

# **PUBLIC DISCLOSURE**

August 12, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Street Bank and Trust Company  
RSSD # 35301

One Lincoln Street  
Boston, MA 02111

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**

I. Institution’s CRA Rating..... 2  
a. Overall Rating  
b. Discussion

II. Scope of Examination ..... 2

III. Description of Institution..... 3

IV. Community Contact ..... 7

V. Conclusions with Respect to Performance ..... 8

    A. Qualified Investments ..... 10  
        1. Affordable Housing Investments ..... 10  
        2. Small Business Investments..... 14  
        3. Grants and Donations ..... 14

    B. Community Development Services..... 19  
        1. Workforce Development and Education ..... 19  
        2. Technical and Financial Expertise ..... 20  
        3. Other Services Activities ..... 22

    C. Community Development Lending.....24

VI. Fair Lending or Other Illegal Credit Practices Review..... 24

VII. Other Community Development Activities ..... 24

VII. Appendix A – Glossary of Terms.....A-1

## INSTITUTION

**INSTITUTION'S CRA RATING: This institution is rated "Outstanding."**

State Street Bank and Trust Company (State Street or the bank) has a high level of qualified investments, particularly investments that are not routinely provided by private investors. The bank extensively uses innovative and complex qualified investments and community development services. State Street exhibits excellent responsiveness to credit and community economic development needs in its assessment area.

### SCOPE OF EXAMINATION

State Street's performance was evaluated using the Community Reinvestment Act (CRA) Examination Procedures for Limited Purpose and Wholesale Institutions, as issued by the Federal Financial Institutions Examination Council (FFIEC). These procedures assess a bank's record of helping to meet the credit needs of its assessment area under the community development test through its community development lending, qualified investments, or community development services.

The examination covered State Street's community development activities for the period from the prior examination dated July 10, 2017 to the current period ending August 12, 2019. In addition, outstanding balances on prior examination period community development qualified investments were analyzed as of August 9, 2019.

The bank has identified one assessment area in which its CRA activities are evaluated. In addition, qualified activities made outside of the bank's assessment area were considered as the bank has adequately addressed the community development needs of its assessment area.

Demographic information referenced throughout the evaluation was obtained from the 2015 United States (U.S.) Census Bureau's American Community Survey (ACS) data, unless otherwise noted.

## DESCRIPTION OF INSTITUTION

State Street is a wholly-owned subsidiary of State Street Corporation, Boston, Massachusetts. State Street is also the parent of the State Street Foundation (Foundation), its charitable arm. The company's headquarters are located at One Lincoln Street, Boston, Massachusetts. State Street is one of the country's largest custodial banks, holding assets and providing investment servicing and investment management services to institutional investors, including pension funds, mutual funds, insurance companies, foundations, endowments and investment managers, mutual funds, and other collective investment pools. As of December 31, 2018, the bank had \$31.6 trillion in assets under custody and administration and \$2.5 trillion in assets under management.

As of March 31, 2019, the bank's assets totaled \$225.1 billion; loans and leases accounted for \$23.5 billion, representing just 10.4 percent of the bank's asset base. The bank's loan portfolio consists primarily of loans to non-depository financial institutions, at \$16.6 billion, accounting for 70.6 percent of total loans. The bank also engages in commercial real estate and commercial and industrial lending to large institutional customers primarily through syndication arrangements; this lending activity totaled \$4.4 billion, and accounted for 18.6 percent of loan portfolio. State Street does not engage in retail banking services other than ancillary activity to existing customers; the bank has made no small business or home mortgage loans on 1-4 family properties. And the bank had not engaged in commercial real estate lending since the sale of its commercial banking division in 1999. However, in December 2017, State Street launched an initiative to finance commercial real estate and multi-family properties for commercial clients. As a result, loans and leases have increased moderately since the prior CRA review. As of March 31, 2017, net loans and leases accounted for \$22.5 billion, representing just 9.7 percent of the bank's \$233.5 billion asset base. Even with the bank's entrance into the commercial real-estate market, loans represent a small portion of the bank's asset base. The remainder of the loan portfolio is broken out in Table 1.

<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans (%)</b>
Loans to non-depository financial institutions	16,605,000	70.6
Commercial and Industrial loans	4,384,000	18.6
Obligations of states and political subdivisions	977,000	4.2
Commercial Real Estate	752,000	3.2
Loans to depository institutions	364,000	1.5
Loans Secured by Multifamily residential properties	224,000	1.0
Consumer Loans	177,000	0.8
Loans to foreign Governments and official institutions	25,000	0.1
<b>Total Gross Loans</b>	<b>23,508,000</b>	<b>100.0</b>

*Consolidated Report of Condition and Income as of 3/31/2019.*

Financial capacity, legal impediments, local economic conditions, demographics, and market competition are all considered when examining the bank's CRA performance. None of these factors would prevent the

bank from fulfilling its obligations under the CRA. The bank's previous CRA examination resulted in an Outstanding rating.

State Street's deposits totaled \$102.4 billion, as of March 31, 2019. The bank's deposit base is derived from institutional clients as part of their investment activities; the bank does not take deposits from the general public. State Street's CRA assessment area is comprised of the cities of Boston and Quincy. According to the June 30, 2019 Federal Deposit Insurance Corporation (FDIC) Summary of Deposit Market Share report, 44 institutions operate 171 branch offices within the two cities comprising the bank's assessment area. However, given its business model, the bank faces no competition from these financial institutions with respect to retail services. Within Massachusetts, there are 143 institutions operating 2,137 offices. While the bank does not compete for retail deposits, the bank does face some competition in terms of deposit market share within Massachusetts with other wholesale institutions such as BNY Mellon, N.A., (PA), and Goldman Sachs Bank USA (NY). Nonetheless, the bank ranks first in terms of deposit market share within its defined assessment area (Boston/Quincy), and first within Massachusetts.

Boston and Quincy are respectively located in Suffolk and Norfolk counties, within the Boston, MA Metropolitan Division (MD). State Street's one assessment area consists of the city of Boston, where it has its main office, and the contiguous city of Quincy, where it has four office locations. Under the CRA, a bank need consider only its staffed domestic offices or offices that receive deposits when defining its assessment area. While State Street operates several domestic and foreign offices and two branch locations, only One Lincoln Street is considered a branch office under the regulation.

