's assessment area is comprised of middle-income tracts and, as a result, the majority of the bank's loans were made within these tracts. In 2016, 78 home mortgage loans, or 36.0 percent, were located in the middle-income tracts located in the towns of North Brookfield, East Brookfield, West Brookfield and Brookfield. In 2017, 32 home mortgage loans, or 35.5 percent were concentrated in the middle-income tracts in those towns, where the bank also has three of its branch locations.

There are no conspicuous lending gaps within the census tracts inside the assessment area. In 2016, the bank penetrated 3 of the 4 moderate-income tracts, or 75.0 percent; 20 of the 21 middle-income tracts, or 95.2 percent; and 6 of the 7 upper-income tracts, or 85.7 percent, in the assessment area. In 2017, the bank penetrated 3 of the 5 moderate-income tracts, or 60 percent; 16 out of the 21 middle-income tracts, or 76.1 percent; and 5 out of the 6 upper-income tracts, or 83.3 percent, in the assessment area. Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

[2] Due to numbers of HMDA originations and purchases with low lending volumes, many lenders were tied throughout the rankings. For HMDA lending in moderate-income census tracts, 2016 had rankings through 17, while 2017 had rankings through 23. These close rankings reflect the highly competitive market.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. Although both the number and the dollar volume of the bank's loans were reviewed, the number of originations was weighted more heavily than the dollar volume, as the number of loans is more correlated to the number of borrowers served. The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels including low- and moderate-income individuals when compared to area demographics and aggregate performance.

