PUBLIC DISCLOSURE

July 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank
RSSD # 1004470

31 Sutton Avenue
Oxford, MA 01540

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.

TABLE OF CONTENTS

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

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

Lending Test

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonable variations) given the bank's size, financial condition, the credit needs of the assessment area, and taking into account other lending-related activities.
- A substantial majority of loans and other lending related activities are in the assessment area.
- The distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals and businesses of different sizes) is excellent given the demographics of the assessment area.
- The geographic distribution of loans is reasonable given the assessment area.
- There have been no complaints regarding the bank's CRA performance since the previous CRA examination.

Community Development Test

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

SCOPE OF EXAMINATION

Hometown's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions[1]. These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment area concentration of loans, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints. The Community Development Test measures the number and amount of community development loans; the number and amount of qualified investments; the extent to which the institution provides community development services, and the bank's responsiveness through such activities.

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

The Lending Test was based on home mortgage loans reported by the bank from January 1, 2019 through December 31, 2021, and on a sample of small business loans collected by examiners for the same time period. Greater weight was given to the two most recent full years, 2020 and 2021, and information for these years was included in tables unless otherwise noted. Due to the composition of the portfolio, equal weight was placed on home mortgage and small business loans. While both the number and dollar volume of the bank's home mortgage and small business loans were reviewed, the number of originations was weighted more heavily than the dollar volume when forming overall conclusions. The analysis of the bank's net LTD ratio includes the last 16 quarters, which represents the period since the prior CRA examination.

Home mortgage data was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans and refinance loans for one-to-four family and multifamily (five or more unit) properties. The bank's data is shown in comparison to the 2020 and 2021 aggregate data. Aggregate data consists of lending information from all HMDA reporters that originated or purchased home mortgage loans in the bank's assessment area and was obtained from the Consumer Finance Protection Bureau (CFPB). The loan purposes of "other" and "not applicable" were excluded from the bank and aggregate data. The bank's home mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS), unless otherwise noted.

Small business lending was also considered in this evaluation. Small business loans, for the purpose of this evaluation, include commercial real estate loans and commercial and industrial loans with original loan amounts of $1 million or less. As the bank is not currently required to collect and report small business loans, examiners obtained a representative sample from the bank for years 2019, 2020, and 2021 and evaluated the sample compared to relative demographic information obtained from Dun & Bradstreet, Inc., Short Hills, NJ (D&B).

The Community Development Test included a review of community development loans, investments, and services for the period June 12, 2018 through July 18, 2022. The community

1 "Intermediate small institution" means a bank or savings association with assets of at least $346 million as of December 31 of both of the prior two calendar years and less than $1.384 billion as of December 31 of either of the prior two calendar years.

development test is evaluated in the context of the community needs and the capacity of the bank. A third-party community organization was contacted to provide additional insight into the credit needs and opportunities in the assessment area.

Lending and community development performance were evaluated based primarily on activities inside the bank's assessment area. The bank's delineated assessment area, as discussed in the Description of Assessment Area section below, consists of a portion of the Worcester, MA-CT Metropolitan Statistical Area (Worcester MSA) and a small portion (four census tracts) of the Springfield, MA MSA (Springfield MSA). The bank's assessment area is primarily comprised of the Worcester MSA, which is a multistate MSA that includes portions of Massachusetts and Connecticut. As the bank does not maintain branches outside of the Worcester MSA, a separate analysis was not conducted and separate ratings were not assigned for each state. As the bank's assessment area does not extend substantially into the Springfield MSA, these four census tracts were considered as part of the combined assessment area. The bank's performance was evaluated, and a rating assigned, based on an analysis of the bank's activities compared to aggregate and demographic data inside the bank's defined assessment area.

The bank's last CRA examination was conducted by the Federal Reserve Bank of Boston on June 11, 2018, in accordance with the FFIEC Examination Procedures for Intermediate Small Institutions. The bank was rated Satisfactory.

DESCRIPTION OF INSTITUTION

Hometown is a state-chartered stock cooperative bank headquartered at 31 Sutton Avenue, Oxford, MA. The bank has four wholly owned subsidiaries. Two of the subsidiaries, Hometown Securities I Inc., and Hometown Securities II Inc., are utilized to buy, sell, and hold investment securities for the bank's portfolio. The other two subsidiaries, WCB Realty and Millbury Properties LLC, hold real estate. Hometown is an independent subsidiary of Hometown Financial Group, Easthampton, MA(HFG). HFG operates as a multi-bank holding company that holds Easthampton Savings Bank, Easthampton, MA, and Abington Bank, Abington, MA, in addition to Hometown. Hometown is currently marketed as bankHometown. On October 18, 2019, Millbury Savings Bank (MSB) was merged with and into Hometown. The merger resulted in the addition of two branches, one in Worcester, one in Millbury, but no changes to the assessment area occurred, as MSB was located within the existing assessment area of Hometown.

In addition to the main office, the bank operates 15 full-service branches throughout central Massachusetts and northeast Connecticut. The Massachusetts locations are in Athol, Auburn, Lancaster, Leominster, Millbury, Sturbridge, Oxford, Webster (2), and Worcester (2). The Connecticut branches are located in Brooklyn, Danielson, Putnam, Thompson, and Woodstock. As discussed above, the Millbury branch and the Worcester branch located at Millbury Street were added as a result of the merger with MSB. The Worcester branch located at Grove Street was opened as de novo branch in August 2020. Each branch location has an ATM. The bank also maintains one stand-alone ATM located in the Day Kimball Hospital in Putnam, CT. All of the branches and ATMs are within the bank's defined assessment area.

All bank loan products and services are available throughout the bank's assessment area and at every location. Hometown offers traditional personal and business banking products, as well as products and services tailored for municipalities. Personal 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 including Small Business Administration (SBA) loans, commercial mortgages, equipment lending, land loans, and construction mortgages. For government banking, Hometown offers depository, investment, lending, and cash management products and services.

Customers have access to information on Hometown's products and services and to online banking through the bank's website, www.bankhometown.com. The website includes information about personal 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 March 31, 2022, Hometown's assets totaled $1.4 billion, with total loans of $825.6 million, and total deposits of $1.2 billion. The bank's total assets experienced substantial growth during the evaluation period in part due to the acquisition of MSB in October 2019. Assets increased from $788.9 million, as of December 31, 2018, to $1.4 billion, as of December 31, 2021. For the same period, total loans increased from $554.3 million to $811.9 million and total deposits increased from $647.7 million to $1.2 billion.

