PUBLIC DISCLOSURE

July 16, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Marblehead Bank
RSSD # 816304

21 Atlantic Avenue
Marblehead, Massachusetts 01945

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-income 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.

Marblehead 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 95.2 percent is reasonable given the bank's size, financial condition, and assessment area credit needs.

- A majority (73.9 percent) of residential mortgages were originated in the bank's assessment area during the review period.

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

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

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

SCOPE OF EXAMINATION

Marblehead 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, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints.

The evaluation period for the CRA performance review is April 29, 2014 through July 16, 2018. These dates encompass the entire review period, which includes years evaluated and included in the tables. The lending test focused on residential mortgage lending from the two most recent full years, 2016 and 2017, and information for these years is included in tables unless otherwise noted. Home mortgage lending data 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 are 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 evaluation in 2014. Demographic information referenced throughout the evaluation was obtained from the 2015 United States (U.S.) Census Bureau's American Community Survey (ACS) unless otherwise noted.

Marblehead Bank's CRA performance was last examined by the Federal Reserve Bank of Boston on April 28, 2014, in accordance with the FFIEC Examination Procedures for Small Institutions. The examination resulted in a "Satisfactory" rating.

DESCRIPTION OF INSTITUTION

Established in 1871, Marblehead Bank is a Massachusetts state-chartered, independent, mutual savings bank and became a Federal Reserve Bank state member bank on October 24, 2003. Headquartered at 21 Atlantic Avenue, Marblehead, MA, the bank operates three additional full-service branch offices: (1) 1 Humphrey Street, Marblehead, MA; (2) 100 Cummings Center, Beverly, MA; and (3) 125 Canal Street, Salem, MA, which was opened during the current CRA evaluation period in April 2016. All branches offer lobby and drive-up hours Monday through Friday with additional limited hours on Saturday, except for the Cummings Center branch, which is located in an 80-acre office park with no drive-up. The Humphrey Street and Canal Street locations have extended lobby and drive-up hours on Thursdays and Fridays.

Each location has a 24-hour deposit-taking ATM, except for the Beverly branch, which is only available when the Cummings Center building is open to the public; the Humphrey Street branch has two ATMs. Additionally, one standalone, non-deposit taking ATM is accessible 24-hours in the Cummings Center building.

Since the previous Federal Reserve examination conducted on April 28, 2014, the bank's assets have increased 19.8 percent from $177.0 million as of December 31, 2013, to $212.0 million, as of March 31, 2018. As of the March 31, 2018 Consolidated Report of Condition and Income (Call Report), loans and leases represented $174.8 million or 82.4 percent of total assets, while deposits represented $186.9 million, or 88.2 percent of total assets.

The following table illustrates the breakdown of the bank's loan portfolio as of March 31, 2018. As the data in Table 1 shows, Marblehead Bank is primarily a real estate lender, with one-to-four family residential comprising the greatest share of the real estate loan portfolio at 74.5 percent. One-to-four family residential loans include closed-end mortgage loans (including junior liens) as well as revolving home equity lines of credit. Commercial real estate comprises the next largest share of the loan portfolio, at 24.1 percent. The commercial real estate loans are typically collateralized by the properties used for the borrowers' businesses, such as office and retail buildings.

Table 1
Loan Distribution as of March 31, 2018

Loan Type	Dollar Amount $(000s)	Percent of Total Loans
1-4 Family- Closed-End	106,637	61.0
Nonfarm Nonresidential	36,791	21.1
1-4 Family- Revolving	23,676	13.5
Commercial & Industrial	5,232	3.0
Construction & Land Development	985	0.6
Multi-Family	769	0.4
Consumer Loans	668	0.4
Other Loans	0	0.0
Total Loans	*174,758*	*100.0*

Call Report as of March 31, 2018.

Marblehead Bank offers a traditional suite of deposit and loan products for consumer and business customers. Deposit products include personal and business checking accounts, savings accounts, certificates of deposit, and money market accounts. Residential loan products include fixed and adjustable rate mortgages and home equity loans and lines of credit; commercial products include business credit lines and commercial real estate and term loans. The bank's deposit and loan services are listed and described on the bank's website: www.marblebank.com. In addition to the online application, loan applications can be requested by mail, phone, or in-person at any branch.

Marblehead Bank operates in a highly competitive banking environment. According to the Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, as of June 30, 2017, fourteen depository institutions operated branches within the bank's assessment area and Marblehead Bank ranked 10^{th}, with 3.7 percent of the deposit market share. Salem Five Cents Savings Bank, Eastern Bank, and Bank of America, N.A., captured a majority of the assessment area's deposit market share, with 32.0 percent, 13.3 percent, and 12.5 percent, respectively. However, within the town of Marblehead, the bank has captured the second largest deposit market share at 26.0 percent, accounting for a substantial majority of the bank's deposit base, at 94.3 percent. The National Grand Bank of Marblehead has the largest share of deposits in the town of Marblehead, with 39.0 percent, while Bank of America, N.A. has the third largest share, at 16.6 percent.