Table 8 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

Table 8
Borrower Distribution of HMDA Loans

PRODUCT TYPE	Borrower Income Levels	Bank & Aggregate Lending Comparison													
		2016							2017						
		Families by Family Income	Count			Dollar			Families by Family Income	Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
		%	#	%	%	$(000s)	$ %	$ %	%	#	%	%	$(000s)	$ %	$ %
HOME PURCHASE	Low	16.8%	1	2.6%	6.8%	$97	1.2%	3.7%	18.4%	0	0.0%	7.3%	$0	0.0%	4.2%
	Moderate	16.8%	7	18.4%	20.9%	$904	11.5%	16.8%	16.6%	6	18.8%	21.7%	$849	14.0%	18.3%
	Middle	24.0%	6	15.8%	24.5%	$1,146	14.6%	24.6%	21.5%	9	28.1%	26.1%	$1,308	21.6%	26.7%
	Upper	42.4%	19	50.0%	29.8%	$4,985	63.7%	38.2%	43.4%	16	50.0%	28.0%	$3,710	61.2%	34.8%
	Unknown	0.0%	5	13.2%	18.0%	$695	8.9%	16.7%	0.0%	1	3.1%	16.9%	$200	3.3%	16.0%
	Total	*100.0%*	*38*	*100.0%*	*100.0%*	*$7,827*	*100.0%*	*100.0%*	*100.0%*	*32*	*100.0%*	*100.0%*	*$6,067*	*100.0%*	*100.0%*
REFINANCE	Low	16.8%	4	6.6%	5.2%	$357	3.3%	3.0%	18.4%	3	10.7%	6.8%	$307	5.7%	4.1%
	Moderate	16.8%	5	8.2%	13.2%	$607	5.7%	9.7%	16.6%	3	10.7%	19.1%	$509	9.5%	15.6%
	Middle	24.0%	17	27.9%	21.8%	$2,826	26.4%	19.3%	21.5%	8	28.6%	25.3%	$1,333	24.8%	25.1%
	Upper	42.4%	33	54.1%	41.3%	$6,666	62.4%	47.1%	43.4%	14	50.0%	35.4%	$3,226	60.0%	40.3%
	Unknown	0.0%	2	3.3%	18.6%	$231	2.2%	20.9%	0.0%	0	0.0%	13.3%	$0	0.0%	15.0%
	Total	*100.0%*	*61*	*100.0%*	*100.0%*	*$10,687*	*100.0%*	*100.0%*	*100.0%*	*28*	*100.0%*	*100.0%*	*$5,375*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	16.8%	8	7.1%	5.7%	$124	1.7%	1.9%	18.4%	1	3.6%	8.2%	$27	1.3%	6.0%
	Moderate	16.8%	18	16.1%	15.5%	$933	12.6%	10.6%	16.6%	6	21.4%	15.8%	$40	1.9%	13.2%
	Middle	24.0%	22	19.6%	22.8%	$1,288	17.4%	22.2%	21.5%	9	32.1%	28.2%	$737	35.3%	29.0%
	Upper	42.4%	63	56.3%	52.0%	$4,922	66.6%	60.0%	43.4%	12	42.9%	42.8%	$1,283	61.5%	46.1%
	Unknown	0.0%	1	0.9%	4.0%	$128	1.7%	5.4%	0.0%	0	0.0%	5.0%	$0	0.0%	5.7%
	Total	*100.0%*	*112*	*100.0%*	*100.0%*	*$7,395*	*100.0%*	*100.0%*	*100.0%*	*28*	*100.0%*	*100.0%*	*$2,087*	*100.0%*	*100.0%*
MULTIFAMILY	Low	16.8%	0	0.0%	0.0%	$0	0.0%	0.0%	18.4%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	16.8%	0	0.0%	0.0%	$0	0.0%	0.0%	16.6%	0	0.0%	0.0%	$0	0.0%	0.0%
	Middle	24.0%	0	0.0%	0.0%	$0	0.0%	0.0%	21.5%	0	0.0%	0.0%	$0	0.0%	0.0%
	Upper	42.4%	0	0.0%	0.0%	$0	0.0%	0.0%	43.4%	0	0.0%	0.0%	$0	0.0%	0.0%
	Unknown	0.0%	6	100.0%	100.0%	$1,497	100.0%	100.0%	0.0%	2	100.0%	100.0%	$5,160	100.0%	100.0%
	Total	*100.0%*	*6*	*100.0%*	*100.0%*	*$1,497*	*100.0%*	*100.0%*	*100.0%*	*2*	*100.0%*	*100.0%*	*$5,160*	*100.0%*	*100.0%*
HMDA TOTALS	Low	16.8%	13	6.0%	6.0%	$578	2.1%	3.3%	18.4%	4	4.4%	7.2%	$334	1.8%	4.2%
	Moderate	16.8%	30	13.8%	17.4%	$2,444	8.9%	13.6%	16.6%	15	16.7%	20.1%	$1,398	7.5%	17.0%
	Middle	24.0%	45	20.7%	23.2%	$5,260	19.2%	22.2%	21.5%	26	28.9%	26.0%	$3,378	18.1%	25.9%
	Upper	42.4%	115	53.0%	36.5%	$16,573	60.5%	42.2%	43.4%	42	46.7%	31.9%	$8,219	44.0%	36.3%
	Unknown	0.0%	14	6.5%	16.9%	$2,551	9.3%	18.7%	0.0%	3	3.3%	14.8%	$5,360	28.7%	16.6%
	Total	*100.0%*	*217*	*100.0%*	*100.0%*	*$27,406*	*100.0%*	*100.0%*	*100.0%*	*90*	*100.0%*	*100.0%*	*$18,689*	*100.0%*	*100.0%*

2010 and 2015 U.S. Census, 2016 and 2017 Aggregate HMDA Data, 2016 and 2017 HMDA LARs.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2016, North Brookfield Savings Bank originated 13 home mortgage loans, or 6.0 percent, to low-income borrowers, which was in line with the aggregate, at 6.0 percent, but less than the percentage of low-income families in the assessment area, at 16.8 percent. Of the 13 loans, 8 were home improvement loans, 4 were refinance loans, and 1 was a home purchase loan. The bank's home improvement lending to low-income borrowers exceeded the aggregate by 1.4 percentage points. For the same year, the bank originated 30 home mortgage loans, or 13.8 percent, to moderate-income borrowers, which was below the aggregate, at 17.4 percent, and below the percentage of moderate-income families, at 16.8 percent. Of the 30 loans, 18 were home improvement loans, 7 were home purchase loans, and 5 were refinance loans. The bank's home improvement loans to moderate-income borrowers exceeded the aggregate by .6 percent, but lagged the aggregate in both home purchase and refinance loans. North Brookfield Savings Bank ranked 4th out of 117 lenders that originated or purchased a home mortgage loan in the assessment area to low-income borrowers, and 5th out of 157 lenders that originated a home mortgage loan to moderate-income borrowers.