Table 1 Loan Distribution as of March 31, 2022		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans**
Commercial RE	412,990	50.0
1-4 Family Residential	189,825	23.0
Multifamily (5 or more) Residential	88,763	10.8
Construction and Land Development	60,840	7.4
Revolving 1-4 Family Residential	29,857	3.6
Total Real Estate Loans	**782,275**	**94.8**
Commercial and Industrial	31,597	3.8
Obligations (other than securities and leases)	8,834	1.1
Consumer	2,882	0.3
Total Loans	***825,588***	***100.0***

Call Report as of March 31, 2022

As the data in Table 1 show, as of March 31, 2022, the bank's portfolio is predominantly comprised of commercial loans, which account for 61.2 percent of the portfolio, followed by residential real estate loans, which comprise 37.4 percent of the portfolio. This represents a change in the composition of the bank's portfolio since the 2018 performance evaluation, as the bank's portfolio was predominantly comprised of residential real estate loans, which accounted for 53.7 percent of the portfolio as of March 31, 2018. However, these numbers were impacted in 2020 and in 2021 as a result of the bank's strategy to sell fixed rate residential mortgage originations on the secondary market. Commercial loans include commercial real estate loans, commercial and industrial loans, and construction and land development loans. Residential real estate loans include 1-4 family residential closed-end mortgage loans (including junior liens), 1-4 family residential revolving home equity lines of credit, and multifamily loans. One-to-four family residential closed-end mortgage loans are the largest segment of the bank's dwelling secured portfolio. Other loan types comprise the balance of the loan portfolio.

Hometown operates in a competitive environment for both loans and deposits and competes against both similarly situated community banks and larger national and regional institutions. HMDA aggregate data from 2020 showed 524 lenders had originated or purchased a home mortgage loan in the bank's CRA assessment area, of which Hometown ranked 43rd. In 2021, the bank ranked 48 out of 543 lenders. The top lenders in the bank's assessment area were Rocket Mortgage, LLC (f/k/a Quicken Loans), Fairway Independent Mortgage Corporation, United Shore Financial Services, and Wells Fargo Bank, NA. Hometown identified its primary competitors as Cornerstone Bank, Fidelity Co-operative Bank, and Webster Five Cents Savings Bank in the central part of the state. The bank is competing against national and regional players such as Bank of America, NA, TD Bank, NA, Peoples United Bank, Citizens Bank, NA, Berkshire Bank, Rockland Trust Company, and numerous local credit unions such as Freedom Federal Credit Union, Polish National Credit Union, Rockland Federal Credit Union, Webster First Federal Credit Union, and DCU Credit Union. In addition, online competitors emerged recently, such as Chime, Ally Bank and Marcus, as well as established mortgage companies such as Rocket Mortgage, LLC.

According to the FDIC deposit market share report as of June 30, 2021 there were 32 institutions offering deposit services within the Worcester MSA. These institutions combine for a total of

228 branches in the MSA. Hometown ranks eighth for deposit market share at 4.6 percent within the MSA. Bank of America, NA ranked first in deposit market share, at 14.4 percent, followed by TD Bank, NA, at 9.8 percent, Berkshire Bank, at 9.6 percent, and UniBank for Savings, at 8.7 percent. The bank faces greater competition for loans as there were 553 financial institutions and mortgage companies that either originated or purchased a loan in the Worcester MSA in 2021. Hometown ranked 48th with 267 loan originations. Rocket Mortgage, LLC, ranked first with a combined 3,679 loan originations and purchases, followed by Fairway Independent Mortgage Corporation (2,221 loans), United Shore Financial Services (1,917 loans), and Newrez LLC (1,583 loans).

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank has demonstrated an ability to meet the credit needs in its assessment area. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

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. Hometown's assessment area consists of the entirety of Worcester County, MA, a portion of Windham County, CT, and a portion of Franklin County, MA. Both Worcester County, MA and Windham County, CT are located in the Worcester MSA, while Franklin County, MA is located in the Springfield MSA. The assessment area consists of 188 census tracts, of which 19 are low-income, 37 are moderate-income, 77 are middle-income, 52 are upper-income, and 3 are unknown-income. The three unknown-income census tracts are located in the city of Worcester. Clark University and the College of the Holy Cross comprise two of these tracts, while the third is a predominantly non-residential area that includes a hospital, pharmaceutical college, and municipal offices. Worcester County is the largest county in Massachusetts by area and the second largest by population. It contains 60 cities and towns; notable cities and towns include Worcester, Gardner, Fitchburg, Leominster, and Southbridge. Worcester is the most populous city in the assessment area. The cities and towns located in the Windham County portion of the assessment area are Woodstock, Thompson, Eastford, Pomfret, Putnam, Killingly, Brooklyn, and Hampton. The cities and towns located in the Franklin County portion of the assessment area are Warwick, Orange, Erving, Wendell, New Salem, Leverett, and Shutesbury. The assessment area features rural, suburban, and urban geographies.

Relevant demographic data for the bank's assessment area is provided in Table 2.

Table 2 Assessment Area Demographics								
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low-income	19	10.1	15,578	7.1	4,767	30.6	48,805	22.1
Moderate-income	37	19.7	36,503	16.5	5,213	14.3	36,291	16.5
Middle-income	77	41.0	93,215	42.3	5,535	5.9	44,752	20.3
Upper-income	52	27.7	74,965	34.0	2,157	2.9	90,746	41.1
Unknown-income	3	1.6	333	0.2	124	37.2	0	0.0
Total Assessment Area	**188**	**100.0**	**220,594**	**100.0**	**17,796**	**8.1**	**220,594**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	32,175	5,646	2.6	17.5	22,734	70.7	3,795	11.8
Moderate-income	69,146	29,287	13.5	42.4	31,763	45.9	8,096	11.7
Middle-income	152,948	100,652	46.3	65.8	39,910	26.1	12,386	8.1
Upper-income	106,586	81,730	37.6	76.7	18,323	17.2	6,533	6.1
Unknown-income	1,540	111	0.1	7.2	1,184	76.9	245	15.9
Total Assessment Area	**362,395**	**217,426**	**100.0**	**60.0**	**113,914**	**31.4**	**31,055**	**8.6**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	2,496	6.6	2,235	6.5	237	7.9	24	7.5
Moderate-income	6,083	16.1	5,529	16.0	504	16.8	50	15.6
Middle-income	14,220	37.6	13,094	38.0	998	33.2	128	40.0
Upper-income	14,090	37.3	12,836	37.2	1,142	38.0	112	35.0
Unknown-income	928	2.5	799	2.3	123	4.1	6	1.9
Total Assessment Area	**37,817**	**100.0**	**34,493**	**100.0**	**3,004**	**100.0**	**320**	**100.0**

2015 ACS and 2020 D&B data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Population

According to the updated 2015 American Community Survey (ACS) data, the assessment area population was 886,931, with 331,340 households. The majority of households, 42.6 percent, are upper-income. Middle-income households represent 17.1 percent of the assessment area, while low- and moderate-income households represent 25.7 percent and 14.7 percent, respectively. The distribution of households in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut and Worcester County, MA while Windham County, CT has a slightly smaller percentage of upper-income households and slightly larger percentages of middle- and moderate-income households, and Franklin County, MA has a slightly larger percentage of moderate-income households and a slightly lower percentage of upper-income households.