Based on 2015 ACS data, Boston and Quincy, have a combined population of 743,458 individuals, representing approximately 11.1 percent of the population in Massachusetts. The assessment area is comprised of 201 census tracts. Of the total census tracts, 46, or 22.9 percent, are low-income; 55, or 27.4 percent, are moderate-income; 52, or 25.9 percent, are middle-income; 35, or 17.4 percent, are upper-income; and 13, or 6.5 percent, are unknown. The majority of the assessment area's population, 87.5 percent, resides in Boston, while 12.5 percent resides in Quincy. Boston contains 181 census tracts, or 90.0 percent of the total census tracts in the assessment area, and 278,521, or 86.9 percent, of the total 320,358 housing units. Of the total housing units, the majority at 59.0 percent are rental, while 33.3 percent are owner occupied and 7.7 percent are vacant.

The assessment area has remained unchanged since the prior CRA evaluation. As the bank operates no additional branch offices or deposit taking ATMs, the determination to have its CRA performance rating based on this geographically small area was primarily due to the mission of the Foundation, which is to make a meaningful impact on the communities where the bank operates. State Street operates three offices in Boston and four in Quincy. The objective of designating this geographically small area is to target the Foundation's resources and direct the bank's efforts to a specific geographic area within which it is operating that is specific enough to create real economic impact.

Table 2 displays selected housing characteristics of the assessment area based on geographical income categories and certain demographic information to assist in identifying community development needs within the assessment area.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	46	22.9	32,900	22.8	10,181	30.9	52,753	36.6
Moderate-income	55	27.4	43,482	30.1	7,315	16.8	24,629	17.1
Middle-income	52	25.9	46,069	31.9	3,468	7.5	23,068	16.0
Upper-income	35	17.4	20,836	14.4	1,332	6.4	43,880	30.4
Unknown-income	13	6.5	1,043	0.7	163	15.6	0	0.0
<b>Total Assessment Area</b>	<b>201</b>	<b>100.0</b>	<b>144,330</b>	<b>100.0</b>	<b>22,459</b>	<b>15.6</b>	<b>144,330</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	61,578	10,283	9.6	16.7	46,317	75.2	4,978	8.1
Moderate-income	97,799	27,324	25.6	27.9	62,629	64.0	7,846	8.0
Middle-income	95,239	43,685	41.0	45.9	45,973	48.3	5,581	5.9
Upper-income	61,679	24,255	22.7	39.3	31,663	51.3	5,761	9.3
Unknown-income	4,063	1,086	1.0	26.7	2,555	62.9	422	10.4
<b>Total Assessment Area</b>	<b>320,358</b>	<b>106,633</b>	<b>100.0</b>	<b>33.3</b>	<b>189,137</b>	<b>59.0</b>	<b>24,588</b>	<b>7.7</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	
Low-income	4,982	12.5	4,489	13.0	456	9.5	37	8.5
Moderate-income	8,336	20.9	7,624	22.0	648	13.5	64	14.6
Middle-income	8,295	20.8	7,601	22.0	635	13.3	59	13.5
Upper-income	17,406	43.7	14,211	41.1	2,926	61.1	269	61.6
Unknown-income	798	2.0	667	1.9	123	2.6	8	1.8
<b>Total Assessment Area</b>	<b>39,817</b>	<b>100.0</b>	<b>34,592</b>	<b>100.0</b>	<b>4,788</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>86.9</b>		<b>12.0</b>		<b>1.1</b>

2015 ACS Data and 2018 Dun & Bradstreet data

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

As displayed in Table 2, of families in the assessment area, 36.6 percent are low-income, 17.1 percent are moderate-income, 16.0 percent area middle-income, and 30.4 percent are upper-income. There is a wide disparity in income levels within the assessment area, as evidenced by this distribution; further, 15.6 percent of families within the assessment area live below the poverty level. Of the total families

with incomes below the poverty level, 77.9 percent reside in the assessment area's low- and moderate-income census tracts. Within the Commonwealth of Massachusetts, 8.2 percent of families have incomes below the poverty level. Of the 295,770 households in the assessment area, 19.9 percent reside below the poverty level, compared to 11.9 percent of households statewide.

The level of families and households with incomes below the poverty level is an indication not only of the need for health and human services, but of the need for education and workforce development, as levels of educational attainment are highly correlated to employment rates and income level. According to the 2015 ACS data, 8.5 percent of the assessment area's labor force is unemployed and this figure grows higher within the assessment area's low-income census tracts at 13.8 percent.

While State Street does not extend residential mortgages, and therefore is not positioned to provide affordable loan products, it is positioned to meet community development needs through investments in affordable housing. The following information provides context regarding the challenges that exist in the bank's assessment area for low- and moderate-income residents. According to the 2015 ACS data, home values in the assessment area range from a low of \$327,760 to a high of \$599,206, with a median home value of \$384,100. According to more recent data obtained from the Warren Group, Boston, MA, the median sales price in Massachusetts in August 2019 was \$415,000, while the median sales price in Boston for August 2019 was \$990,000 and in Quincy, the median sale price was for August was \$510,000. According to the ACS data, the assessment area median family income is \$65,621; low- and moderate-income earners have incomes below \$52,496. Therefore, low- and moderate-income individuals are not likely to be able to afford a home in the bank's assessment area and would more likely rent. As indicated in Table 2, the majority of housing units in the assessment area, 59.0 percent, are rental units and the vast majority of housing units in low- and moderate-income census tracts, 75.2 percent and 64.0 percent, respectively, are rental units.

Despite rental housing units accounting for a majority of units in the assessment area, there remains a shortage of affordable rental housing, which is in demand due to the high purchase price for homes and the gap between renter incomes and the cost of rental housing. The assessment area's median family income, \$65,621, falls well below the Massachusetts median family income level of \$87,085, while the median gross rent in the assessment area (\$1,310) is above the state median (\$1,102). More recent data cited by the Boston Foundation, Boston, MA, in its Greater Boston Housing Report Card indicated rents are even higher and have been continuously rising; all five Greater Boston counties have seen significant increases in median rental costs over the past several years. Suffolk County has the highest median rent, at \$2,730, followed closely by Norfolk County, at \$2,500. According to the report, rents in the Metro Boston area are expensive in comparison to almost all other major metropolitan areas in the U.S. As of early 2019, the median rent for a two-bedroom unit in Boston was \$2,500.<sup>1</sup> The high level of families with incomes below the poverty level, and high rents within the assessment area indicate a need for affordable housing and economic development.

Numerous businesses operate throughout the assessment area and are comparatively distributed throughout the census tracts, with the highest concentration, 43.7 percent, located within upper-income

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<sup>1</sup> <https://www.tbf.org/-/media/tbf/reports-and-covers/2019/gbhrc2019.pdf?la=en&hash=6F5C3F0B829962B0F19680D8B9B4794158D6B4E9>

census tracts. According to Dun & Bradstreet, Millburn, New Jersey (D&B), approximately 86.9 percent of the businesses are considered small businesses, having revenues equal to or less than \$1 million in 2018. Therefore, any investments that provide growth capital for these small businesses would contribute to the economic development of the area.