Marblehead Bank also faces strong competition for loans against several larger, regional and national institutions in the assessment area. According to the 2017 FFIEC aggregate data, Marblehead Bank ranked 18^{th} of 269 lenders for home mortgage loans originated and/or purchased within the assessment area. The top three ranked lenders were much larger national banks and mortgage companies including, Wells Fargo Bank, N.A., Salem Five Mortgage Company, LLC, and JP Morgan Chase Bank, N.A. In 2016, Marblehead Bank ranked 19^{th} of 283 lenders for HMDA-reportable loans. The bank's relative asset size may impede its ability to compete in this market.

Financial capacity, legal impediments, local economic conditions, demographics and market competition are all considered when examining the bank's CRA performance. As evidenced by its net LTD ratio, Marblehead Bank does have the financial capacity to make loans. There are no legal or financial impediments that would hinder the bank's ability to meet the credit needs of its assessment area. Consistent with the bank's asset size, business strategy, and resources, Marblehead Bank has demonstrated its ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The 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. Marblehead Bank has delineated its assessment area to include a portion of Essex County within the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). The assessment area is comprised of four whole, contiguous municipalities: Marblehead, Beverly, Salem, and Swampscott; and has not changed since the previous examination.

The bank's assessment area is considered suburban, and no census tracts are considered distressed or underserved by the FFIEC. A majority of the bank's business is concentrated in the town of Marblehead, which is a small, coastal community that sits on a peninsula. Assessment area demographics and local economic conditions have a significant impact on an institution's ability to lend. Table 2 provides pertinent demographic information on Marblehead Bank's assessment area and thus potential lending opportunities.

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	1	4.3	755	2.6	185	24.5	6,545	22.9
Moderate-income	6	26.1	6,855	23.9	923	13.5	5,124	17.9
Middle-income	11	47.8	13,849	48.4	691	5	6,340	22.1
Upper-income	5	21.7	7,173	25.1	151	2.1	10,623	37.1
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**23**	**100.0**	**28,632**	**100.0**	**1,950**	**6.8**	**28,632**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	1,837	393	1.3	21.4	1,290	70.2	154	8.4
Moderate-income	13,958	5,933	20.3	42.5	7,088	50.8	937	6.7
Middle-income	24,541	14,378	49.3	58.6	8,809	35.9	1,354	5.5
Upper-income	10,342	8,488	29.1	82.1	1,377	13.3	477	4.6
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**50,678**	**29,192**	**100.0**	**57.6**	**18,564**	**36.6**	**2,922**	**5.8**

2017 FFIEC Census Data and 2017 Dun & Bradstreet, Short Hills, NJ (D&B) Information.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Assessment Area Composition

The assessment area contains 23 census tracts, of which 1 is low-income, 6 are moderate-income, 11 are middle-income, and 5 are upper-income. This distribution represents tracts for 2017, which was slightly adjusted from the 2016 FFIEC Census data of 1 low-income, 7 moderate-income, 9 middle income, and 6 upper income. *See* Appendix A. Currently, the sole low-income tract and four moderate-income tracts are located in Salem, while the remaining two moderate-income tracts are located in Beverly.

Population

Based on the 2015 U.S. ACS data, the assessment area has a population of 117,475. There are 47,756 households, 28,632 of which are families within the assessment area: 22.9 percent of families are low-income; 17.9 percent are moderate-income; 22.1 percent are middle-income; and 37.1 percent are upper-income. The percentages of low-income and moderate-income families in the assessment area are consistent with those percentages found in the Commonwealth of Massachusetts, but are higher for middle-income families, and lower for upper-income families, compared to 19.4 percent and 40.9 percent in Massachusetts, respectively. As shown in Table 2, at the census tract level, the majority, 48.4 percent of families in the assessment area reside in middle-income census tracts. Only 2.6 percent of families reside in low-income census tracts; 23.9 percent of families reside in middle-income census tracts; and 25.1 percent reside in upper-income census tracts.

By households, 28.8 percent are low-income, 14.4 percent are moderate-income, 18.7 percent are middle-income, and 38.1 percent are upper-income. Similarly, the percentages of low-income and moderate-income households in the assessment area are in line with the Commonwealth, but are higher for middle-income households, and lower for upper-income households, compared to 16.4 percent and 42.6 percent in Massachusetts, respectively. Marblehead and Swampscott are more homogeneous incorporating a middle- to upper-income population while Beverly and Salem are more economically diverse.

Labor

According to a recent release by the Bureau of Labor Statistics, the unemployment rate for Essex County as of April 2018 was 3.4 percent, while the unemployment rate for Massachusetts was 3.3 percent. The unemployment rate for each individual municipality in the assessment area fell below or within the range of the county and state rates. In the town of Marblehead, the unemployment rate was 2.7 percent; Beverly was 3.0 percent; Salem was 3.4 percent; and Swampscott was 2.5 percent. Major employers in Essex County include many hospitals, with the largest located in Salem.

Income

According to the 2015 U.S. ACS data, the assessment area median family income (MFI) is $94,498, which is in between the Commonwealth of Massachusetts MFI at $87,085 and the Cambridge-Newton-Framingham, MA MD MFI at $100,380. 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. Thus, low-income families in the assessment area earn less than $47,249; moderate-income families earn between $47,249 and $75,598; middle-income families earn between $75,598 and $113,398; and upper-income families earn at least $113,398.