According to 2015 ACS data, there are 220,594 families in the assessment area. Of these families, 41.1 percent are upper-income, 20.3 percent middle-income, 16.5 percent moderate-income, and 22.1 percent low-income. The number of families below poverty level in the bank's assessment area is 17,796, or 8.1 percent. The distribution of families in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut, and Worcester

County, MA, while Windham County, CT has a smaller percentage of upper-income families and slightly higher percentages of low-, moderate, and middle-income families, and Franklin County, MA has a slightly larger percentage of moderate-income households and a slightly lower percentage of upper-income families.

Income

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

Table 3
Median Family Income Comparison

Year	MD/Town/County/State	MFI	Year	MSA/MD/Town/County/State	MFI
2020	Assessment Area	$80,920	2021	Assessment Area	$80.920
2020	Worcester, MA-CT (MSA)	$95,300	2021	Worcester, MA-CT (MSA)	$96,700
2020	Springfield (MSA)	$76,900	2021	Springfield (MSA)	$81,300
2020	Commonwealth	$109,900	2021	Commonwealth	$111,700
2020	Connecticut	$102,600	2021	Connecticut	$102,900

FFIEC median family income estimates.

The MFI for the assessment area was $80,920 according the 2015 ACS. This is lower compared to the MFIs in the Worcester MSA, the Commonwealth of Massachusetts, and the State of Connecticut, and higher than the Springfield MSA. The lower MFI for the assessment area compared to the MFI for the Worcester MSA and the states, reflects a financial hurdle for borrowers in the assessment area seeking to afford a home purchase or other home mortgage loans. For instance, according to the 2015 ACS, a low-income family's income is $40,460, and a moderate-income family's income is less than $64,736. With a median housing value of $247,725, the costs to obtain a home mortgage and the resulting monthly payment may put home ownership out of reach for many of these families.

The percentage of families in the assessment area living below the poverty level is 8.1 percent, which is slightly below the Commonwealth of Massachusetts's 8.2 percent, and above the State of Connecticut's 7.6 percent. Worcester County, MA has the highest poverty rate in the assessment area, with 8.3 percent of its families living below the poverty level.

Housing

According to the 2015 ACS, there are 362,395 housing units in the assessment area, of which the majority, 84.4 percent, are 1-4 family housing, 15.6 percent have five or more units, and 1.1 percent are mobile homes. Housing unit statistics show an owner-occupancy rate of 60.0 percent, a rental rate of 31.4 percent, and a vacancy rate of 8.6 percent. These figures are generally in line with the housing statistics for Massachusetts and Connecticut, where the owner-occupancy rates are 58.0 percent and 60.7 percent, respectively. At the county level, Windham County, CT has the highest owner-occupancy rate, at 63.4 percent, while Worcester County, MA has the lowest, at 59.3 percent. Worcester County, MA also has the highest percentage of rental units, at 32.3 percent. Within low-income census tracts in the assessment area, only 17.5 percent of units are owner-occupied, while 70.7 percent are rental units, and 11.8 percent are vacant. These percentages indicate that there are limited opportunities for home ownership in the low-income census tracts, and similarly, that there are limited opportunities for financial institutions to originate home mortgage loans in these census tracts. In moderate-income census tracts, only 42.4 percent of units are owner-occupied, while 45.9 percent are rental units, and 11.7 percent are vacant. Conversely, middle- and upper-income census tracts have owner-occupancy rates of 65.8 percent and 76.7 percent, respectively.

Based on housing values, income levels, and rental costs, housing costs in the assessment area appear to be more affordable than the average housing costs for Massachusetts and Connecticut. The 2015 ACS lists the median housing value for this area as $247,725, which is below the median housing value for Massachusetts, at $333,100, and for Connecticut, at $270,500. The median gross rent for the assessment area is $929 per month, which is below that of Massachusetts, at $1,102, and Connecticut, at $1,075. As such, this could create additional demand for rental housing. In addition, more recent data from The Warren Group,Peabody, MA shows a steady increase in home prices, culminating with median sales prices for single family homes in Worcester County reaching $290,000 in 2019, and $325,000 in 2020.

Employment Statistics

According to the U.S. Bureau of Labor Statistics, the unemployment rate in the Worcester MSA was 4.7 percent in May 2022, which is higher than the unemployment rate for Massachusetts, at 3.9 percent. The unemployment rates in the five major cities of the assessment area as of May 2022 are: Fitchburg (6.8 percent), Gardener (5.9 percent), Leominster (5.2 percent), Southbridge (7.0 percent), and Worcester (5.6 percent), respectively. The unemployment rate as of May 2022 was 4.3 percent for the State of Connecticut, and 4.1 percent for Windham County, CT, which are both higher than the unemployment rate for the Commonwealth of Massachusetts, but lower than the Worcester MSA. The unemployment rate has followed a steady downward trend since the 2020 COVID-19 pandemic, when the unemployment rate was 15.0 percent in April 2020.

Business Characteristics

Based on 2021 D&B data, there are 37,817 businesses operating in the assessment area. The majority, 91.2 percent, have revenues equal to or less than $1 million, and 7.9 percent have revenues over $1 million. The largest percentages of businesses in the assessment area are located in middle-income (37.6 percent) and upper-income census tracts (37.3 percent). Only 6.6 percent of businesses are located in low-income census tracts and 16.1 percent in moderate-income census tracts.

The economy of the Worcester MSA is anchored by manufacturing, healthcare and social assistance, and educational services. According to the Massachusetts Executive Office of Labor and Workforce Development, the average annual labor force in the Worcester MSA was 268,770, in 2021. The largest employers in Worcester County are UMass Medical Center and MSC Industrial Supply Co. Both companies employ over 5,000 individuals each. An additional

12 employers in the assessment area employ over 1,000 individuals each, and 15 firms employ between 500 and 1,000. As noted above, Worcester is the most populous city in the assessment area, and the second largest city by population in New England. Formerly a manufacturing center, Worcester's economy is now driven by education and healthcare, which make up the largest percentage of employment by industries. Worcester is also home to eight colleges and universities, with over 35,000 full- and part-time students. The large student presence is likely to cause seasonal disruptions to the local economy, although this presence boosts the need for rental properties in the city. According to "Worcester for Everyone", a 2019 Regional Housing and Economic Study, Worcester's demand for rental housing outstrips its supply, putting upward pressure on rents.

The July 2022 Federal Reserve Bank of Boston Beige Book provides further insight into the economic conditions across New England. During 2022 business activity expanded at a modest pace. Employment was flat as turnover remained high and wages grew at an above-average rate. Prices increased at an above-average pace. The outlook turned more cautious or even pessimistic in some cases.

Community Contacts

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

A previous community contact was used for this examination. Examiners met with the executive director of a nonprofit organization that develops and manages affordable housing in Worcester County. The greatest community development need in the area was identified as affordable housing for low-income individuals. Home prices and rents have increased drastically in the Worcester area, exacerbated by the pandemic which has caused tight housing inventory, supply chain issues, and higher homebuilding prices. The contact stated that low- and moderate-income borrowers would benefit from greater access to subsidized homebuying loan programs and other flexible forms of credit. The contact further stated that financial institutions can get involved by partnering with organizations such as MassHousing, or by creating loan products that target low- and moderate-income borrowers who do not qualify for traditional mortgage products. In addition, the contact indicated an opportunity for banks to provide multilingual financial services and other forms of technical assistance to their customers, as the area is experiencing a growing immigrant and refugee population whose first language is not English. These types of services could help improve access to credit for this underbanked population. Overall, the contact mentioned that local community banks are being responsive to the needs of the community.