Given its capacity, State Street is positioned to help meet the needs of the assessment area, primarily through the provision of community development services and community development investments.

## COMMUNITY CONTACT

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

A community contact was conducted with a representative of a community development corporation (CDC) that serves low- and moderate-income populations, including new immigrants, primarily in Boston's Chinatown neighborhood, Quincy, and Malden, MA. The CDC has built and preserved hundreds of units, including affordable housing, in the assessment area, and primarily provides bilingual financial and housing counseling for hundreds of low-income clients, with one-on-one coaching on financial management and first-time homebuyer assistance. The contact emphasized affordable housing as remaining the utmost critical need in the community, but also mentioned funding support for community programs and the need for more pathways to better jobs and upward mobility. Furthermore, she observed that the local low- and moderate-income population faces language barriers, so there is a need for English for Speakers of Other Languages (ESOL) classes. Thus, she stated, beyond financial assistance, there were opportunities for local financial institutions to provide more bilingual financial literacy programs and bilingual bank staff.

A second community contact was conducted with two representatives from a nonprofit organization that provides human services, including housing and homeless prevention, energy assistance, food security, immigration, elder services, and workforce development to low-income residents in Greater Boston. The representatives specifically identified financial literacy programs, particularly bilingual workshops, senior fixed-income classes and foreclosure prevention programs, as the most critical needs in the community. The representatives identified direct volunteering and partnerships for program delivery, such as participating in workforce development programs, as opportunities for local financial institutions. The contacts specifically noted Capital One, N.A., Eastern Bank, and State Street as the biggest contributing partners that are responsive to the organization's needs.

A third community contact was conducted with a representative from a small nonprofit organization that focuses on homelessness prevention, community engagement, and educational opportunities for low- and moderate-income families in Boston. The contact identified workforce development, economic revitalization, and small business support as community needs, but also stressed the importance of financial literacy programs with culturally competent staff and volunteers. The contact stated that



opportunities for financial institutions to get involved in are community development, workforce development, and financial literacy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE

State Street's CRA evaluation considered the bank's record of helping to meet the credit needs of its assessment area under the community development test through its community development lending, qualified investments and community development services. The review considered the number and amount of community development loans, qualified investments, or community development services; the use of innovative or complex qualified investments, community development loans, or community development services and the extent to which the investments are not routinely provided by private investors; and the bank's responsiveness to credit and community development needs.

Based on its use of community development investments, including grants and donations, and community development services, the bank exhibits excellent responsiveness to the community economic development needs of the assessment area. New commitments and investments, including grants and donations, specifically benefitting Boston and Quincy or the broader statewide area of Massachusetts that includes the bank's assessment area, totaled \$336.9 million. This is a substantial increase from the previous examination, when investments specifically benefitting the assessment area and statewide area totaled \$74.1 million.

The bank made investments in the Massachusetts Housing Investment Corporation, Boston, MA (MHIC) and MHIC's Massachusetts Housing Equity Funds (MHEFs) and purchased Massachusetts Low Income Housing Tax Credits (LIHTCs), which were found to be highly responsive to the need for affordable housing in the assessment area cited by community contacts. Further, those projects involving LIHTCs were considered innovative and complex and not the types of transactions typically provided by private investors. In addition, the bank purchased 30 pools of mortgaged backed securities (MBS), totaling \$255.0 million, exclusively backed by loans to low- and moderate income individuals within Massachusetts. MBS are qualified investments that provide liquidity to the market, and were considered responsive to the need for affordable housing for low- and moderate-income individuals. The bank was also credited with \$8 million in investments in the Small Business Administration's (SBA) small business investment companies (SBICs), which promote economic development and support permanent job creation, retention, and/or improvement for low-income persons or geographies within the assessment area, or broader regional area.

State Street exhibits an excellent responsiveness to assessment area credit needs through its provision of grants and donations, which totaled \$26.1 million, within the assessment area. These were largely aimed at addressing the need of education and workforce development in the assessment area identified by the bank and community contacts. An additional \$1.6 million was extended to agencies that benefit Massachusetts as a whole. Further, bank management and staff served on boards of directors of non-profit community organizations, using their financial and management expertise to help guide the decisions of these organizations located in the assessment area. Many of these organizations address the need for affordable housing and workforce development, areas noted through community contacts. Through these activities, the bank is meeting the community development needs of its assessment area.

As a result of the bank's introduction of commercial real estate loans as of December 2017, community development loans were considered. In light of the recent introduction of this new product, the bank has made a limited amount of community development loans (four), totaling \$13.7 million. One was extended within the assessment area, one was within Greater Boston, and two were made in California; all supported the maintenance of mixed income housing. As previously stated, overall, lending accounts for 10.4 percent of the bank's asset base. The community development lending in which the bank has engaged is considered supplementary to its overall performance. The bank meets its CRA obligations primarily through its provision of qualified investments and services. In accordance with the procedures, a wholesale institution need not engage in all three categories of community development activities to perform well under the community development test.

In determining a wholesale institution's overall CRA performance, examiners may consider qualified activities that benefit a broader statewide or regional area that includes the institution's assessment area. As the bank is adequately meeting the community development needs of its assessment area, community development activities outside of the assessment area and the broader statewide or regional area were considered and have supported to the bank's CRA rating.

Table 3 summarizes the bank's investment and donation activity inside and outside the assessment area.

<b>Table 3 Investment Summary</b>			
<b>Inside AA</b>	<b>New Commitments (000's)</b>	<b>Prior Period Book Values (000's)</b>	<b>Total Qualified</b>
<b><i>Activities that benefit the assessment area and broader statewide or regional area that includes the assessment area</i></b>			
MHIC	\$24,000	\$39,163	\$63,163
MA LIHTC and Historic State Tax Credit	\$22,200		\$22,200
MBS	\$255,012		\$255,012
SBICs	\$8,000	\$7,187	\$15,187
Grants and Donations	\$27,720		\$27,720
<b>Total Inside</b>	<b>\$336,932</b>	<b>\$46,350</b>	<b>\$383,282</b>
<b>Outside AA</b>			
<b><i>Activities that benefit areas outside of the assessment area, including Nationwide Investments</i></b>			
Affordable Housing Preservation Funds	\$34,500		\$34,500
Nationwide Tax Credit Projects	\$301,000	\$627,225	\$928,225
Grants and Donations	\$4,923		
<b>Total Nationwide</b>	<b>\$340,423</b>	<b>\$627,225</b>	<b>\$962,725</b>
<b>Total Qualified Investments</b>	<b>\$677,355</b>	<b>\$673,575</b>	<b>\$1,350,930</b>

