

PUBLIC DISCLOSURE

December 9, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Chelsea Bank
RSSD # 170976

360 Broadway
Chelsea, MA 02150

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

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 Rating	2
Scope of Examination.....	2
Description of Institution	3
Description of Assessment Area.....	4
Conclusions with Respect to Performance Tests	7

INSTITUTION'S COMMUNITY REINVESTMENT ACT INSTITUTION (CRA) RATING:

This institution is rated: **Satisfactory**

Chelsea Bank ("Chelsea" or "the bank") demonstrates a reasonable responsiveness to the credit needs in its assessment area based on the following findings.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The distribution of loans among borrowers of different income levels (including low- and moderate-income borrowers) reflects a reasonable penetration.
- The bank has received no complaints relating to its CRA performance.

SCOPE OF EXAMINATION

Chelsea's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency Examination Procedures for Small Institutions. "Small Institution" means a bank that, as of December 31 of either of the prior two calendar years, had assets of less than \$1.186 billion¹. As the bank's assets were also below \$296 million as of December 31 of the prior two years, the bank was also not considered an intermediate small institution. The evaluation was based on the following performance criteria: loan-to-deposit (LTD) ratio, assessment area concentration of loans, the geographic distribution of loans, loan distribution according to the income of the borrower, and response to CRA complaints. In addition, at the request of the bank, examiners reviewed the bank's investments and services.

The majority of the bank's loan portfolio consists of home mortgage loans; therefore, the Lending Test focused on home mortgage lending for the year 2012 and year-to-date (YTD) November 2013. The residential loan data was obtained from the Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinance loans on one-to four-family and multi-family (five or more units) properties. The bank's data is shown in conjunction with 2012 aggregate data, as this was the most recent year in which aggregate data was available. Market information for residential lending aggregate data was obtained from the Federal Reserve System's CRA/HMDA Data Analysis Tool (CHAT). Aggregate data includes lending information from all HMDA reporters that originated or purchased loans in the bank's assessment area. The analysis of the bank's net LTD ratio incorporated sixteen quarters, representing the period since the prior examination.

In October 2011, the FFIEC released an updated list of Metropolitan Statistical Areas (MSAs), Metropolitan Divisions (MDs), states, counties, and census tracts based on the information collected during the 2010 American Community Survey and published by the United States (U.S.) Census Bureau. Beginning in 2012, institutions are required to collect 2012 HMDA data using updated 2010 census tract information. Therefore, this CRA evaluation provides a comparison of 2012 and 2013 HMDA data, and 2012 and 2013 aggregate data, to 2010 U.S. Census data.

¹Per the Community Reinvestment Act Asset Threshold Change, as of January 1, 2014, the FFIEC has revised this figure to \$1.202.

DESCRIPTION OF INSTITUTION

Chelsea is an independent state- chartered co-operative bank that was incorporated in 1855. The bank's sole office and headquarters are located at 360 Broadway in Chelsea, Massachusetts. This site is located in the Boston-Quincy, MA MD. Chelsea has not opened or closed any offices during the CRA evaluation period.

The bank operates in a diverse, urban community and collaborates with several non-profit organizations to provide financial literacy training to its prospective customers. The bank provides suitable access to its products and services (e.g., the bank retains Spanish-speaking employees) and maintains Saturday hours to meet the banking needs of the community. In addition, the bank offers internet and telephone banking, both of which are available 24 hours a day, seven days a week. The bank offers a variety of traditional consumer products, including fixed and adjustable rate mortgage loans, and construction loans. The bank also offers consumer and business checking and savings accounts. In addition, Chelsea sells its conforming fixed rate mortgages to the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Massachusetts Housing Finance Agency, and retains the servicing. In years 2012 through 2013, the bank sold 197 loans to Freddie Mac, totaling \$42,439,490, and 12 loans to Massachusetts Housing Finance Agency, totaling \$2,564,725. The bank has also issued four loan modifications which have placed struggling borrowers into a better financial position.