Table 3 Median Family Income Comparison					
Year	**MD / State**	**MFI**	**Year**	**MD / State**	**MFI**
2016	Cambridge-Newton-Framingham, MA MD	$98,600	2017	Cambridge-Newton-Framingham, MA MD	$104,800
2016	Commonwealth of Massachusetts	$77,600	2017	Commonwealth of Massachusetts	$80,000

Based on estimates, the FFIEC adjusts the MFI of metropolitan areas annually. Over the evaluation period, the MFI for the Cambridge-Newton-Framingham, MA MD and Commonwealth of Massachusetts have both increased since the 2015 U.S. ACS to $104,800 and $80,000, respectively. Further, 6.8 percent of families in the assessment area are below the poverty level, compared to 8.2 percent of families in the Commonwealth; by households, 9.9 percent in the assessment area are below the poverty level, compared to 12.0 percent in the Commonwealth. Since the last examination in 2014, with the 2015 U.S. ACS data, there were demographic changes to the 2010 U.S. Census data in the assessment area.[1] Specifically, families residing below the poverty level increased slightly, from 6.0 percent to 6.8 percent.

Housing

Of the 50,678 housing units in the assessment area, the majority, 78.6 percent are single-family homes, while 21.3 percent are multifamily, and 0.1 percent are mobile homes. As shown in Table 2, owner-occupied units account for 57.6 percent of the housing stock in the assessment area, followed by rentals at 36.6 percent, and vacant units at 5.8 percent. These percentages reflect changes from 2016, as a result of the introduction of the 2015 U.S. ACS census data. Specifically, since 2016, owner-occupied housing within the assessment area decreased from 59.2 percent to 57.6 percent; rentals increased from 34.2 percent; and vacant properties decreased from 6.7 percent. Within the assessment area's sole low-income census tract, 21.4 percent of housing units are owner-occupied, while 70.2 percent are rental and 8.4 percent are vacant; within moderate-income census tracts, 42.5 percent of housing units are owner-occupied, while 50.8 percent are rental and 6.7 percent are vacant. With rental units accounting for the majority of housing units within low-income and moderate-income census tracts, the bank faces difficult challenges in penetrating these markets. Further, as demonstrated in Table 2, owner-occupancy is correlated with census tract income levels: the higher the income level, the higher the owner-occupancy rate.

Similar to population and family-income, the bank's assessment area incorporates municipalities that vary fairly significantly in terms of housing costs. Based on 2015 U.S. ACS data, the median housing value for a single-family home in the assessment area is $381,203, compared to $333,100 in the Commonwealth of Massachusetts. Thus, the affordability ratio is 19.2 percent, which is slightly below that of the Commonwealth, at 20.6 percent.[2] Further reflecting the unaffordability of housing in the assessment area, 47.3 percent of renters have monthly rental costs that exceed 30.0 percent of their income. Providing additional insight into housing market conditions, the median sale price for homes, as of April 2018, is $605,900 in the town of Marblehead, $409,800 in Beverly, $345,400 in Salem, and $438,800 in Swampscott.[3] Housing

1 2010 Census data is used for 2016 analysis while the 2015 U.S. ACS data is used for 2017 analysis.
2 The housing affordability ratio is calculated by dividing the MFI by the median housing value.
3 Median home sale price data is compiled by real estate website Zillow.com.

values in the assessment area have been consistently rising over the last five years, while affordable housing inventory has remained low, presenting obstacles to home ownership for low-income and moderate-income families.

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.

Information was gathered from one community representative to understand relevant economic and community credit needs within the assessment area. The contact represents a non-profit organization that focuses on providing financial education, housing services, and economic opportunities. Their goal is to help low-income and moderate-income families and individuals improve their economic stability and wellbeing within a geographic area that includes the cities of Beverly and Salem, where the organization also provides hundreds of affordable housing units.

The contact expressed that financial literacy is critical for growth and looked to banks to provide more education on basic finances, credit building, and business development. The contact also noted the demand for and limited supply of adequate and affordable housing, particularly in Salem. Thus, the contact concluded that there are opportunities for local financial institutions to be more involved in these areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

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 markets, 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; 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. Marblehead Bank's LTD ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs.

The bank's net LTD figures are calculated from the bank's FFIEC Call Reports over the past 17 quarters, covering data from January 1, 2014 through March 31, 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. Marblehead Bank's average net LTD ratio is 95.2 percent for this period. Table 4 provides a comparison of the bank's average LTD to similarly situated institutions operating within the assessment area. The bank's average net LTD ratio is considered reasonable and in line with its peers.

Table 4
Loan-to-Deposit Ratio Comparison

Institution	Total Assets* $(000's)	Average LTD Ratio** (%)
North Shore Bank	833,473	97.6
Beverly Bank	460,791	97.2
Marblehead Bank	**212,013**	**95.2**
National Grand Bank of Marblehead	314,362	87.6

**Call Report as of March 31, 2018.*
***Call Reports dated March 31, 2014 to March 31, 2018.*

The bank's LTD ratio has remained relatively stable over both the current review period and since its previous examination, at which time it had an average net LTD ratio of 94.9 percent. Moreover, the bank sells very few loans to the secondary market and maintains relatively stable core deposits, explaining its high LTD and capacity to lend. From 2016 through 2017, the bank originated 32 loans, totaling $7.6 million, which were sold to the Federal National Mortgage Association, or commonly known as Fannie Mae.

Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. While both the number and dollar volume of loans were reviewed, the number of loans was weighted more heavily as it is a better indicator of borrowers served. As the Table 5 shows, a majority of HMDA loans for 2016 and 2017 combined are located inside the bank's assessment area. Given the highly competitive market, this level of lending reflects adequate responsiveness to assessment area credit needs.

Table 5

Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	$(000s)	%	#	%	$(000s)	%
Home Improvement	24	80.0	$7,526	87.4	6	20.0	$1,084	12.6
Home Purchase - Conventional	38	64.4	$13,387	67.0	21	35.6	$6,583	33.0
Multi-Family Housing	1	20.0	$745	17.1	4	80.0	$3,609	82.9
Refinancing	67	81.7	$20,043	82.5	15	18.3	$4,240	17.5
Total Loans	**130**	**73.9**	**$41,701**	**72.9**	**46**	**26.1**	**$15,516**	**27.1**

HMDA data January 1, 2016 through December 31, 2017.

By number, the bank originated a majority, 130 loans, or 73.9 percent, of home mortgage loans within its delineated assessment area. In terms of dollar volume, the bank loaned $41.7 million dollars or 72.9 percent within the assessment area. These figures are a decrease from the 2014 examination, when the percentages were 81.5 percent by number and 81.9 percent by dollar amount, primarily due to a decline in demand for the bank's refinance products.

Notably, refinance and home improvement loans constituted the highest concentration of HMDA-reportable loans within the assessment area, at 81.7 percent and 80.0 percent, respectively. While the majority of home purchase loans, at 64.4 percent, were also made within the assessment area, multi-family loans were a substantial minority, at 20.0 percent; this statistic, however, is negligible as the total volume for multi-family loans was very low with only five loans total.

In 2016, the bank made 107 HMDA-reportable loans. 76 loans, or 71.0 percent, were made inside the assessment area. Of these inside loans, 46 loans were made in the town of Marblehead, and 30 were made to the rest of the assessment area: Swampscott, Salem, and Beverly. 31 loans, or 29.0 percent, were made outside the assessment area.

In 2017, the bank made 69 HMDA-reportable loans. 54 loans were made inside the assessment area. Of these inside loans, 43 loans were made in the town of Marblehead, and 11 were made to the rest of the assessment area. 15 loans, or 21.7 percent, were made outside the assessment area.

Due both to a long history of service as well as being located on a geographically isolated peninsula, Marblehead Bank is firmly established within the town of Marblehead. Thus, a majority of the bank's lending activity remains within the town. Marblehead Bank has only recently expanded to other municipalities within its assessment area; for example, the Salem branch was opened in April 2016, and the bank is still trying to gain brand awareness in the already heavily banked city. The bank's penetration in its assessment area is reasonable in light of its historic performance, geography, and recent entry into new markets.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low-income and moderate-income individuals when compared to area demographics and aggregate performance.

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 demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate. The bank's performance compared to the aggregate is given more weight in the analysis because aggregate performance is more indicative of lending opportunities inside the assessment area.