Internal Bank Documents

Overall, State Street has a high level of qualified community development investments, particularly complex investments not provided by private investors, totaling \$1.4 billion. New investments and commitments<sup>2</sup> in qualified community development investments made during the evaluation time period totaled \$677.4 million. Investment activity within the assessment area has increased substantially since the

<sup>2</sup>The dollar amount of qualified investments includes the dollar amount of legally binding commitments recorded by the bank according to GAAP.

time of the previous examination. This is primarily through the purchase of pools of MBS designed primarily to finance community development. While this activity is considered less complex than the bank's LIHTC projects, it is considered responsive to the affordable housing needs in the assessment area. The bank's donation activity is also highly responsive. In addition, the bank is a leader in providing resources and community development services supporting education and workforce development through innovative and complex grant and services activity, as discussed below.

In addition to the LIHTC investing within Massachusetts, the bank is actively investing in LIHTCs nationwide. LIHTCs are considered complex, requiring considerable ongoing management attention and expertise due to the technical accounting requirements associated with the administration of the investments over time. The bank's investment in the Affordable Housing Preservation Funds noted above was also considered innovative, as the type of funding is not routinely provided by private investors. The bank has increased investment activity with regard to affordable housing preservation from \$10 million at the previous CRA evaluation to \$34.5 million. In addition, investments in nationwide tax credit projects have increased from the prior examination, when that activity totaled \$282.0 million. For more information regarding the bank's investments in new and prior period nationwide LIHTC projects refer to the "Other Community Development Activities Section". Overall, qualified activity totaled \$896.1 million at the previous CRA evaluation, as compared to \$1.4 billion at present. This increase is mainly attributed to new investment activity which has increased from \$398.2 million to \$677.3 million.

### **Qualified Investments**

The bank exhibits excellent responsiveness to the assessment area's economic development needs through its investments in affordable housing and small business and its significant contributions in the form of grants and donations.

#### ***Affordable Housing Investments***

The bank exhibits an excellent responsiveness to the assessment area's need for affordable housing through three areas: investments in MHIC; purchases of Massachusetts LIHTCs and historic tax credits; and purchases of MBS. The tax credit projects are considered complex as they are not routinely provided by private investors. Given the capacity of State Street, the bank is in a position to provide this funding. In addition, the bank was credited with \$8 million in investments in SBICs, which promote economic development and support permanent job creation, retention, and/or improvement for low-income persons or geographies within the assessment area, or broader regional area.

### **MHIC**

State Street has taken a leadership role in financing MHIC's affordable housing development projects. According to MHIC's 2018 Annual Report, its 46 member corporations have collectively committed more than \$1.6 billion to finance the development of affordable housing and community development, as of December 31, 2018. State Street is second largest contributor to this effort<sup>3</sup>.

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<sup>3</sup> <http://www.mhic.com/annualreports/2018%20Annual%20Report.pdf>

By dollar volume, the level of new investing in MHEF LIHTC projects is unchanged from the previous CRA examination. During the review period, the bank made new commitments of \$12.0 million and \$9.0 million to MHEF Funds XXIII, LLC and MHEF Funds XXIV, LLC (Funds), respectively. In addition, the bank made a \$3.0 million equity investment in MHIC, LLC. These activities are further described below:

- The bank made an investment of \$12.0 million in MHEF Funds XXIII. The fund was formed to acquire, rehabilitate, construct, operate, lease, and manage low-income housing projects located in Massachusetts. The Fund's purpose includes rehabilitating existing multi-family rental housing and funding the new construction of multi-family or other housing structures. The project initially identified 508 housing units, of which 481, or 94.6 percent, are affordable. Three of the identified properties were within the City of Boston supporting the rehabilitation or creation of 241 affordable units within the city.
- The bank invested an additional \$9.0 million in MHEF Funds XXIV. This project supported the creation or rehabilitation of 564 housing units within Massachusetts, including 447 affordable units.
- In July of 2018, the bank made a \$3.0 million equity investment in a revolving loan fund used to provide predevelopment, acquisition, and bridge financing to LIHTC and NMTC projects.

As previously stated, when evaluating an institution's qualified investment record, consideration is given to investments that were made prior to the current examination, but are still outstanding. Factors relevant to the bank's CRA performance context, such as the effect of outstanding long-term qualified investments, the pay-in schedule, and the amount of any cash call, on the capacity of the bank to make new investments are also considered. In addition to the new commitment, the bank's advances towards previous funds have totaled \$27.7 million during the examination period. Further, the bank carries \$39.2 million in remaining commitments from prior period investments to the MHEF on its balance sheet<sup>4</sup>. Refer to Table 4 for additional detail.

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<sup>4</sup> Prior period investments are reflected at their book value as of the end of the current evaluation period (March 31, 2019) and current period investments are reflected at their original investment amount.

**Table 4  
MHIC/ MHEF**

<b>Fund</b>	<b>New Commitments (000's)</b>	<b>Outstanding Book Balance as of 6/30/2019 (000's)</b>	<b>Advances (000's)</b>	<b># of Units</b>	<b># LIHTC Units</b>	<b># LIHTC Units in AA</b>
Massachusetts Housing Equity Fund XXIII LLC	\$ 12,000		\$ 9484	508	481	241
Massachusetts Housing Equity Fund XXIV LLC	\$ 9,000		\$ 1507-	564	447	0
MHIC, LLC <sup>4</sup>	\$ 3,000		\$ 3,000			
<b>Total New Commitments</b>	<b>\$ 24,000</b>			<b>1072</b>	<b>928</b>	<b>241</b>
<b>Prior Period Investments</b>						
Massachusetts Housing Equity Fund X LLC		\$17				
Massachusetts Housing Equity Fund XI LLC		\$60				
Massachusetts Housing Equity Fund XIII LLC		\$425				
Massachusetts Housing Equity Fund XIV LLC		\$249				
Massachusetts Housing Equity Fund XVI LLC		\$612				
Massachusetts Housing Equity Fund XVII LLC		\$2,435				
Massachusetts Housing Equity Fund XVIII LLC		\$3,125				
Massachusetts Housing Equity Fund XIX LLC		\$4,122				
Massachusetts Housing Equity Fund XX LLC		\$4,883				
Massachusetts Housing Equity Fund XXI LLC		\$6,635	\$931			
Massachusetts Housing Equity Fund XXII LLC		\$16,600	\$12,829			
<b>Total</b>	<b>\$24,000</b>	<b>\$39,163</b>	<b>\$27,751</b>			

<sup>4</sup> Equity investment in revolving loan fund used to provide predevelopment, acquisition, and bridge financing to LIHTC and NMTC projects.