As of June 30, 2013, Chelsea's assets totaled \$57.6 million. Total loans as of the evaluation date comprise \$35.3 million, or 61.3 percent, of total assets. As indicated earlier, the bank is primarily a residential lender, with 1-4 family residential loans accounting for 77.9 percent of the bank's loan portfolio. Commercial lending accounts for just 7.0 percent of total loans. Refer to the following table for further detail.

Loan Type	Dollar Amount (000's)	Percent of Total Loans
1-4 Family Residential (first & junior liens)	25,107	71.1
Multifamily	4,263	12.1
Revolving 1-4 Family Residential	3,107	8.8
Commercial Real Estate	2,477	7.0
Consumer	761	2.2
Construction and Land Development	584	1.7
Total Loans	36,299	100.0

Source: Report of Condition and Income, March 31, 2013

Financial capacity, legal impediments, local economic conditions, demographics and market competition are all considered when examining the bank's CRA performance. There are no legal or financial impediments that would impact the bank's ability to lend. However, local economic conditions and market competition do present some customer acquisition challenges regarding the lending and deposit areas. These are further described below.

In terms of deposit competition, several local and regional banks have a major presence in the assessment area. According to the June 30, 2013 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Report, the bank operates in a competitive market that includes large regional and national institutions as well as community banks; all of which have multiple branch locations within the assessment area. The top five institutions capture 45.1 percent of the deposit market share within the

assessment area. These institutions are significantly larger than Chelsea and have many more branches within the assessment area. Bank of America, N.A. ranks first, with 21.4 percent of the deposit share and 187 branches; followed by RBS Citizens, N.A., with 11.4 percent of the deposit share and 212 branches; Sovereign Bank, N.A., with 6.2 percent of the deposit market share and 164 branches; TD Bank, N.A., with 3.5 percent of the deposit market share and 113 branches; and Eastern Bank, with 2.7 percent of the deposit market share and 90 branches. Chelsea ranks 13th, with 1.8 percent of the deposit market share, and a sole branch located within the assessment area. Chelsea's performance is strong considering its asset size, which has steadily increased since the previous examination, and business model.

The bank also faces strong competition for loans. According to the HMDA Market Peer Report data generated by CHAT, in 2013 there were 256 lenders that originated or purchased a home mortgage loan in the bank's assessment area. The top lenders in the assessment area are Wells Fargo Bank, N.A., JP Morgan Chase Bank, N.A., Bank of America, N.A., US Bank, N.A., and RBS Citizens Bank, N.A. Chelsea placed 18th, with a total of 84 loans, which is considered strong performance given the asset size and presence of the bank compared to the top ranking competitors.

The last CRA evaluation of Chelsea was conducted by the Federal Reserve Bank of Boston on November 30, 2009. The examination resulted in a CRA rating of "Satisfactory." The Massachusetts Division of Banks also conducted an evaluation of CRA on November 30, 2009, resulting in a rating of "High Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to identify an assessment area in which its 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.

Chelsea defines its assessment area as the Massachusetts cities of Chelsea, Everett, and Revere, and the town of Saugus. These areas expand across three MDs: Boston-Quincy, MA MD, Cambridge-Newton-Framingham, MA MD and Peabody, MA MD. The assessment area is comprised of densely populated urban cities and towns that are in close proximity to Boston. The assessment area as defined by the bank is contiguous and within the state boundary. The assessment area consists of 33 census tracts, of which 7 are low-income, 16 are moderate-income, 8 are middle-income, 1 is upper-income, and 1 is unknown-income.

Chelsea's assessment area, as currently defined, meets the technical requirements of the CRA regulation, as it consists of one or more contiguous political subdivisions, and includes the geographies where the bank has its main office, branches, and deposit-taking ATMs. It also includes the surrounding geographies in which the institution originated a substantial portion of its loans, consists of whole census tracts, and does not extend beyond state boundaries. The assessment area does not appear to reflect illegal discrimination, and does not arbitrarily exclude low- and moderate-income areas.