Table 6
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	21.3%	2	11.1%	4.1%	$210	3.9%	1.9%	22.9%	1	5.0%	4.3%	$425	5.3%	2.3%
	Moderate	17.9%	2	11.1%	20.7%	$385	7.1%	14.7%	17.9%	2	10.0%	17.0%	$490	6.1%	12.6%
	Middle	20.3%	4	22.2%	25.5%	$1,200	22.2%	22.7%	22.1%	2	10.0%	27.0%	$724	9.1%	24.8%
	Upper	40.4%	7	38.9%	37.6%	$2,373	43.9%	48.1%	37.1%	14	70.0%	39.6%	$5,239	65.7%	48.2%
	Unknown	0.0%	3	16.7%	12.1%	$1,241	22.9%	12.5%	0.0%	1	5.0%	12.2%	$1,100	13.8%	12.2%
	Total	*100.0%*	*18*	*100.0%*	*100.0%*	*$5,409*	*100.0%*	*100.0%*	*100.0%*	*20*	*100.0%*	*100.0%*	*$7,978*	*100.0%*	*100.0%*
REFINANCE	Low	21.3%	2	4.0%	3.9%	$237	1.6%	2.0%	22.9%	2	11.8%	6.9%	$216	4.3%	4.1%
	Moderate	17.9%	12	24.0%	15.4%	$2,336	15.5%	11.3%	17.9%	3	17.6%	19.6%	$632	12.7%	15.0%
	Middle	20.3%	13	26.0%	24.9%	$3,959	26.3%	21.7%	22.1%	4	23.5%	24.3%	$1,106	22.3%	21.4%
	Upper	40.4%	20	40.0%	42.1%	$7,632	50.6%	51.0%	37.1%	8	47.1%	37.6%	$3,012	60.7%	48.0%
	Unknown	0.0%	3	6.0%	13.7%	$913	6.1%	14.0%	0.0%	0	0.0%	11.6%	$0	0.0%	11.5%
	Total	*100.0%*	*50*	*100.0%*	*100.0%*	*$15,077*	*100.0%*	*100.0%*	*100.0%*	*17*	*100.0%*	*100.0%*	*$4,966*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	21.3%	0	0.0%	4.3%	$0	0.0%	1.3%	22.9%	1	6.3%	5.1%	$140	2.7%	2.8%
	Moderate	17.9%	1	12.5%	13.2%	$110	4.8%	8.2%	17.9%	1	6.3%	17.0%	$85	1.6%	13.2%
	Middle	20.3%	2	25.0%	27.0%	$488	21.4%	23.0%	22.1%	4	25.0%	30.4%	$706	13.5%	20.0%
	Upper	40.4%	3	37.5%	49.5%	$1,200	52.5%	62.3%	37.1%	7	43.8%	41.4%	$2,740	52.3%	55.6%
	Unknown	0.0%	2	25.0%	5.9%	$487	21.3%	5.2%	0.0%	3	18.8%	6.3%	$1,570	30.0%	8.4%
	Total	*100.0%*	*8*	*100.0%*	*100.0%*	*$2,285*	*100.0%*	*100.0%*	*100.0%*	*16*	*100.0%*	*100.0%*	*$5,241*	*100.0%*	*100.0%*
MULTI FAMILY	Low	21.3%	0	0.0%	0.0%	$0	0.0%	0.0%	22.9%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	17.9%	0	0.0%	0.0%	$0	0.0%	0.0%	17.9%	0	0.0%	0.0%	$0	0.0%	0.0%
	Middle	20.3%	0	0.0%	0.0%	$0	0.0%	0.0%	22.1%	0	0.0%	0.0%	$0	0.0%	0.0%
	Upper	40.4%	0	0.0%	0.0%	$0	0.0%	0.0%	37.1%	0	0.0%	0.0%	$0	0.0%	0.0%
	Unknown	0.0%	0	0.0%	100.0%	$0	0.0%	100.0%	0.0%	1	100.0%	100.0%	$745	100.0%	100.0%
	Total	*100.0%*	*0*	*0.0%*	*100.0%*	*$0*	*0.0%*	*100.0%*	*100.0%*	*1*	*100.0%*	*100.0%*	*$745*	*100.0%*	*100.0%*
HMDA TOTALS	Low	21.3%	4	5.3%	4.0%	$447	2.0%	1.9%	22.9%	4	7.4%	5.3%	$781	4.1%	2.7%
	Moderate	17.9%	15	19.7%	17.4%	$2,831	12.4%	12.4%	17.9%	6	11.1%	17.7%	$1,207	6.4%	12.5%
	Middle	20.3%	19	25.0%	25.1%	$5,647	24.8%	21.7%	22.1%	10	18.5%	26.0%	$2,536	13.4%	21.8%
	Upper	40.4%	30	39.5%	40.3%	$11,205	49.2%	48.9%	37.1%	29	53.7%	38.6%	$10,991	58.1%	45.0%
	Unknown	0.0%	8	10.5%	13.2%	$2,641	11.6%	15.0%	0.0%	5	9.3%	12.4%	$3,415	18.0%	18.0%
	Total	*100.0%*	*76*	*100.0%*	*100.0%*	*$22,771*	*100.0%*	*100.0%*	*100.0%*	*54*	*100.0%*	*100.0%*	*$18,930*	*100.0%*	*100.0%*

2010 U.S. Census and 2015 U.S. 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.

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.

In 2016, Marblehead Bank's lending distribution to both low-income and moderate-income borrowers was slightly above the aggregate. The bank made 4 loans, or 5.3 percent, of its HMDA-reportable loans to low-income borrowers, compared to 4.0 percent for the aggregate, and 15 loans, or 19.7 percent, to moderate-income borrowers, compared to 17.4 percent for the aggregate. While Marblehead Bank exceeded the aggregate, the bank also exceeded the 17.9

percent demographic level for family income for moderate-income borrowers, but fell below the 21.3 percent level for low-income borrowers. The bank's ability to extend home mortgage loans to low income families is impacted by the housing supply and market valuations. Opportunities to lend to low-income borrowers are limited in many portions of the bank's assessment area, as the median housing value for a single-family home is $381,203, which may be unaffordable to low-income families, who earn less than $47,249 per year.

In 2017, Marblehead Bank's distribution of loans to low-income borrowers exceeded the aggregate, whereas the distribution to moderate-income borrowers trailed the aggregate. The bank made four loans or 7.4 percent to low-income borrowers, compared to 5.3 percent for the aggregate; and 6 loans or 11.1 percent to moderate-income borrowers, compared to 17.7 percent for the aggregate. It appears that the demand for all loan types remained relatively stable in 2017, with the exception of refinance loans. The demand for the bank's refinance products in 2017 fell from 12 to 3 loans in the moderate-income category, thus affecting its overall performance that year, while the bank's competitors retained their share.