Source: Internal Bank Documents

As indicated in Table 4, of the total affordable units identified by the Funds, 241 or 25.9 percent of the total 928 were located in the two cities comprising the bank's assessment area. The remaining 74.1 percent represent affordable units dispersed throughout several communities in Massachusetts<sup>5</sup>. As stated previously, the two cities comprising the assessment area contain just 10.8 percent of the Massachusetts population. All of the investments are considered qualified as the Funds include geographies or individuals located within the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

<sup>5</sup> Information on units associated with new commitments is based on where the fund's investments are expected to be made. Information on units associated with prior period investments is based on projects the funds originally targeted as that is the information that was available to the bank at time of investment.

### MA LIHTC and Historic Tax Credit Purchases

The bank purchased \$22.2 million of Massachusetts Historic Tax Credits (HTCs) and LIHTC projects during the review period. This is an increase from the previous CRA examination, when the bank purchased \$16.1 million.

#### Massachusetts LIHTC Projects

LIHTC are provided to developers of low income housing who can later sell the credits to equity investors. The purchase of tax credits allows the owners of the properties to use the additional funding to support the projects which are aimed at the rehabilitation of affordable rental housing and rehabilitation of housing in low-income areas. While the projects do not provide direct benefit to the bank's assessment area, the investments are considered qualified as the purpose includes serving geographies or individuals located within the bank's assessment area or a broader statewide or regional area. Moreover, these investments are not routinely provided by private investors, as the pool of potential investors with adequate Massachusetts tax liability to purchase large credits is relatively small. The bank purchased two tax credits during this review period totaling \$13.3 million.

- The bank committed \$10.3 million to purchase a Massachusetts LIHTC investment associated with the redevelopment of 66 units of affordable housing within the city of Worcester. While outside of the bank's assessment area, Massachusetts tax credit projects specifically targeted at the assessment area or broader regional and statewide area are considered.
- The bank expended \$3.0 million to purchase 100 percent of the Massachusetts LIHTC associated with the renovation of a mixed-income housing community in Massachusetts, 65.5 percent of the units are affordable and the property includes 14 workforce apartments in Worcester.

#### Massachusetts Historic Tax (HTC) Projects

During the review period, the bank purchased HTC totaling \$8.9 million for projects that will provide affordable housing for low- or moderate-income individuals within Massachusetts. Below is a description of this activity.

- The bank purchased \$4.0 million of HTC associated with the rehabilitation of 5 separate properties, totaling 201 residential units in 21 buildings, and located within the Roxbury and Dorchester neighborhoods of Boston. The majority of the units at 87.6, or 176 units of the 201 total, are affordable.
- In addition to purchasing LIHTC associated with the two projects detailed above, the bank also purchased the HTC's associated with the renovations for \$2.9 million and \$1.9 million, respectively.

### **Mortgage Backed Securities**

Investments in MBS are a new area of CRA eligible investment activity for State Street. The FFIEC issued an opinion letter (no. 794) indicating that targeted MBS may receive positive CRA consideration<sup>6</sup>. MBS are often composed of loans scattered throughout the country to borrowers with varying incomes. To support CRA objectives, affordable housing MBS are created with at least 51 percent of loans to low- and moderate-income borrowers. As a “qualified investment,” the MBS should include loans in an institution’s assessment area or in a statewide or regional area that includes the assessment area. The bank invested in 30 pools of securities during the review period, totaling \$255.0 million. The pools included home mortgage loans to 858 low- and moderate-income borrowers exclusively within Massachusetts, including Boston and Quincy. As securities were targeted and backed by loans to Massachusetts low- and moderate-income borrowers, these investments were considered responsive to affordable housing needs.

### ***Small Business Investments***

During the examination period, the bank committed \$8 million to three SBICs. SBICs promote economic development by financing small businesses. The investments were made in funds that have a geographic focus that targets companies primarily located throughout the Northeast and New England, including the bank's assessment area. In addition, the bank carries \$7.2 million on its books in previously qualified SBIC investments. Community development outcomes are demonstrated through SBA-required job creation tracking and reporting. The following details the bank’s investments:

- The bank invested \$3 million in a licensed SBIC. The fund contributed to the creation of approximately 3,757 jobs and increased revenues in the 25 small businesses.
- The bank invested \$3 million in a licensed SBIC, which supported the creation or retention of 1,114 jobs and increased revenues within the businesses.
- The bank invested \$2 million in a licensed SBIC which has supported the growth of small business across the country. This specific fund includes two Boston based small businesses. The fund contributed to the creation of 262 jobs.

### ***Grants and Donations***

The bank exhibits excellent responsiveness to community development needs in its assessment area through the provision of community development grants and donations that are responsive and innovative. During the examination period, the bank provided \$26.1 million in grants and donations that provide direct benefit to the Boston/Quincy area and its residents. An additional \$1.6 million benefited organizations within Massachusetts. The majority of this activity was provided through the Foundation. The strategic focus of the Foundation continues to be investing in education and workforce development to help low- and moderate-income individuals obtain the skills, knowledge, and professional exposure necessary to

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<sup>6</sup> Federal Financial Institutions Examination Council, “Interagency Interpretive Letter, August 11, 1997.”  
[https://www.ffiec.gov/cra/letters/letter\\_19970811R.htm](https://www.ffiec.gov/cra/letters/letter_19970811R.htm)

secure employment in an evolving economy. The bank has continued the Boston Workforce Investment Network (Boston WINs) program, which partners with Boston Public Schools (BPS).

In addition to its partnership with BPS, the bank and the Foundation have supported several organizations dedicated to furthering the education of low- and moderate-income youth and adults. The Foundation seeks to reduce the inequality and the correlation between education and income. Further, the bank has focused on impact investing, rather than spreading funds out over all organizations requesting donations, the bank provides larger grants to a smaller amount of organizations. These organizations generally support the Foundations mission of education and workforce development. With larger grants and multi-year commitments, these organizations can more effectively carry out their mission. The higher dollar amounts are considered more impactful. In addition, the bank has pledged multi-year commitments to certain organizations, which better allows the organizations to design an effective strategy for fulfilling their missions.