Based on the examiner's review, the bank's assessment area appears to be appropriately defined for an institution of this size, capacity, and bank location.

The Department of Housing and Urban Development (HUD) adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for the Boston-Quincy, MA MD was \$88,000, in 2012, and \$88,000, in 2013. The MFI for the Cambridge-Newton-Framingham, MA MD was \$106,400, in 2012, and \$101,000, in 2013. The MFI for the Peabody, MA MD was \$87,300 in 2012, and \$83,500 in 2013. The MFI for the Commonwealth of Massachusetts was \$89,500, in 2012, and \$52,400, in 2013.

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.

Pertinent demographic data for the bank's assessment area is presented below in two tables and based on the 2010 U.S. Census Data.

Table 2 2012 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	7	21.2	6,460	17.7	1,315	20.4	13,394	36.7
Moderate-income	16	48.5	19,348	53.0	2,632	13.6	7,572	20.6
Middle-income	8	24.2	9,829	26.9	482	4.9	7,399	20.3
Upper-income	1	3.0	862	2.4	31	3.6	8,191	22.4
Unknown-income	1	3.0	12	0.0	0	0.0	0	0.0
Total Assessment Area	33	100.0	36,511	100.0	4,460	12.2	36,511	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	10,615	2,934	10.7	27.6	6,765	63.7	916	8.6
Moderate-income	32,494	13,714	49.8	42.2	16,480	50.7	2,300	7.1
Middle-income	16,448	9,892	35.9	60.1	5,368	32.6	1,188	7.2
Upper-income	1,181	984	3.6	83.3	163	13.8	34	2.9
Unknown-income	12	0	0.0	0.0	12	100.0	0	0.0
Total Assessment Area	60,750	27,524	100.0	45.3	28,788	47.4	4,438	7.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
	#	%	#	%	#	%	#	%
Low-income	948	16.5	791	15.4	116	31.1	41	16.7
Moderate-income	2,887	50.1	2,596	50.5	173	46.4	118	40.0
Middle-income	1,731	30.1	1,581	30.8	70	18.8	80	32.5
Upper-income	165	2.9	152	3.0	8	2.1	5	2.0
Unknown-income	27	0.5	19	0.4	6	1.6	2	0.8
Total Assessment Area	5,758	100.0	5,139	100.0	373	100.0	246	100.0
	Percentage of Total			89.2		6.5		4.3

Source: 2010 Census Information and CHAT data

The median home value in the assessment area based on the 2010 Census is \$347,122. The Census data also shows that unemployment in the assessment area is 8.9 percent.

Community Contact

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing, business, and community development 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. In conjunction with this examination, a community contact was conducted with a local non-profit organization. The contact stated that neighboring financial institutions are supportive and provide donations to the organization. Chelsea was specifically mentioned as a financial institution that provides donations and supports the community, and particularly to low- and moderate-income individuals. According to the contact, the primary needs in the assessment area are financial literacy outreach, as well as banking for individuals who are currently unbanked; both of these are community efforts to which Chelsea contributes.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The following details the bank's efforts with regard to each performance criterion.

Loan-to-Deposit Ratio (LTD)

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 analysis of the Chelsea's LTD was performed incorporating the past 16 quarters, from the quarter ending December 31, 2009 to the quarter ending September 30, 2013. The bank's net loan to total deposit figures are calculated from the bank's quarterly FFIEC Consolidated Reports of Condition and Income (Call Reports). The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

For comparative purposes, the bank's average net LTD for the previous 16 quarters is displayed in the table below, along with similarly situated institutions, in terms of loan portfolio composition, total assets and market area. The average net LTD ratio for Chelsea was calculated at 80.7 percent. This figure is above peer and considered strong performance, particularly given Chelsea's size and market competition.