In 2017, the bank originated 4 home mortgage loans, or 4.4 percent, to low-income borrowers, which was below the aggregate, at 7.2 percent, and less than the percentage of low-income families in the assessment area, at 18.4 percent. Of the 4 loans, 3 were refinance loans, and 1 was a home improvement loan. The bank exceeded the aggregate for refinances by 3.9 percent. For the same year, the bank originated 15 loans, or 16.7 percent to moderate-income borrowers. The bank's percentage of lending to moderate-income borrowers increased by 2.9 percent from 2016, and exceeded the percentage of moderate-income families, at 16.6 percent, although remained below the aggregate, at 20.1 percent. Of the 15 loans, 6 were home purchases, 6 were home improvement, and 3 were refinance loans. The bank exceeded the aggregate for home improvement loans by 5.6 percent. North Brookfield Savings Bank ranked 11th out of 104 lenders that originated or purchased a home mortgage loan in the assessment area to low-income borrowers, and 14th out of 161 lenders that originated a home mortgage loan to moderate-income borrowers.

The bank's percentage of lending to low-income borrowers has experienced a downward trend since 2016, while the percentage of low-income families in the assessment area experienced a 1.6 percent increase. Further, the bank's lending volume declined in terms of both the number and dollar amount of loans from 2016 to 2017, and especially declined for home mortgage loans extended to low-income borrowers. The decline in loan volume can be attributed in part to the decline in home improvement loans, particularly Solar loans. Solar loans typically have lower amounts and have subsidized interest, which makes them more affordable to low-income borrowers. The bank discontinued Solar at the end of 2016, and the number of home improvement loans to low-income borrowers decreased from 8 loans, or 7.1 percent, in 2016 to 1 loan, or 3.6 percent, in 2017.

Both North Brookfield Savings Bank and the aggregate's lending percentage to low-income borrowers was below the percentage of low-income families in the assessment area, which was 16.8 percent in 2016 and increased to 18.4 percent in 2017. However, it is not expected that the bank meet the demographic indicator for low-income families because not all families with that income level will qualify for a home mortgage given the demographics of the market. A low-income family in the assessment area earns less than $40,893, which coupled with the median home value of $294,614, may put home ownership out of reach for many of these families. As discussed above, the number of renter households spending more than 30 percent of their income on rental costs increased from 8.9 percent in 2016, to 10.6 percent in 2017. This challenge was also noted by the community contacts, who identified the ability of low-income families to save for a mortgage down payment, as well as credit history requirements as barriers to home ownership. Therefore, opportunities to originate home mortgage loans to low-income borrowers in the bank's assessment area may be limited.

Also, it is notable that the bank originated a number of home mortgage loans to borrowers with unknown income, some of which were multi-family loans. Under HMDA rules, income reporting is not required if the applicant is not a natural person. These loans are typically made to investors in housing with multiple units. In the bank's assessment area, 2-4 unit housing comprises 13.7 percent of the housing stock, and an additional 8.5 percent of the housing stock is comprised of five or more unit housing. In 2016, 6.5 percent of home mortgage loans were originated to these unknown-income borrowers, while in 2017, 3.3 percent were to these borrowers.

Response to Complaints

The bank has not received any CRA-related complaints since the previous examination; therefore, this criterion was not assessed.

CONCLUSION

North Brookfield Savings Bank's performance in meeting credit needs in the assessment area is demonstrated by its reasonable LTD ratio and record of extending the majority of its loans within its assessment area. Given the demographics of the assessment area, the distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low-income and moderate-income borrowers, and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect an appropriate level of responsiveness and is therefore 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 credit practices inconsistent with helping to meet community credit needs were identified.

APPENDIX A

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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