A second community contact was conducted with the director of a nonprofit organization that continuously helps to improve the health status in Worcester County. The biggest community needs in the area were identified as municipal racial equity policies, housing, and the improvement of neighborhood-based services. The contact noted that the biggest opportunities for financial institutions to get more involved are through income equity advocacy and helping the community create generational wealth; some examples include living wage campaigns, credit forgiveness programs, helping to create pathways to meaningful employment, and down payment assistance. Overall, the contact mentioned there are opportunities for financial institutions to invest in the community and community organizing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

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

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans and evaluates its appropriateness. The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits. The LTD ratio is reasonable (considering seasonable variations) given the bank's size, financial condition, the credit needs of the assessment area, and taking into account other lending related activities.

Table 4 provides a comparison of the bank's average LTD over the past 16 quarters under evaluation to similarly sized institutions operating within the assessment area.

Table 4
Loan-to-Deposit Ratio Comparison

Institutions	Total Assets* $(000's)	Average LTD Ratio** (%)
South Shore Bank	2,073	85.7
Bluestone Bank	1,332	80.9
North Easton Savings Bank	1,410	80.5
Florence Bank	1,945	73.8
Hometown Bank	**1,138**	**73.3**

**Call Report as of March 31, 2022*
***Call Reports from April 1, 2018, to March 31, 2022.*

Hometown's average LTD ratio of 73.3 percent is lower than its comparable peers, and it decreased during the evaluation period due to the bank's strategy of selling fixed rate residential mortgage originations on the secondary market; coupled with the influx of deposits due to economic stimulus in connection with the COVID-19 pandemic. Before the acquisition, the bank's LTD ratio ranged from a low of 74.0 percent, as of September 30, 2018, to a high of 84.7 percent as of December 31, 2018. The ratio decreased from 82.1 percent, as of March 31, 2020, to 76.4 percent, as of June 30, 2022. Still, the average LTD of 73.3 percent demonstrates the bank is using the funds received via deposits to actively originate loans.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a substantial majority of loans and other lending related activities are in the bank's assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area from January 1, 2018 to December 31, 2021.

Table 5

Lending Inside and Outside the Assessment Area

Loan Type	Inside				Outside				Total	
	#	%	$(000s)	%	#	%	$(000s)	%	#	$(000s)
Refinancing	516	92.8	101,528	89.4	40	7.2	12,099	10.6	556	113,627
Home Purchase	241	83.1	60,720	80.9	49	16.9	14,379	19.1	290	75,099
Home Improvement	116	94.3	7,919	89.5	7	5.7	925	10.5	123	8,844
Multi-Family Housing	44	81.5	70,259	54.4	10	18.5	58,893	45.6	54	129,152
Residential Total	**917**	**89.6**	**240,426**	**73.6**	**106**	**10.4**	**86,296**	**26.4**	**1,023**	**326,722**
Small Business Total	**257**	**93.8**	**50,507**	**91.0**	**17**	**6.2**	**5,009**	**9.00**	**274**	**55,516**
GRAND TOTAL	**1,174**	**90.5**	**290,933**	**76.1**	**123**	**9.5**	**91,305**	**23.9**	**1,297**	**382,238**

HMDA and small business for 2018 2019, 2020 & 2021. Small business data is bank provided
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Residential Lending

The bank made a substantial majority of HMDA-reportable loans inside the assessment area during the review period. As shown in Table 5, the bank made a total of 1,023 residential loans from January 1, 2018 to December 31, 2021. Of these loans, 89.6 percent by number and 73.6 percent by dollar volume were inside the assessment area, with home improvement loans (94.3 percent) and refinancing loans (92.8 percent) comprising the largest percentages by number. By year, the bank had similarly high levels of lending by number with 90.7 percent HMDA-reportable loans in the assessment area in 2018, 90.6 percent in 2019, 88.6 percent in 2020, and 89.6 percent in 2021. By loan type, the refinance and the home improvement loans are the largest category by percentage originated inside the assessment area, while home purchases are the second largest category by number. The bank's percentage of HMDA-reportable loans originated inside the assessment area is in line with the prior CRA evaluation, which focused on 2016 and 2017 lending activity.

Small Business Lending

Hometown originated a substantial majority of its small business loans in its assessment area. During the evaluation period, the bank originated 274 small business loans. As shown in the table above, 257 small business loans, or 93.8 percent, were originated in its assessment area during the evaluation period. The bank's small business lending in its assessment area increased from 88.7 percent in 2020, to 94.9 percent in 2021. Similar to the HMDA-mortgage loans discussed above, the percentage of small business loans in the bank's assessment area is in line to the prior CRA evaluation, which was 91.2 percent. Small business loans are concentrated near the bank's branches, demonstrating the bank's willingness to reinvest in its community.

Borrower Profile

This performance criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals and businesses of different sizes) is excellent given the demographics of the assessment area.