Table 4 Loan-To-Deposit Ratios		
Institution	Total Assets* \$(000s)	Average Loan-To-Deposit Ratio
Chelsea Bank	57.6	80.7%
Eagle Bank	432.2	49.1%
Eastern Bank	8,705.5	62.5%
Saugus Bank	207.8	74.0%

Source: Call Reports as of September 30, 2013*

In the 16 quarters since the last examination, Chelsea's LTD ratio has been stable, with a slight decreasing trend. As indicated in the table above, the bank's average net LTD ratio compares favorably to other institutions. The bank's asset size and resources were also considered in this analysis. Further demonstrating the bank's commitment to lend and not displayed in the above ratios is the impact from the sale of fixed-rate residential mortgages in the secondary market. The sale of these loans allows the bank to recycle the proceeds and ultimately reinvest back into the community. In conclusion, the bank's LTD is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

Comparison of Credit Extended Inside and Outside of Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. The review revealed that a majority of loans by number of loans, and other lending-related activities are conducted in the bank's assessment area.

Table 5 illustrates the bank's level of HMDA lending both inside and outside its assessment area for 2012 and 2013, and provides data by loan type.

Table 5										
Lending Inside and Outside the Assessment Area										
Loan Type	Inside				Outside				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
<i>Home Purchase</i>	35	53.8	8,013	51.7	30	46.2	7,479	48.3	65	15,492
<i>Refinance</i>	83	48.5	16,381	46.3	88	51.5	18,978	53.7	171	35,359
<i>Home Improvement</i>	11	64.7	1,315	49.8	6	35.3	1,336	50.2	17	2,642
<i>Multi-family</i>	4	80.0	1,202	72.8	1	20.0	450	27.2	5	1,652
Total HMDA	133	51.6	26,911	48.8	125	48.4	28,243	51.2	258	55,145

Source: Residential mortgage loans originated 1/1/12 through 12/01/13.

Data regarding Chelsea's lending inside and outside the assessment area as combined for the years 2012 and YTD 2013 is presented in the table above. During the evaluation period, the bank originated the majority of its loans — 84 home mortgage loans in 2012, and 49 home mortgage loans in 2013 — within its delineated assessment area. The bank's volume of lending appears to have decreased in 2013; however, this is a reflection of current economic conditions as well as incomplete loan data for 2013. In addition, while the overall volume of lending decreased, the level of lending inside the assessment area increased from 2012 to 2013, demonstrating a positive trend. As noted above, the bank achieved a market rank of 18 of 256 lenders that originated or purchased home mortgage loans within the assessment area in that year. Considering the economic conditions, loan demand, the institution's size, financial condition and branching network, the bank's market rank is considered strong.

As demonstrated in the table above, the bank's lending inside the assessment area across home purchase (53.8 percent), refinance (48.5 percent), and home improvement (64.7 percent) loan types was consistent. The only anomaly is found in multi-family lending (80.0 percent) which is due to the high number of rental properties in this urban community.

Based on the level of performance, Chelsea's lending within the assessment area meets the standard for satisfactory regarding the CRA.

Geographic Distribution

This performance criterion evaluates the bank's geographic distribution of all loans to all income levels. The geographic distribution of residential loans by tract income within the assessment area is presented in the following table.