#### Boston WINs

The Boston WINs initiative was launched in 2015 as a multi-year, \$20 million initiative that provides workforce development and job training to low- and moderate-income youth. Workforce development among low- and moderate-income individuals has been identified by State Street and community contacts as one of the pressing needs in Boston. Currently in its fourth year, the bank has expanded the initiative by two years from its original four-year commitment, and will provide an additional \$6.0 million in funding over that period to ensure the sustainability of the model. Boston WINs' goals are centered on employment stability and economic mobility through increasing college enrollment rates for BPS students, providing support for their continued success in college, and advancing access to careers for Boston youth. To ensure ongoing accountability for the program partners, each Boston WINs organization must submit quarterly reports and their service performance to the bank. Per the 2017-2018 program report, which highlights achievements from the third year of the program, the collaborating five partners, with the financial and technical support from the bank, have collectively served 63.0 percent more youth than they would have served individually. As of June 30, 2018, all five partners are either on track or have exceeded their program goals for number of students served.

The five collaborating partners include: Boston Private Industry Council Inc. (PIC), Bottom Line, College Advising Corps (CAC), uAspire, and Year Up; each has the mission of advancing job readiness for low- and moderate-income persons. The program is conducted in collaboration with BPS, where 71.0 percent of students are economically disadvantaged<sup>7</sup>, defined by the school system as participating in one or more of the following state-administered programs: Supplemental Nutrition Assistance Program, Transitional Aid to Families with Dependent Children, Department of Children and Families foster care, and MassHealth.

At inception, the Boston WINs network collectively designed and implemented an approach to active collaboration called "Coordinated Action." This approach helps the Boston WINs network deliver services in a complementary, reinforcing and effectively sequenced manner, with the goal of connecting all youth to

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[https://www.bostonpublicschools.org/cms/lib/MA01906464/Centricity/Domain/187/BPS%20at%20a%20Glance%2019\\_final.pdf](https://www.bostonpublicschools.org/cms/lib/MA01906464/Centricity/Domain/187/BPS%20at%20a%20Glance%2019_final.pdf)



the resources they need to be successful in and graduate high school, as well as ensuring readiness for college and their careers. Each of the partnering organizations maintains expertise at different stages of the process. Per the 2017-2018 program report, Coordinated Action has been implemented in 26 BPS high schools, and increased the percentage of BPS seniors receiving all three coordinated partner services from 41.0 percent to 60.0 percent. As of August 2018, State Street has hired 540 individuals involved in the Boston WINs program and provided work experience to 1,293 interns. To date, 59 students have graduated from the inaugural class of the Year Up program.

The following details the mission of each participating organization as well as the amount of the grants that each received from the Foundation during the review period:

- PIC serves as Boston’s MassHire Workforce Board and its school-to-career intermediary. PIC staff prepare and place high school students in summer jobs and internships and engage employers through job placements. In partnership with BPS and a network of community organizations, PIC conducts outreach to individuals who have dropped out of high school and supports them in completing their high school education. PIC also works with area colleges to support low-income, first-generation students as they complete college and transition to early career. Over the review period, the bank’s total grants to this organization amounted to \$2.0 million.
- Bottom Line supports low-income, first-generation college students through two flagship programs: College Access Program, which supports high school seniors through the college application and decision process; and College Success Program, which provides one-on-one, in-person support to students enrolled in regional colleges. Over the review period, the bank’s total grants to this organization amounted to \$2.7 million.
- CAC works to increase the number of first-generation students who enter and complete college by placing recent college graduates from partner universities as full-time college advisers in underserved high schools. The advisers work to foster a college-going culture within the schools they serve as well as support students with the college application process. Over the review period, the bank’s total grants to this organization amounted to \$1.7 million.
- uAspire provides young people with information and resources in navigating an affordable path to and through postsecondary education. The organization partners with high schools, community organizations, and colleges to provide college affordability advice to thousands of low-income students and their families annually. Over the review period, the bank’s total grants to this organization amounted to \$2.5 million.
- Year Up’s mission is to close the opportunity divide by providing low- and moderate-income young adults with the skills, experience, and support to reach their potential through professional careers and higher education. The organization uses a “high support, high expectations model” that combines marketable skills, stipends, internships, and college credits to place participants on a viable path to economic self-sufficiency. Over the review period, total grants amounted to \$2.7 million.

## Other Donations

In addition to the five organizations that make up the Boston WINs program, the bank made recurring donations totaling \$100,000 or more to 42 organizations serving the assessment area over the review period. Below is a sample of organizations that have received recurring donations totaling \$100,000 or more and an overview of their mission.

### Action for Boston Community Development (ABCD)

ABCD provides low-income residents in Greater Boston with the support and resources necessary to attain economic stability and success. Each year, the organization serves more than 100,000 individuals, elders and families through a broad range of innovative initiatives that are tailored to neighborhood needs as well as long-established, proven programs and services, such as housing and homelessness prevention, fuel assistance, adult basic education and job training, as well as early education and care. Over the review period, the bank's total grants to this organization amounted to \$425,000.

### College Bound Dorchester

College Bound Dorchester's mission is to equip at-risk young people with the attitude, skills and experience to graduate from college. The organization's goal is to transform neighborhoods through education by ending generational cycles of urban poverty, violence and lack of opportunity. Over the review period, the bank's total grants to this organization amounted to \$375,000.

### Boston Debate League

Founded in 2005, the Boston Debate League's mission is to integrate argumentation and competitive debate into BPS to develop critical thinkers ready for college and beyond through its two anchor programs: After-School Debate League and Evidence-Based Argumentation. As stated, within BPS, 71.0 percent of students are economically disadvantaged. Over the review period, the bank's total grants to this organization amounted to \$352,000.

### West End House Boys & Girls Club

West End House Boys & Girls Club is the largest youth development agency located in a low-income census tract in the Allston-Brighton neighborhood, serving that community and several Boston neighborhoods. The organization's mission is to inspire and enable youth of all backgrounds to realize their full potential through the following program areas: academic and college success, fitness and nutrition, leadership and career development, as well as visual and performing arts. Over the review period, the bank's total grants to this organization amounted to \$350,000.

### English for New Bostonians (ENB)

The mission of ENB is to invest in the future of the community by creating opportunities for immigrants to pursue their educational, economic, and civic aspirations through free and low-cost English language learning programs, serving over 1,000 immigrants annually. ENB cultivates teaching talent and service quality at agencies citywide, providing support, professional development, and technical assistance. ENB was launched in 2001 by the Mayor's Office for Immigrant Advancement and Office of Workforce Development, with community leaders and local foundations. Over the review period, the bank's total grants to this organization amounted to \$300,000. As stated, ESOL classes were noted by a community contact as a need for the success of the assessment area's low- and moderate-income residents.