Residential Lending

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

Table 6
Borrower Distribution of HMDA Loans
Bank & Aggregate Lending Comparison

PRODUCT TYPE	Borrower Income Levels	Families by Family Income %	2020						2021					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	$(000s)	$ %	$ %	#	%	%	$(000s)	$ %	$ %
HOME PURCHASE	Low	22.1%	2	3.9%	7.2%	$324	2.4%	4.4%	8	12.5%	6.3%	$1,426	7.8%	3.6%
	Moderate	16.5%	14	27.5%	28.1%	$3,791	28.2%	22.5%	12	18.8%	24.3%	$2,281	12.5%	19.6%
	Middle	20.3%	23	45.1%	24.1%	$5,320	39.5%	23.9%	8	12.5%	24.2%	$1,674	9.2%	23.5%
	Upper	41.1%	12	23.5%	29.1%	$4,026	29.9%	37.7%	22	34.4%	29.6%	$9,150	50.2%	37.4%
	Unknown	0.0%	0	0.0%	11.4%	$0	0.0%	11.6%	14	21.9%	15.6%	$3,710	20.3%	15.9%
	Total	*100.0%*	*51*	*100.0%*	*100.0%*	*$13,461*	*100.0%*	*100.0%*	*64*	*100.0%*	*100.0%*	*$18,241*	*100.0%*	*100.0%*
REFINANCE	Low	22.1%	27	11.8%	4.3%	$2,797	5.8%	2.3%	16	11.8%	6.0%	$1,810	6.9%	3.5%
	Moderate	16.5%	48	21.1%	15.8%	$8,027	16.6%	11.2%	32	23.5%	18.4%	$5,469	20.9%	14.3%
	Middle	20.3%	47	20.6%	23.7%	$9,651	20.0%	20.8%	43	31.6%	24.0%	$7,831	29.9%	22.1%
	Upper	41.1%	100	43.9%	42.1%	$26,511	54.9%	48.0%	42	30.9%	36.0%	$10,555	40.3%	43.3%
	Unknown	0.0%	6	2.6%	14.2%	$1,277	2.6%	17.7%	3	2.2%	15.6%	$549	2.1%	16.7%
	Total	*100.0%*	*228*	*100.0%*	*100.0%*	*$48,263*	*100.0%*	*100.0%*	*136*	*100.0%*	*100.0%*	*$26,214*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	22.1%	5	16.7%	5.6%	$152	9.1%	4.3%	3	10.3%	6.3%	$155	6.5%	4.5%
	Moderate	16.5%	7	23.3%	16.8%	$253	15.1%	12.7%	8	27.6%	16.5%	$554	23.1%	13.0%
	Middle	20.3%	10	33.3%	25.8%	$533	31.9%	22.3%	12	41.4%	24.2%	$523	21.8%	21.7%
	Upper	41.1%	5	16.7%	47.4%	$250	15.0%	52.8%	4	13.8%	50.4%	$233	9.7%	56.5%
	Unknown	0.0%	3	10.0%	4.2%	$482	28.9%	8.0%	2	6.9%	2.6%	$937	39.0%	4.3%
	Total	*100.0%*	*30*	*100.0%*	*100.0%*	*$1,670*	*100.0%*	*100.0%*	*29*	*100.0%*	*100.0%*	*$2,402*	*100.0%*	*100.0%*
MULTI FAMILY	Low	22.1%	0	0.0%	0.9%	$0	0.0%	0.1%	0	0.0%	0.3%	$0	0.0%	0.0%
	Moderate	16.5%	0	0.0%	0.9%	$0	0.0%	0.1%	0	0.0%	1.7%	$0	0.0%	0.2%
	Middle	20.3%	0	0.0%	0.9%	$0	0.0%	0.2%	0	0.0%	0.0%	$0	0.0%	0.0%
	Upper	41.1%	0	0.0%	3.6%	$0	0.0%	0.9%	0	0.0%	1.7%	$0	0.0%	0.3%
	Unknown	0.0%	9	100.0%	93.7%	$18,635	100.0%	98.7%	20	100.0%	96.2%	$28,515	100.0%	99.4%
	Total	*100.0%*	*9*	*100.0%*	*100.0%*	*$18,635*	*100.0%*	*100.0%*	*20*	*100.0%*	*100.0%*	*$28,515*	*100.0%*	*100.0%*
HMDA TOTALS	Low	22.1%	34	10.7%	5.3%	$3,273	4.0%	2.9%	27	10.8%	6.1%	$3,391	4.5%	3.4%
	Moderate	16.5%	69	21.7%	19.8%	$12,071	14.7%	14.9%	52	20.9%	20.2%	$8,304	11.0%	15.7%
	Middle	20.3%	80	25.2%	23.8%	$15,504	18.9%	21.3%	63	25.3%	23.9%	$10,028	13.3%	21.7%
	Upper	41.1%	117	36.8%	37.8%	$30,787	37.5%	43.3%	68	27.3%	34.2%	$19,938	26.5%	39.4%
	Unknown	0.0%	18	5.7%	13.3%	$20,394	24.9%	17.6%	39	15.7%	15.6%	$33,711	44.7%	20.0%
	Total	**100.0%**	**318**	**100.0%**	**100.0%**	**$82,029**	**100.0%**	**100.0%**	**249**	**100.0%**	**100.0%**	**$75,372**	**100.0%**	**100.0%**

2015 ACS, 2020 & 2021 Aggregate HMDA Data, and 2020 & 2021 HMDA LARs.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank consistently outperformed the aggregate in lending to low- and moderate-income borrowers within the assessment area. In 2020, the bank originated 34 residential loans, or 10.7 percent, to low-income borrowers which more than doubled the aggregate's performance which was 5.3 percent. In addition, the bank originated 69 residential loans, or 21.7 percent, to moderate-income borrowers, exceeding the aggregate by 1.9 percent. In 2021, the bank originated 27 residential loans, or 10.8 percent, to low-income borrowers, exceeding the aggregate by 4.7percentage points. That same year, the bank originated 52 residential loans, or 20.9 percent, to moderate-income borrowers, exceeding the aggregate by 0.7 percent.

By product type, a majority of the loans originated to low- and moderate-income-borrowers were for the purpose of refinance. Of note, the bank exceeded the aggregate for both low- and moderate-income borrowers for home improvement loans in both 2020 and 2021, both by number and dollar amount. As the median age of the housing stock in the assessment area is 59, and 37.9 percent of housing units were built prior to 1950, the ability for low-income families to obtain funds for home improvements is important. In addition, the bank exceeded the aggregate for low-income borrowers in home purchase loans in 2021, demonstrating the bank's efforts in lending to those demographics.

Both Hometown and the aggregate's lending percentages to low-income borrowers were below the percentage of low-income families in the assessment area, which was 22.1 percent. However, it is not expected that the bank meets 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. Furthermore, the bank outperformed the demographic indicator for moderate-income families in both 2020 and 2021. Of note, in 2020, Hometown ranked 12 out of 222 lenders in the assessment area for lending to low-income borrowers, and 23 out of 247 lenders in 2021. In 2020, the bank ranked 32 out of 303, and in 2021, 38 out of 333 for lending to moderate-income borrowers.

The bank's lending performance in 2018 and 2019 was generally in line with the years described above. The bank originated 10.2 percent and 10.6 percent of loans, respectively, to low-income borrowers in 2018 and 2019, which was below the demographic indicator for this group (22.1 percent). The bank's performance to moderate-income was 17.0 percent in 2018 and 23.9 percent in 2019, which was above the demographic indicator for this group (22.1 percent).

According to the 2015 ACS, a low-income family's income is $40,460; this coupled with a median home sales price of $290,000 and $325,000 in 2019 and 2020[2], respectively, puts home ownership out of reach for many of these families. This challenge was also noted by the community contacts, who identified rising costs of home mortgage prices and rents as barriers to home ownership. The community contact noted that low- and moderate-income borrowers would benefit from greater access to subsidized homebuying loan programs and other flexible forms of credit. Hometown offers assistance to low-and moderate-income individuals through a variety of loan offerings such as its First-Time Homebuyer Program, and partnerships with MassHousing including the Affordable Housing Program and the Housing our Workforce Program. Hometown also offers the Equity Builder Program, which is sponsored by the Federal Home Loan Bank of Boston (FHLBB). Eligible homebuyers can receive up to $22,000 in down-payment and closing cost assistance. This assistance is offered only to households with incomes at or below 80 percent of the median income for the area.

<u>Small Business Lending</u>

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 7 details the bank's lending

2 Warren Group Town Stats

to small businesses according to revenue size. The bank's performance in lending to businesses with gross annual revenues (GARs) of $1 million or less is reasonable.