Table 6 Geographic Distribution of HMDA Loans by Census Tract								
Census Tract Income Level/ Loan Purpose	% Owner Occupied Units	2012 Aggregate Data	2012 Bank Data		2013 Bank Data		BANK TOTAL	
		% of #	#	%	#	%	#	%
LOW								
Home Purchase	----	11.8	4	18.2%	3	23.1%	7	26.9%
Refinance	----	8.3	8	14%	6	23.1%	14	53.8%
Home Improvement	----	6.1	0	0%	2	33.3%	2	7.7%
Multi-Family	----	42.9	2	100%	1	50.0%	3	11.5%
Total Low	10.7	9.5%	14	16.7%	12	24.5%	26	20.3%
MODERATE								
Home Purchase	----	51.4	7	31.8%	4	30.8%	11	16.67%
Refinance	----	44.6	25	43.9%	6	23.1%	31	64.6%
Home Improvement	----	53.4	3	100%	3	37.5%	6	10.42%
Multi-Family	----	52.4	0	0%	1	50.0%	1	2.1%
Total Moderate	49.8%	46.9%	35	41.7%	14	28.6%	49	37.5%
MIDDLE								
Home Purchase	----	33.9	9	40.9%	5	38.5%	14	31.0%
Refinance	----	43.3	19	33.3%	11	42.3%	30	64.3%
Home Improvement	----	36.5	0	0%	2	25.0%	2	4.8%
Multi-Family	----	4.8	0	0%	0	0%	0	0%
Total Middle	35.9%	40.0%	28	33.3%	18	36.7%	46	32.8%
UPPER								
Home Purchase	----	2.9	2	9.1%	1	7.7%	3	2.5%
Refinance	----	3.9	5	8.8%	3	11.5%	8	75.0%
Home Improvement	----	4.1	0	0%	1	12.5%	1	0%
Multi-Family	----	0	0	0%	0	0%	0	0%
Total Upper	3.6%	3.5%	7	8.3%	5	10.2%	12	9.4%
GRAND TOTAL	100.0%	100.0%	84	100.0%	49	100.0%	133	100.0%

Source: Residential mortgage loans originated between 1/1/11 through 12/31/12

As illustrated above, the distribution of the bank's residential lending reflects a reasonable dispersion among the various census tracts within the assessment area. Opportunities in low- and moderate-income census tracts appear to be somewhat limited based on the performance of the aggregate lending data; however, the bank continues to perform well in this area. The percentage of loans extended by the 2012 aggregate in both low- and moderate-income census tracts stands at 9.5 percent, and 46.9 percent, respectively. As demonstrated in the table above, Chelsea originated a significant amount of loans, 14, or 16.7 percent in 2012, in low-income census tracts, outperforming the aggregate in that year. In 2013, the bank's performance remained strong whereby 12 loans, or 24.5 percent, were made in low-income census tracts. The bank's percentage of lending in low-income census tracts also exceeded the percentage of owner-occupied units in those tracts, demonstrating the bank's commitment and willingness to lend in

these areas.

Chelsea's lending in moderate-income tracts was stable in 2012 and YTD 2013, at 49 loans, or 37.5 percent of total loans. In 2012, the bank originated 41.7 percent of its home mortgage loans in moderate-income tracts, which is consistent with the aggregate's performance of 46.9 percent. However, in YTD 2013, the bank's performance slightly decreased with 28.6 percent of its home mortgage loans within moderate-income tracts. As previously noted Chelsea's performance in low- and moderate-income tracts was above the aggregate and remained high in 2013 despite the partial year. In middle-income tracts where the bank's lending is slightly below the aggregate performance, its lending levels do appear to be in line with the percentage of owner occupied housing units for the area. The bank's overall performance was consistent with the aggregate data in 2012 and demonstrates adequate penetration given the institution's size, complexity and competition.

As displayed in the table above, there were no anomalies by loan type, supporting the evaluation that the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Further, based on the level of performance, Chelsea's geographic distribution meets the standard for satisfactory regarding the CRA.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

This criterion analyzes the distribution of loans to borrowers of different income levels. The bank's distribution by borrower income reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income).