In 2017, the bank did not meet demographic levels for family income for both low-income and moderate-income borrowers at 22.9 percent and 17.9 percent, respectively. However, in 2017, census information indicates that the percentage of families living below the poverty level in the low-income census tract increased from 16.6 percent to 24.5 percent, while the percentage of families below the poverty level in the moderate-income census tracts increased from 10.1 percent to 13.5 percent.[4] Further, it is not expected that the bank meet the percentage distribution of low-income families, because not all families with low-income levels will qualify for a residential mortgage loan.

As for distribution levels to middle- and upper-income borrowers, Marblehead Bank was in line with the aggregate in 2016. The bank made 25.0 percent of its HMDA-reportable loans to middle-income borrowers, compared to 25.1 percent from the aggregate, and 39.5 percent to upper-income borrowers, compared to 40.3 percent from the aggregate. Marblehead Bank's HMDA lending was in line with the assessment area's demographic levels for family income for middle- and upper-income borrowers at 20.3 percent and 40.4 percent, respectively. With higher market values of homes in the assessment area, lending opportunities to middle- and upper-income borrowers are more prevalent, as these families earn at least $75,598 and are able to afford homeownership within the assessment area.

In 2017, Marblehead Bank's distribution to middle-income borrowers was below the aggregate, whereas distribution to upper-income borrowers exceeded the aggregate. Of the bank's HMDA reportable-loans, 18.5 percent were made to middle-income borrowers, compared to 26.0 percent from the aggregate, and 53.7 percent to upper-income borrowers, compared to 38.6 percent from the aggregate. In turn, the bank extended loans below the 22.1 percent demographic level for family income for middle-income borrowers, but well above the 37.1 percent level for upper-income borrowers.

While Marblehead Bank did not reach borrower income levels representative of low-income and moderate-income demographics, the bank did display responsiveness to the credit needs of low-income and moderate-income borrowers. According to 2017 HMDA data, Marblehead Bank ranked 8th out of 70 institutions that reported originations or purchases to low-income borrowers

4 *See* Table 2 and Appendix A.

within the assessment area, and 18th out of 135 institutions that reported originations or purchases to moderate-income borrowers. The bank's rankings fell behind those of larger, national institutions, such as Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., and TD Bank, N.A., which evidences the competitive environment within which the bank engages.

The bank's lending to borrowers of all income levels was reviewed by product category, and no conspicuous lending gaps were noted. The bank's decrease in HMDA loans resulted from a 66.0 percent decrease in refinances between 2016 and 2017 although there was no decline with the aggregate. Although low in number volume, this decrease particularly impacted moderate-income borrowers, resulting in the bank's lending falling below the aggregate and demographic level in 2017, as explained above. Overall, Marblehead Bank demonstrates responsiveness to the credit needs of borrowers of all income levels within their communities given the demographics of the bank's assessment area.

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 reasonable dispersion throughout the assessment area. 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	Bank & Aggregate Lending Comparison													
		2016							2017						
		Owner Occupied Units	Count			Dollar			Owner Occupied Units	Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
		%	#	%	%	$ (000s)	$ %	$ %	%	#	%	%	$ (000s)	$ %	$ %
HOME PURCHASE	Low	1.4%	2	11.1%	2.9%	$794	14.7%	2.1%	1.3%	0	0.0%	2.4%	$0	0.0%	1.6%
	Moderate	24.5%	2	11.1%	32.0%	$682	12.6%	26.0%	20.3%	2	10.0%	30.3%	$652	8.2%	24.5%
	Middle	42.0%	7	38.9%	40.6%	$2,033	37.6%	36.9%	49.3%	9	45.0%	45.6%	$3,831	48.0%	43.8%
	Upper	32.0%	7	38.9%	24.4%	$1,900	35.1%	35.0%	29.1%	9	45.0%	21.7%	$3,495	43.8%	30.0%
	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%*	*18*	*100.0%*	*100.0%*	*$5,409*	*100.0%*	*100.0%*	*100.0%*	*20*	*100.0%*	*100.0%*	*$7,978*	*100.0%*	*100.0%*
REFINANCE	Low	1.4%	0	0.0%	1.1%	$0	0.0%	0.7%	1.3%	0	0.0%	1.5%	$0	0.0%	1.1%
	Moderate	24.5%	4	8.0%	25.3%	$936	6.2%	20.6%	20.3%	2	11.8%	24.3%	$501	10.1%	19.9%
	Middle	42.0%	15	30.0%	40.4%	$3,992	26.5%	36.0%	49.3%	7	41.2%	47.1%	$2,112	42.5%	43.3%
	Upper	32.0%	31	62.0%	33.3%	$10,149	67.3%	42.7%	29.1%	8	47.1%	27.1%	$2,353	47.4%	35.6%
	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%*	*50*	*100.0%*	*100.0%*	*$15,077*	*100.0%*	*100.0%*	*100.0%*	*17*	*100.0%*	*100.0%*	*$4,966*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	1.4%	0	0.0%	0.8%	$0	0.0%	0.0%	1.3%	0	0.0%	0.9%	$0	0.0%	1.0%
	Moderate	24.5%	2	25.0%	23.2%	$397	17.4%	17.6%	20.3%	2	12.5%	20.5%	$570	10.9%	16.3%
	Middle	42.0%	2	25.0%	40.5%	$450	19.7%	33.6%	49.3%	4	25.0%	53.6%	$1,621	30.9%	49.4%
	Upper	32.0%	4	50.0%	35.4%	$1,438	62.9%	48.7%	29.1%	10	62.5%	25.0%	$3,050	58.2%	33.3%
	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%*	*8*	*100.0%*	*100.0%*	*$2,285*	*100.0%*	*100.0%*	*100.0%*	*16*	*100.0%*	*100.0%*	*$5,241*	*100.0%*	*100.0%*
MULTIFAMILY	Low	8.7%	0	0.0%	10.9%	$0	0.0%	18.6%	8.5%	0	0.0%	7.1%	$0	0.0%	6.1%
	Moderate	36.5%	0	0.0%	50.0%	$0	0.0%	47.4%	37.9%	0	0.0%	47.6%	$0	0.0%	61.3%
	Middle	43.7%	0	0.0%	30.4%	$0	0.0%	29.7%	48.2%	1	100.0%	40.5%	$745	100.0%	30.7%
	Upper	11.1%	0	0.0%	8.7%	$0	0.0%	4.4%	5.4%	0	0.0%	4.8%	$0	0.0%	1.9%
	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%*	*0*	*0.0%*	*100.0%*	*$0*	*0.0%*	*100.0%*	*100.0%*	*1*	*100.0%*	*100.0%*	*$745*	*100.0%*	*100.0%*
HMDA TOTALS	Low	1.4%	2	2.6%	1.9%	$794	3.5%	1.8%	1.3%	0	0.0%	2.0%	$0	0.0%	1.8%
	Moderate	24.5%	8	10.5%	28.3%	$2,015	8.8%	23.6%	20.3%	6	11.1%	27.5%	$1,723	9.1%	25.4%
	Middle	42.0%	24	31.6%	40.4%	$6,475	28.4%	36.1%	49.3%	21	38.9%	46.7%	$8,309	43.9%	42.9%
	Upper	32.0%	42	55.3%	29.4%	$13,487	59.2%	38.5%	29.1%	27	50.0%	23.8%	$8,898	47.0%	29.9%
	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%*	*76*	*100.0%*	*100.0%*	*$22,771*	*100.0%*	*100.0%*	*100.0%*	*54*	*100.0%*	*100.0%*	*$18,930*	*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.