Table 7 Distribution of Small Business Loans by Gross Annual Revenue of Business							
Gross Annual Revenue	**Total Businesses %**	**2020**			**2021**		
		Bank		**Agg**	**Bank**		**Agg**
		#	**%**	**%**	**#**	**%**	**%**
< $1MM	91.2%	21	38.2%	31.9%	45	60.8%	43.4%
> $1MM	7.9%	34	61.8%		29	39.2%	
N/A	0.8%	0	0.0%		0	0.0%	
Total	**100.0%**	**55**	**100.0%**		**74**	**100.0%**	

D&B 2020 & 2021. Small business data for 2020 and 2021 is bank provided.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2020, the bank originated 21 small business loans, or 38.2 percent, to businesses with gross annual revenues of $1 million or less. The bank considerably increased its small business lending to this same grouping in 2021, with 45 small business loans, or 60.8 percent, compared to the percent of total businesses with gross annual revenues of $1 million or less at 91.2 percent. Although not included in the tables, lending to small businesses was generally consistent in 2018 and 2019, with 68.4 percent and 41.2 percent, respectively. Hometown provides additional financing options to its small business customers by participating in the SBA's 7(a) and 504 programs. The 7(a) program offers financing for small businesses to establish a new business or to assist in the acquisition, operation, or expansion of an existing business. The 504 program provides financing for major fixed assets such as equipment and real estate.

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 is reasonable given the assessment area.

Residential Lending

Table 8 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of loans to individuals in census tracts of different income levels, including low- and moderate-income census tracts, is reasonable given the assessment area.

Table 8
Geographic Distribution of HMDA Loans

PRODUCT TYPE	Tract Income Levels	Bank & Aggregate Lending Comparison												
			2020						**2021**					
		Owner Occupied Units %	**Count**			**Dollar**			**Count**			**Dollar**		
			Bank		**Agg**	**Bank**		**Agg**	**Bank**		**Agg**	**Bank**		**Agg**
			#	**%**	**%**	**$ (000s)**	**$ %**	**$ %**	**#**	**%**	**%**	**$ (000s)**	**$ %**	**$ %**
HOME PURCHASE	Low	2.6%	0	0.0%	4.4%	$0	0.0%	3.9%	4	6.3%	5.2%	$1,027	5.6%	5.0%
	Moderate	13.5%	6	11.8%	16.3%	$1,064	7.9%	12.6%	11	17.2%	17.3%	$1,740	9.5%	13.7%
	Middle	46.3%	26	51.0%	44.2%	$6,142	45.6%	39.7%	34	53.1%	43.4%	$9,674	53.0%	39.4%
	Upper	37.6%	19	37.3%	35.1%	$6,255	46.5%	43.7%	15	23.4%	34.1%	$5,800	31.8%	41.8%
	Unknown	0.1%	0	0.0%	0.1%	$0	0.0%	0.0%	0	0.0%	0.1%	$0	0.0%	0.1%
	Total	*100.0%*	*51*	*100.0%*	*100.0%*	*$13,461*	*100.0%*	*100.0%*	*64*	*100.0%*	*100.0%*	*$18,241*	*100.0%*	*100.0%*
REFINANCE	Low	2.6%	3	1.3%	2.4%	$766	1.6%	1.9%	2	1.5%	2.9%	$286	1.1%	2.6%
	Moderate	13.5%	33	14.5%	9.1%	$4,882	10.1%	6.4%	26	19.1%	11.1%	$3,883	14.8%	8.4%
	Middle	46.3%	126	55.3%	40.4%	$25,097	52.0%	33.7%	76	55.9%	42.8%	$14,203	54.2%	37.5%
	Upper	37.6%	66	28.9%	48.1%	$17,518	36.3%	57.8%	32	23.5%	43.2%	$7,842	29.9%	51.4%
	Unknown	0.1%	0	0.0%	0.0%	$0	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*228*	*100.0%*	*100.0%*	*$48,263*	*100.0%*	*100.0%*	*136*	*100.0%*	*100.0%*	*$26,214*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	2.6%	0	0.0%	1.5%	$0	0.0%	2.1%	1	3.4%	1.5%	$100	4.2%	2.1%
	Moderate	13.5%	5	16.7%	10.4%	$174	10.4%	8.0%	5	17.2%	9.9%	$164	6.8%	8.3%
	Middle	46.3%	23	76.7%	40.5%	$1,436	86.0%	35.2%	17	58.6%	43.4%	$921	38.3%	37.0%
	Upper	37.6%	2	6.7%	47.5%	$60	3.6%	54.7%	6	20.7%	45.3%	$1,217	50.7%	52.5%
	Unknown	0.1%	0	0.0%	0.1%	$0	0.0%	0.1%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*30*	*100.0%*	*100.0%*	*$1,670*	*100.0%*	*100.0%*	*29*	*100.0%*	*100.0%*	*$2,402*	*100.0%*	*100.0%*
MULTI FAMILY	Low	20.7%	0	0.0%	24.7%	$0	0.0%	22.4%	3	15.0%	25.8%	$1,557	5.5%	20.2%
	Moderate	26.1%	6	66.7%	31.8%	$5,063	27.2%	18.7%	12	60.0%	35.7%	$18,072	63.4%	22.0%
	Middle	33.1%	3	33.3%	28.3%	$13,572	72.8%	27.1%	3	15.0%	23.7%	$1,911	6.7%	16.4%
	Upper	17.6%	0	0.0%	14.8%	$0	0.0%	31.5%	2	10.0%	13.7%	$6,975	24.5%	38.8%
	Unknown	2.5%	0	0.0%	0.4%	$0	0.0%	0.3%	0	0.0%	1.0%	$0	0.0%	2.6%
	Total	*100.0%*	*9*	*100.0%*	*100.0%*	*$18,635*	*100.0%*	*100.0%*	*20*	*100.0%*	*100.0%*	*$28,515*	*100.0%*	*100.0%*
HMDA TOTALS	Low	2.6%	3	0.9%	3.1%	$766	0.9%	3.2%	10	4.0%	3.8%	$2,970	3.9%	4.3%
	Moderate	13.5%	50	15.7%	11.7%	$11,183	13.6%	8.9%	54	21.7%	13.3%	$23,859	31.7%	11.0%
	Middle	46.3%	178	56.0%	41.6%	$46,247	56.4%	35.6%	130	52.2%	42.9%	$26,709	35.4%	37.3%
	Upper	37.6%	87	27.4%	43.6%	$23,833	29.1%	52.2%	55	22.1%	40.0%	$21,834	29.0%	47.2%
	Unknown	0.1%	0	0.0%	0.1%	$0	0.0%	0.0%	0	0.0%	0.1%	$0	0.0%	0.1%
	Total	**100.0%**	**318**	**100.0%**	**100.0%**	**$82,029**	**100.0%**	**100.0%**	**249**	100.0%	**100.0%**	**$75,372**	**100.0%**	**100.0%**

**Distribution of multifamily units by census tract income*
2015 ACS, 2020 & 2021 Aggregate HMDA Data, and 2020 & 2021 HMDA LARs.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2020, Hometown originated 0.9 percent of its home mortgage loans in low-income tracts. This performance is below the percentage of owner-occupied units in these tracts, at 2.6 percent, and below the aggregate, at 3.1 percent. The bank's performance in the low-income tracts improved in 2021, when the bank generated 4.0 percent of its home mortgage loans in these tracts, which is above the aggregate, at 3.8 percent, and above the 2.6 percent demographics. This increase is notable as there are limited lending opportunities for originating home mortgage loans in the low-income tracts in the bank's assessment area: only 2.6 percent of the total owner-occupied units in the assessment area are in low-income census tracts. Within the assessment area, just 17.5 percent of units in low-income census tracts are owner-occupied, while 70.7 percent are rental units, and 11.8 percent are vacant. In addition, while only 10.1 percent of the total households in the assessment area are in low-income census tracts, 24.2 percent of the assessment area's households earning below the poverty level are in these census tracts. This further demonstrates the difficulty banks encounter to originate loans to eligible borrowers in low-income census tracts. Finally, with over 524 different lenders originating or purchasing a residential mortgage loan in the assessment area in 2020, and 543 in 2021, the limited number of available loan opportunities is spread out over the large number of financial institutions operating within the bank's assessment area.