#### Artists for Humanity

Artists for Humanity's mission is to foster under-resourced urban youth's creativity through artistry, facilitating their employment in art and design and introducing them to exciting career possibilities. On average, 90 percent of the organization's youth employees come from low-income families. Over the review period, the bank's total grants to this organization amounted to \$300,000.

#### The Boston Foundation

The Boston Foundation devotes its resources to building and sustaining a vital, prosperous city and region, where justice and opportunity are extended to everyone. The Boston Foundation fulfills its mission in three principal ways: making grants to nonprofit organizations and designing special funding initiatives to address the community's critical needs and challenges; working in partnership with donors and other funders to achieve high-impact philanthropy; and serving as a civic hub and center of information, where ideas are shared, levers for change are identified, and common agendas for the future are developed. Over the review period, the bank's total grants to this organization amounted to \$300,000.

#### Boston Chinatown Neighborhood Center (BCNC)

BCNC is a leading human service provider for Greater Boston's Asian community, serving low- and moderate-income and immigrant families in the assessment area. BCNC's programs fall under three main categories: child care and enrichment programs, adult education and workforce initiatives, and family and community engagement. Over the review period, the bank's total grants to this organization amounted to \$295,000.

#### Youth Bond Boston (YBB)

YBB is located in a low-income census tract within the bank's assessment area and is aimed at serving low- and moderate-income youth through workforce development activities. State Street has displayed leadership in its involvement with this organization through annual donations of \$40,000.

Also of note is the bank's matching gift program for employee donations called GiveMore. This program encourages employees to support nonprofits by matching donations at a 1:1 ratio. Over the review period, the bank matched \$1.2 million in gifts. In addition to the \$28.8 million noted above, State Street provided meeting space and in-kind donations, valued at over \$72,000, on 6 separate occasions to 3 local non-profits during the evaluation period. The organizations benefitting from these in-kind donations were Bottom Line, Catholic Schools Foundation, and St. Mary's Center for Women and Children. Furthermore, the bank sponsored 183 additional events for nonprofit organizations that primarily serve low- and moderate-income populations during the review period, totaling \$2.6 million.

## **Community Development Services**

The bank is a leader in providing community development services. State Street extensively uses innovative and complex services that exhibit excellent responsiveness to credit and community economic development needs within the assessment area. State Street has taken a leadership role in meeting the most immediate and long-term needs of its community. The bank has led and participated in unique collaborations aimed at addressing social issues. The bank has coupled the establishment of these programs with long-term monetary support that allows the organizations to have a lasting impact.

## ***Workforce Development and Education***

### **Boston WINS**

As discussed, Boston WINS is a complex approach to addressing education and workforce development needs, which requires ongoing commitment from the bank. The program is a bank-wide innovative and complex commitment to college and career readiness in BPS. State Street continues to manage the WINS initiative, which requires coordination of foundation staff, corporate citizenship staff, and talent acquisition staff. With the help of a third party consultant the concept of “Coordinated Action” has been implemented, which involves the collection of student level service activities across 11 college and career readiness milestones. These service actions are collected and stored in a centralized database system that allows for active collaboration with the partners and school leaders including BPS school counsellors. The Foundation team sets strategy and oversees data collection on a bi-weekly basis that allows for the identification of service gaps at the school and student levels, and also meets with BPS central office staff on a bi-weekly basis in order to improve and enhance the use of data to drive better student college and career readiness outcomes.

Over the review period, the number of BPS high schools participating in “Coordinated Action” has grown to 26 schools. Each of the WINS partners undergoes a yearly review by the foundation team to ensure accountability for both formal collaboration and performance against agreed-upon service level increases as the multiyear funding is contingent upon satisfactory annual performance reviews.

The following illustrates a combination of other service activities utilized by State Street to help meet community needs and further address the areas of education and workforce development.

### **SkillWorks**

SkillWorks is a multiyear initiative to improve workforce development in Boston and the Commonwealth of Massachusetts. SkillWorks brings together philanthropy, government, community organizations and employers to address the goals of helping low-skilled, low-income individuals attain family-supporting jobs and businesses to find and retain skilled workers. The bank is a founding member of the program and provides a significant amount of funding to this initiative. Further, since 2007, the Foundation representatives have served on the Funders Group, which oversees the grant making, policy, advocacy,

evaluation, capacity building and other initiative activities. The Funders Group meets twice quarterly, and regularly seeks input from experts in the field to inform the initiative. State Street has provided annual investments to this initiative since 2002, and recently approved a \$400,000 grant (over two years) to support Project Catapult. Project Catapult is a prototype for SkillWorks and The Boston Fund to jointly test a new approach to workforce development. The goal of Project Catapult is to invest in the growth of Greater Boston's most effective training and education in partnership with the region's businesses in order to leverage the region's potential for sustaining talent via the workforce system.

#### The Boston Summer Jobs Program High School Internships

This program annually places low- and moderate-income residents of Boston's neighborhoods in summer jobs among a wide range of Boston's businesses. In the summer of 2017, State Street hired 118 students; 95 interns in 2018, and 41 interns in 2019.

#### *Technical and Financial Expertise*

State Street encourages staff engagement with non-profit community-based organizations to pursue the goal of establishing and maintaining multi-faceted relationships. Through the community leadership program, the bank provides senior and executive vice presidents with the resources necessary to successfully serve on non-profit boards, including contracting with the Arts and Business Council of Boston to provide nonprofit board training for senior staff. Eight of these training sessions were held for 90 employees during the review period. To foster the alliance with these organizations, the bank will match donations made by the employees to organizations where they serve on boards. The bank has also committed to hosting events for organizations in which an employee serves on the board. These board services are responsive to the community development needs of the assessment area by providing on-going participation with local community development organizations. Further, many employees serve on the boards of organizations whose missions align with the bank's goal to improve education and workforce development within the assessment area.

The following are examples of some of the positions held by bank personnel during the review period:

#### Mass Mentoring Partnership (MMP)

MMP offers a variety of programs, most of which focus on mentoring at-risk students from low-income families and neighborhoods. MMP serves more than 250 mentoring and youth development programs statewide supporting more than 50,000 youth in mentoring relationships. As mentioned, within the BPS system, 78 percent of students qualify for the free or reduced cost meals program based on their income status. A bank executive vice president serves on the board of this organization.

#### Bottom Line

Bottom Line provides assistance to low-income and first generation youth to get to and through college. This is achieved through two programs "College Access" and "College Success." The College Access program assists with college essay preparation, searching for scholarships,

among other services. The College Success program assists with college course, major selections, and maintaining financial aid. A bank senior vice president serves on the board of this organization.