The bank's lending activity is compared to an aggregate group of lenders operating inside the assessment area and to the percentage of owner-occupied properties within each census tract income level. The bank's performance compared to the aggregate is given more weight in the analysis because aggregate performance is more indicative of lending opportunities inside the assessment area.

In 2016, Marblehead Bank made two loans, both of which were home purchases, in the sole low-income census tract in its assessment area, and no loans in this tract in 2017. Marblehead Bank slightly outperformed the aggregate in 2016, with 2.6 percent of the bank's loans made in the low-income census tract, although it performed below the aggregate in 2017 in this tract. With only 1.4 percent in 2016 and 1.3 percent in 2017 of owner-occupied units in the assessment area, the housing supply in the low income tract presented scarce lending opportunities for the bank. By loan category, the bank's 2016 home purchases at 11.1 percent outperformed the aggregate at 2.9 percent and were above the percentage of owner-occupied units in low-income census tracts. Further demonstrating the difficulty of penetrating this area, only 1.9 percent of the aggregate loans in 2016 and 2.0 percent of the aggregate loans in 2017 were made in the low-income census tract. While the bank's concentration of HMDA-reportable loans in low-income tracts is minimal, its overall penetration is reflective of the composition of the assessment area and is considered satisfactory.

In moderate-income census tracts, Marblehead Bank underperformed the aggregate. In 2016, the bank made 8 loans or 10.5 percent of its loans in moderate-income tracts, compared to 28.3 percent from the aggregate. In 2017, the bank made 6 loans or 11.1 percent of its loans in moderate-income tracts, compared to 27.5 percent from the aggregate. The bank's lending performance in these tracts was also well below the percentage of owner-occupied housing units in these tracts, at 24.5 percent in 2016, and 20.3 percent in 2017. However, the bank's 2016 home improvement loans at 25.0 percent was slightly above the aggregate at 23.2 percent and the percentage of owner-occupied units. This same amount of lending, 2 loans, in 2017 resulted in the bank falling below the aggregate and the percentage of owner-occupied units. In addition to external factors mentioned below, the bank's overall decrease in loans for properties located in moderate-income census tracts resulted from a decrease in refinances, from four loans in 2016 to two loans in 2017. As mentioned above, the demand for the bank's refinance products declined; although lending in all other HMDA loan products remained stable.

The bank made 31.6 percent of its loans to middle-income census tracts within its assessment area in 2016, which was below the aggregate and percentage of owner-occupied units at 40.4 percent and 42.0 percent, respectively. In 2017, 38.9 percent of the bank's loans were made in middle-income census tracts, which was also below the aggregate and percentage of owner-occupied units, at 46.7 percent and 49.3 percent, respectively. In upper-income census tracts in 2016, the bank made 55.3 percent of its loans, well above the aggregate and percentage of owner-occupied units at 29.4 percent and 32.0 percent, respectively. While Marblehead Bank's lending in middle-income census tracts was below the aggregate and percentage of owner-occupied units, its lending in upper-income census tracts was well above the aggregate and percentage of owner-occupied units at 23.8 percent and 29.1 percent, respectively. The bank's performance is a reflection of the composition of the assessment area.