By product type, all the loans generated in the low-income tracts in 2020 were refinances, although below the aggregate and the percentage of owner-occupied units. In 2021, 40 percent of originated loans in low-income tracts were home purchases. Hometown exceeded the aggregate in the low-income census tracts for home purchases in 2021, with 6.3 percent, versus 5.2 percent for the aggregate and the percentage of owner-occupied units at 2.6 percent. The bank's performance in the low-income tracts for home purchases in 2021 is notable, as there are limited opportunities for lending in those tracts, as discussed above. In addition, a community contact noted that it is mostly developers who secure properties in the Worcester area, in the low- and moderate-income census tracts, further limiting the opportunities for homeownership in those tracts.

Hometown originated 15.7 percent of its loans in 2020, and 21.7 percent in 2021 in moderate-income census tracts. The bank's performance in the moderate-income census tracts was above the aggregate for both years, at 11.7 percent and 13.3 percent, respectively. In addition, the bank's performance was above the percentage of owner-occupied units in the assessment area, at 13.5 percent. By product type, the bank exceeded the aggregate in the moderate-income tracts for refinances, home improvement, and multifamily in both 2020 and 2021. In 2021, similar to the bank's performance in low-income census tracts, the performance in moderate-income census tracts also exceeded the demographic for home purchases.

The bank's lending performance in 2018 and 2019 was generally in line with the years described above. The bank originated 4.1 percent and 2.5 percent of loans, respectively, to low-income tracts in 2018 and 2019. The bank's performance to moderate-income tracts was 19.7 percent in 2018 and 22.2 percent in 2019.

An analysis of the bank's geographic lending was conducted to determine if there were any conspicuous gaps. The geographic distribution reflects adequate penetration throughout the assessment area and there are no conspicuous gaps in lending unexplained by performance context. As mentioned previously, the bank's assessment area includes 19 low-income census tracts and 38 moderate-income census tracts. In 2020 and 2021, the bank originated at least one loan in each year within the low- and moderate-income census tracts.

Small Business Lending

Table 9 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of loans to businesses in census tracts of different income levels, including low- and moderate-income census tracts, is reasonable given the assessment area.

Table 9
Geographic Distribution of Small Business Loans by Census Tract

Census Tract Income Levels	% Total Businesses by Tracts	2020			2021		
		Bank		Agg	Bank		Agg
		#	%	%	#	%	%
Low	6.6%	3	5.5%	6.5%	0	0.0%	6.7%
Moderate	16.1%	13	23.6%	15.3%	20	27.0%	14.8%
Middle	37.6%	26	47.3%	34.4%	40	54.1%	35.3%
Upper	37.3%	13	23.6%	41.1%	14	18.9%	41.0%
Unknown	2.5%	0	0.0%	2.1%	0	0.0%	1.8%
Total	**100.0%**	**55**	**100.0%**	**100.0%**	**74**	**100.0%**	**100.0%**

D&B 2020 & 2021. CRA data for 2020 and 2021.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2020, the bank originated 3 small business loans, or 5.5 percent, in low-income census tracts. This was below the total number of businesses in low-income tracts in the assessment area, which was 6.6 percent, and below the aggregate, at 6.5 percent. The bank's performance declined in 2021, when Hometown generated no small business loans in the low-income census tracts while the aggregate generated 6.7 percent of loans.

However, in both 2020 and 2021, Hometown's small business lending in moderate-income tracts exceeded the percentage of total businesses in these tracts and the aggregate. In 2020, the bank generated 13 loans, or 23.6 percent of small business loans, in moderate-income tracts, which was above the aggregate, at 15.3 percent, and above the total businesses in these tracts, at 16.1 percent. The bank performance was even higher in 2021, when the Hometown generated 20 small business loans, or 27.0 percent, in moderate-income tracts. This was significantly above the aggregate, at 14.8 percent, and above the total businesses in these tracts, at 16.1 percent.

Hometown originated the largest percentage of its small business loans in middle-income census tracts in both 2020 and 2021. In 2020, the bank originated 26 small business loans, or 47.3 percent, in middle-income tracts, which is above the aggregate, at 34.4 percent, and above the percentage of businesses in middle-income tracts, at 37.6 percent. In 2021, the bank's performance increased to 40 small business loans, or 54.1 percent, in middle-income tracts, which is above the aggregate, at 35.3 percent, and above of percentage of small businesses in middle-income tracts, at 37.6. In the upper-income tracts, the bank's performance, at 23.6 percent in 2020, and 18.9 percent in 2021, was below the demographic, at 37.3 percent, and below the aggregate for the same timeframe, which was 41.1 percent and 40.0 percent, respectively.

An analysis of the bank's geographic lending was conducted to determine if there were any conspicuous gaps. The geographic distribution reflects adequate penetration throughout the assessment area and there are no conspicuous gaps in lending unexplained by performance context. As mentioned previously, the bank's assessment area includes 19 low-income census tracts and 38 moderate-income census tracts. In 2020 and 2021, the bank originated at least one loan within the low- and moderate-income census tracts.

Response to Complaints

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

CONCLUSIONS: LENDING TEST

Hometown's performance in meeting the credit needs in the assessment area is demonstrated by a reasonable LTD ratio; substantial majority of loans inside the assessment area; excellent performance in lending to borrowers of different incomes, including small businesses; and reasonable performance in dispersion of home mortgage and small business loans throughout the assessment area. Overall, the Lending Test is rated satisfactory.

COMMUNITY DEVELOPMENT TEST

Hometown's performance under the Community Development Test is rated Outstanding. The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

Community Development Loans

During the review period, the bank originated 22 community development loans, totaling $61.7 million. Community development lending decreased in number but increased in amount from the prior examination, when the bank extended 27 loans, totaling $11.1 million. These loans provided affordable housing, supported businesses that created jobs for low- and moderate-income individuals, and helped revitalize low- and moderate-income geographies. The following are notable examples of the bank's qualified community development loan activity during the review period:

- In 2020, the bank participated in a loan that enabled the renovation of a community organization in Worcester via five loans that amounted to $1.8 million dollars. The renovation will expand a housing program from 41 to 47 units, all of which are deemed as affordable housing and located within the assessment area.