Table 8
Residential Loan Distribution by Borrower Income

Year	Low		Moderate		Middle		Upper		NA		TOTAL	
% of Families	%		%		%		%		%			
	17.7%		53.0%		26.9%		2.4%		0.03%		100.0%	
2012 Aggregate Data	11.0%		29.5%		26.8%		19.4%		13.3%		100.0%	
Loan Category	#	%	#	%	#	%	#	%	#	%	#	%
2012												
Home Purchase	2	9.1%	4	18.2%	8	36.4%	8	36.4%	0	0%	22	26.2%
Refinance	5	8.8%	19	33.3%	15	26.3%	18	31.6%	0	0%	57	67.9%
Home Improvement	0	0%	0	0%	1	100%	0	0%	2	66.7%	3	3.6%
Multi-Family	0	0%	0	0%	0	0%	0	0%	2	100%	2	2.4%
2012 Total	7	8.3%	23	27.4%	24	28.6%	26	31.0%	4	4.8%	84	100.0%
2013 Aggregate Data	---		---		---		---		---		100.0%	
2013												
Home Purchase	0	0%	3	23.1%	2	15.4%	8	61.5%	0	0%	13	29.5%
Refinance	5	19.2%	4	15.4%	9	34.6%	8	30.8%	0	0%	26	54.5%
Home Improvement	2	25.0%	2	25.0%	2	25.0%	1	12.5%	1	12.5%	8	13.6%
Multi-Family	0	0%	0	0%	0	0%	0	0%	2	100%	2	4.5%
2013 Total	7	14.3%	9	18.4%	13	26.5%	17	34.7%	3	6.1%	49	100.0%
Grand Total	12	9.4%	31	24.2%	37	28.9%	41	32.0%	7	5.5%	128	100.0%

Source: 2012 and 2013 HMDA data

An analysis of the residential loan distribution based on the borrower's income in comparison to the income distribution of families in the assessment area was performed and is presented in the following table.

The bank performed slightly below the aggregate's record of originating residential loans to low-income borrowers in 2012. As indicated in the table above, Chelsea made 7 of its loans, or 8.3 percent, to low-income borrowers in 2012, as compared to the aggregate performance of 11.0 percent. In 2013, the bank's performance increased slightly by again originating 7 of its loans, or 14.3 percent, to low-income borrowers.

The bank's performance in originating residential loans to moderate-income borrowers was slightly below the aggregate with 23 loans, or 27.4 percent, originated in 2012, compared to 29.5 percent by the aggregate. However, the bank's performance increased in YTD 2013, with 31 loans, or 24.2 percent, originated to moderate-income borrowers. Although the bank did not surpass the aggregate in 2012, the bank's performance of 27.4 percent, and 24.2 percent, in 2012 and YTD 2013, respectively, is a reasonable penetration of moderate-income borrowers for the years as presented in the table above.

Although the percentage of loans originated to low- and moderate-income borrowers was slightly lower than the aggregate's percentages, the bank's responsiveness in meeting the credit needs of low- and moderate-income borrowers is further supported through market ranks. In 2012, the bank was ranked 15th in the lending to low-income borrowers, and 16th in lending to moderate-income borrowers. This is considered strong performance for an institution of Chelsea's size as compared to market competition.

Furthermore, the bank lends funds as part of a rehabilitation and restoration of properties in disrepair in its assessment area in conjunction with a special program sponsored by the Massachusetts Office of the Attorney General. The program provides preference to prior property owners to redeem the respective property and then secondary preference is given to veterans to promote housing for veterans. During the scope of the evaluation, the bank made loans to ten total properties in its assessment area: six in Chelsea, one in Saugus and three in Revere.

In addition, the bank is well below demographic indicators, as 17.7 percent of families are considered low-income, and 53.0 percent are moderate-income. While the majority of families in the assessment area are low- and moderate-income, the opportunities for originating home mortgage loans are somewhat limited. Also, the majority of housing units in the bank's assessment area are rental units. Furthermore, a high percentage of families have incomes below the poverty level, and therefore, are not likely to be able to afford a home mortgage loan.