The majority of the bank's assessment area is comprised of middle- and upper-income census tracts, and as a result, the majority of the bank's loans are made within these tracts. The bulk of the bank's HMDA loans are concentrated within the town of Marblehead, where the bank operates two long-established branches, maintains a substantial majority of its core deposits and has strong community ties. Half of the assessment area's upper-income census tracts are located within the town of Marblehead, where the bank has demonstrated stable lending. Of the 76 loans made inside the assessment area in 2016, 46 loans were made inside the town of Marblehead, while 30 loans were made to the rest of the assessment area: Swampscott, Salem, and Beverly. In 2017, of the 54 loans made inside the assessment area, 43 loans were made inside the town of Marblehead and 11 were made to the rest of the assessment area. Despite this concentration, Marblehead Bank's geographic distribution is considered reasonable in light of the bank's size and bank's branch locations and tight competition within the assessment area.

The composition of the bank's assessment area in terms of income levels coupled with the bank's size and branching is relative to the bank's lending and opportunities. In 2016 and 2017, the bank had only 1 low-income census tract within its assessment area. This tract was located in Salem, home of the bank's new branch opened in April 2016 and a heavily banked market with established competition. The bank had only 7 moderate-income census tracts in its assessment area, based on the 2016 FFIEC census, although this number was reduced with the update of the 2017 FFIEC Census to 6 moderate-income census tracts. Four of these moderate-income census tracts are also located in Salem; the other 2 moderate-income census tracts are located in the vicinity of the bank's Beverly branch.

Overall lending in Salem and Beverly lags the bank's performance in Marblehead where the bank has its historical roots. Moreover, the bank has encountered challenges in penetrating the low-income and moderate-income tracts in its assessment area that are in the newer municipalities in its assessment area. With two of four bank branches located in the town of Marblehead, the bank derives 94.3 percent of its core deposit base from this town. The bank is entrenched and firmly established within Marblehead, compared to the rest of the bank's assessment area. Additional bank branches continue to establish their brand to generate loans, although with challenges. With the recent Salem branch opening in April 2016, the bank is still trying to establish a presence in this heavily banked city, where the sole low-income tract and 4 moderate-income tracts reside. The bank continues to engage in marketing efforts to gain brand awareness and generate lending opportunities. Lending at the Beverly branch, where the remaining two-moderate income tracts are located, is similarly challenging. Not conducive to residential lending, the branch is located within an 80-acre commercial office park with limited foot traffic.

Lastly, a majority of the bank's competitors within the assessment area are larger regional and national banks with vast branch networks. Marblehead Bank ranked 19th out of 283 lenders for HMDA-reportable loans in 2016, and 18th out of 269 lenders in 2017. Further, for lending in moderate-income census tracts, Marblehead Bank ranked 27th out of 186 lenders in 2016, and 26th out of 168 lenders in 2017, indicating the tight competition the bank faces in penetrating moderate-income census tracts in its highly competitive market.[5]

Notwithstanding these challenges, Marblehead Bank's lending is reasonably dispersed within its assessment area. Overall in 2016, the bank penetrated 15 census tracts or 65.2 percent of the assessment area's census tracts overall, broken down as: 100.0 percent of low-income tract; 57.1 percent of moderate-income tracts; and 66.7 percent of middle- and upper-income tracts. In

5 Due to tight 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 31, while 2017 had rankings through 34. These tight rankings reflect the highly competitive market.

2017, the bank penetrated 14 census tracts or 60.9 percent of the assessment area's census tracts overall, broken down as: 0.0 percent of low-income tract; 83.3 percent of moderate-income tracts; 54.5 percent of middle-income tracts; and 60.0 percent of upper-income tracts. There are no conspicuous gaps in lending within tracts that are unexplained. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Response to Complaints

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

CONCLUSION

Marblehead 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 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

Table 8 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	1	4.3	803	2.8	133	16.6	6,044	21.3
Moderate-income	7	30.4	8,298	29.2	841	10.1	5,091	17.9
Middle-income	9	39.1	10,726	37.8	459	4.3	5,775	20.3
Upper-income	6	26.1	8,554	30.1	278	3.2	11,471	40.4
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**23**	**100.0**	**28,381**	**100.0**	**1,711**	**6.0**	**28,381**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	1,724	425	1.4	24.7	1,135	65.8	164	9.5
Moderate-income	15,688	7,259	24.5	46.3	7,363	46.9	1,066	6.8
Middle-income	20,024	12,434	42	62.1	6,296	31.4	1,294	6.5
Upper-income	12,556	9,456	32	75.3	2,284	18.2	816	6.5
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	**49,992**	**29,574**	**100.0**	**59.2**	**17,078**	**34.2**	**3,340**	**6.7**

2016 FFIEC Census Data and 2016 D&B Information.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

APPENDIX B

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.