- In 2021, the bank originated a loan for $14 million dollars aimed at renovating commercial property space in an opportunity zone in Worcester. The intent is to house non-profit organizations that are responsive to community development needs such as Big Brothers Big Sisters of Eastern Massachusetts, United Way of Massachusetts, and Worcester Community Action Council.

- In 2022, the bank originated a $5.4 million loan to finance the purchase of commercial properties located in the Canal District in Worcester. Improvement to these commercial properties will provide economic development to a low-income tract.

- In 2021, the bank participated $4 million in an $8 million loan to buy and build a mixed-use 40-unit residential building with a commercial space. The project is supported by the Commonwealth's Housing Development Incentive Program as a Certified Housing Development Project and the City of Brockton redevelopment initiative plan. Although not within the assessment area, the loan has a broader impact at a statewide level.

In response to the COVID-19 pandemic, Hometown originated 1,412 Paycheck Protection Program (PPP) loans, totaling $140.8 million. These loans were administered by the SBA as part of the Coronavirus Aid, Relief and Economic Security Act. PPP loans are designed to help businesses retain workers and staff during the economic crisis due to the pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria. PPP loans were originated within the assessment area, as well as a larger statewide area. Of the 1,412 PPP loans the bank originated, 1,257 were located within the assessment area, totaling $92.9 million. The PPP loans were particularly responsive as they provided funding to businesses to retain jobs in low- and moderate-income areas and helped to revitalize and stabilize low- and moderate-income geographies during the pandemic. The bank originated several PPP loans to businesses in the assessment area located in low- and moderate-income census tracts including Athol, Gardner, Putnam, Fitchburg, Warren, and Worcester. Hometown's participation in the PPP is notable given the bank's size and complexity.

Community Development Investments

Hometown's qualified community development investments consist of equity investments and donations to organizations that provide affordable housing, promote economic development, and offer community services that benefit low- and moderate-income individuals.

During the review period, the bank made eight equity investments, totaling $7.1 million, an increase from the previous evaluation when the bank made five equity investments, totaling $2,827,655. The investments include five FreddieMac CRA Mortgage-Backed Security Pools totaling $7 million, which are restricted to low- and moderate-income borrowers or properties located in low- or moderate-income census tracts; this total is inclusive of the current book value of $962,314 of a security purchased during the last examination.

The bank plays an active role in supporting numerous community, affordable housing, educational, and social organizations in its assessment area through direct contributions and sponsorships. During the review period, the bank made 376 qualified donations, totaling $658,202, that were considered to be primarily for community development purposes, which depicts an increase from $428,712 at the last examination.

Table 10 details the total qualified contributions by primary community development purposes. As indicated in the table, the bank's donations primarily provided needed community services to low- and moderate-income individuals. These activities are particularly vital in the socio-economic environment in which the bank is operating. The bank also made significant contributions to organizations that provide affordable housing, economic development, and revitalization efforts.

Table 10
Qualified Donations by Purpose

Community Development Purpose	2018		2019		2020		2021		2022 YTD		Total	
	#	$	#	$	#	$	#	$	#	$	#	$
Affordable Housing	0	$ -	4	$ 5,000	0	$ -	4	$ 5,000	0	$ -	8	$ 10,000
Community Services	47	$ 77,687	96	$ 128,826	56	$ 106,194	94	$ 139,065	37	$ 68,800	330	$ 520,572
Economic Development	5	$ 1,200	5	$ 7,200	9	$ 53,755	8	$ 23,250	2	$ 3,000	29	$ 88,405
Revitalize and Stabilize	0	$ -	3	$ 2,000	2	$ 20,300	3	$ 16,825	1	$ 100	9	$ 39,225
Total	**52**	**$ 78,887**	**108**	**$ 143,026**	**67**	**$ 180,249**	**109**	**$ 184,140**	**40**	**$ 71,900**	**376**	**$ 658,202**

Consideration was given to activities that occurred during the review period of June 12, 2018 – July 18, 2022
Activity list provided by bank

The following are examples of recipients who engage in these activities for the betterment of the economically disadvantaged:

- Abby Kelley Foster House, Inc. (Abby's House) – Abby's House is a nonprofit organization in Worcester, MA, which offers shelter and affordable housing, as well as advocacy and support services, to homeless, battered, and low-income women.

- CARE Food Pantry - This organization provides food services for low- and moderate-income communities and combats food insecurity.

- Thompson Ecumenical Empowerment Group – This social service organization in Northeast Connecticut provides low-income individuals with youth services, summer lunch for children, fuel cost assistance, benefits counseling for senior citizens, and emergency food for those in need.

- Auburn Youth & Family Services, Inc. – In addition to offering a food pantry and clothing for those in need, this community service organization provides counseling, tutoring, advocacy, after school and summer programs, and support groups to help prevent alcohol and drug abuse.

Community Development Services

Bank employees engaged in community development services through participation on boards of community organizations, conducting first time homebuyer seminars, and other community development services. The following list provides a sample of the bank's involvement during the review period:

- Day Kimball Hospital – The senior vice president of commercial lending was a board member and chair of the bank's finance committee. This organization provides health care services and is the only hospital providing services to a moderate-income tract.

- Northeast Opportunities for Wellness Inc (NOW) – A branch officer was a member of the finance committee in 2018, 2019, 2020, and 2021. The organization is a Community Development Corporation (CDC) and provides social, emotional, and physical wellness services to low- and moderate-income communities.

- Worcester Community Housing Resources – The bank's CRA officer served on the loan committee, which is tasked with making and approving loans and loan policies for Community Development Financial Institutions (CDFI). All loans made benefit low- and moderate-income borrowers within Worcester County.

Bank employees also participated in financial literacy events to support community development services, affordable housing, and economic development. The following lists a few examples of the bank's involvement during the review period:

- Entrepreneurship for All – The organization is a nonprofit organization that partners with communities to help under-represented individuals successfully launch their businesses. A senior loan officer provided financial expertise to businesses in low- and moderate-income communities.

- Killingly, CT, Econonic Development Commission – The organization promotes the preservation and development of the Town of Killingly's economic base by assisting in the retention and expansion of existing businesses, encourages new businesses to locate in Killingly and coordinates resources to expand the tax base. The vice president of commercial lending taught a no-cost financial literacy class for the organization.

- NewVue Communities – NewVue Communities provides affordable housing and neighborhood improvement in the City of Fitchburg, where 7 of the 10 census tracts are low- or moderate-income tracts, and 55.1 percent of families in the city are low- or moderate-income families. Through this organization, the bank's branch manager, assistant branch manager, and a residential loan officer participated in a first-time homebuyers' class in 2017. The branch manager also taught a program on saving money.

CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services that help support low- and moderate-income individuals and small businesses. The bank was responsive to the needs of the assessment area in response to the COVID-19 pandemic and resulting economic hardship. Overall, the Community Development Test is rated Outstanding.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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