Chelsea's performance was further analyzed by loan purpose. The bank successfully met the credit needs of low- and moderate-income borrowers by extending home purchase, refinance, home improvement, and multi-family loans. The above analysis further supports the overall conclusion that the bank's performance is reasonable with respect to meeting the credit needs of individuals of all income levels, particularly low- and moderate-income.

Response to Complaints

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

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 violations of the substantive provisions of antidiscrimination, fair lending, or other illegal credit practice rules, laws or regulations were identified.

CONCLUSIONS

The bank has met the credit needs of the assessment area by extending residential loans throughout its geographies and to borrowers of different incomes. Given the composition of the assessment area, the bank's lending levels represent a reasonable level of responsiveness to the credit needs of the community. Therefore, the lending performance is rated "Satisfactory."

OPTIONAL EVALUATION OF INVESTMENTS AND SERVICES

The CRA regulation for small banks provides for the review of investments and services at the bank's option. Bank management opted for a review of investments and services. While performance was not at a level significant to enhance the overall rating, the bank's activity is noteworthy. The following provides a summary of the bank's performance in each of these areas.

SERVICES

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The bank has shown a strong responsiveness to assessment area credit needs through its community development services activity.

Employee Services

Bank officers and employees provide expertise to area organizations. The following is a summary of the organizations that benefit from employee involvement:

- The bank's president and chief executive officer serves as a member of the board of directors of the Chelsea Chamber of Commerce, including formerly serving as president of the organization. He participates in sixteen committees and has been involved for fifteen years. As of January 2014, he will serve as executive vice president. The organization's mission is to create economic opportunity and improve the quality of life in the Chelsea community, encouraging diverse financial activities including business lending, attracting local investment and higher wage jobs, and collaborating with communities to support and expand existing businesses. Preliminary areas of emphasis for regional development include: business lending, transportation infrastructure, business retention and promotion, work force development and effective advocacy for the Chelsea community. The City of Chelsea is predominately comprised of low- and moderate-income tracts. Of the 8 census tracts located within Chelsea, 62 percent are low-income and 25 percent are moderate-income. These activities have the primary purpose of enhancing economic development and promoting small business growth to benefit these individuals.
- For eight years, the bank's president has taken a leadership role in two Chelsea High School Programs: The Chelsea Collaborative, and the Entrepreneurship Program. The former program encourages youth summer employment via financial services presentations, including check cashing and savings banking services. The president leads these presentations. The latter encourages students to simulate real-life entrepreneurial ventures in the form of a competition. The bank's president serves as one of the competition judges. The bank's services in conjunction with these activities benefit low- and moderate-income individuals.
- As part of his work with Chelsea Restoration, the bank president and chief executive officer coordinates and participates in First Time Homebuyers seminars. In addition, an employee of the bank facilitates these seminars in Spanish for Spanish-speaking members of the community. Chelsea has participated in this program for 10 years. These activities promote economic development as well as enhance lending opportunities for the population in Chelsea.
- In collaboration with the Chelsea Chamber of Commerce, the bank participates in an annual event for the benefit of a local non-profit organization, HarborCov. The organization provides shelter and support services for women and children who are victims of domestic violence in Chelsea.
- The bank's president and chief executive officer serves as the president for the Chelsea Council on Aging.

He has participated in this council for twelve years.

INVESTMENTS

Chelsea's investments consist solely of charitable contributions to organizations within its assessment area. Below is a summary which highlights some of the bank's key investment activity.

- For 10 years, the bank has provided annual donations of either \$5,000 or \$1,000 to the Neighborhood Developers program. The initiative works to revitalize the downtown Chelsea Corridor, primarily to develop small business activity for low- and moderate-income individuals in the Chelsea community.
- In addition, the bank has provided a total of \$22,256 in donations to community organizations within its assessment area, specifically in the low- and moderate-income areas within the Chelsea community, during the scope of the evaluation. Examples of organizations receiving donations include: the local Boys & Girls Club, Chelsea Chamber of Commerce, Chelsea YMCA, and Chelsea Neighborhood Developers.