St. Mary's Center for Women and Children (SMCWC)

SMCWC offers innovative and family-centered programs for women and children who have experienced trauma and are living in poverty. SMCWC works in partnership with young women, many of them mothers, to break the intergenerational cycle of poverty and achieve lasting, powerful change by building their emotional well-being, educational achievements and economic independence. A bank executive vice president served on the board of this organization in 2017 and 2018.

Cradles to Crayons

Cradles to Crayons provides children from birth through age 12, living in homeless or low-income situations, with the essential items they need to thrive at home, school, and play. The organization supplies these items free of charge by engaging and connecting communities that have with communities that need. An executive vice president is a board member of this organization.

Year Up

Year Up's mission is to close the opportunity divide by providing low-income young adults with the skills, experience, and support that will empower them to reach their potential through professional careers and higher education. An executive vice president is a board member of this organization. As previously noted, 78 percent of students qualify for the free or reduced cost meals program based on their income status.

Mass Insight Education & Research (MIE)

MIE's mission is to provide leadership in closing the achievement and opportunity gaps for underserved students to drive college and career services by focusing on system transformation and student academic success. MIE seeks to dramatically improve student achievement at scale by transforming state and local education systems, structures, and policies. MEI has helped to increase college enrollment and degree attainment for students from low-income and moderate-income families. An executive vice president is the chairman of the board.

Boston Debate League

The Boston Debate League's mission is to integrate argumentation and competitive debate into public schools in Boston to develop critical thinkers ready for college, career, and engagement with the world around them. A senior vice presidents of the bank serves on the board of this organization. As previously noted, 78 percent of students qualify for the free or reduced cost meals program based on their income status.

The Greater Boston Food Bank (GBFB)

GBFB takes a bold, innovative and multi-pronged approach to achieve a mission to end hunger. GBFB is the largest hunger-relief organization in New England and among the largest food banks in the country. Last year, GBFB distributed nearly 62 million pounds of nutritious food to people who struggle to have enough to eat. GBFB is committed to increasing food distribution to provide

three meals a day to every person in need in Eastern Massachusetts while supporting healthy lives and healthy communities. A managing director serves on the board of this organization.

#### Metro Housing Boston (MHB)

MHB includes many programs, activities, and resources that can help prevent eviction and homelessness. MHB's mission is to ensure that the region's low- and moderate-income individuals and families have choice and mobility in finding and retaining decent affordable housing. All of the programs and initiatives are designed to encourage housing stability, increase economic self-sufficiency, and enhance the quality of the lives of those served. These initiatives are funded by public contracts and private grants and donations, and help low-income renters to achieve housing stability and better lives. An executive vice president is the chairman of the board.

### *Other Community Development Services*

#### Global Volunteer Program

In addition to senior management's activities, State Street operates a companywide employee volunteer program that facilitates the service activities of their employees worldwide. State Street provides two paid days off annually for each participating employee, and encourages employees to participate in programs that are consistent with the bank's focus on education and workforce development. Further, the organization encourages skill based volunteerism. These volunteer activities were carried out either on an individual basis or in groups. The following details some of the qualified service activities in which bank employees participated:

- *Junior Achievement of Northern New England*  
During the review period, State Street employees devoted hours to help teach young people job readiness and financial literacy skills. Employees participated in a variety of volunteer activities with Junior Achievement of Northern New England, including job shadow days and teaching in the classrooms about economics, personal finance, and other professional topics. During the period reviewed, State Street employees have volunteered 1,530 hours, of which 1,215 hours were qualified services. Employees also volunteered 120 hours at schools outside the assessment area where 60.3 percent of the students receive free or reduced lunches.
- *Common Impact*  
State Street has a strong partnership with Common Impact, which places skilled volunteer workers with non-profits to help them meet their missions. Participation included providing technical assistance to community development organizations, including: providing financial assistance, information technology support, marketing and business planning; providing technical assistance on financial matters, assisting in marketing financial services, including development of advertising and promotions, publications, workshops and conferences; and assisting in fund raising, including soliciting or arranging investments. These are all considered CRA qualified services. During the period reviewed, 32 State Street employees have volunteered 796 hours with Boston non-profits.

- *Earned Income Tax Credit Coalition (EITCC)*

The bank partnered with City of Boston and the Quincy Community Action Programs in assisting low-income individuals with tax filings. State Street organizes employee volunteers to participate in the City of Boston/Internal Revenue Service earned income tax credit (EITC) initiative. The EITCC involves a partnership with the city, the IRS, and corporate volunteers whereby volunteers may apply their financial skills and receive special IRS training in the EITCC and use both to assist low-income residents in the preparation of their federal tax returns. During the examination timeframe, one State Street volunteer participated in the Boston program, logging 36 hours of volunteer time. Boston EITCC provides tax preparation services only to those individuals eligible for the EITC. EITC is available to those individuals with annual incomes of \$15,270 or lower. Further, 53.7 percent of families and 50.3 percent of the census tracts in Boston and Quincy are low- and moderate-income.

*Institute for Nonprofit Practice (INP)*

A total of 20 individuals selected through the Boston WINs program participated in nonprofit management classes with the full cost covered by the Foundation. In addition, 10 of those were connected to State Street employee mentors. The Foundation provided funding to cover the tuition costs of INP students. State Street employees also hosted workshops for students that included topics of leadership, performance management, and diversity, equity, and inclusion.

*Quincy Community Action Programs, Inc. (QCAP)*

Since 1965, QCAP is the leading private, nonprofit organization in the Greater Quincy area dedicated to reducing poverty and helping low-income residents achieve financial stability and security. QCAP serves 21,000 individuals every year and helps families to reach their educational and economic goals and achieve financial stability. QCAP is consistently rated as one of the top performing community action agencies in Massachusetts. During the period reviewed, State Street employees have volunteered 1,596 hours, of which, 128 hours were qualified services.

*The Net Mentoring Group, Inc. (NMG)*

The NMG is based in Boston, MA; its purpose is to eradicate the academic opportunity and achievement gap, particularly in science, technology, engineering, and mathematics (STEM) areas. NMG's mission is to build a pipeline to success and help close the STEM achievement gap for inner-city, minority students. NMG hopes to close the achievement gap by combating both the systematic issues and socio-environmental factors that contribute to it. The organization helps students craft their futures into STEM careers and more by providing a unique combination of STEM programming, mentoring, access to resources and tutoring. During the period reviewed, a State Street employee volunteered a total of 96 hours with the organization.



### **Community Development Lending**

As stated, the bank made a limited amount of community development loans. While this activity did not have a measurable impact the bank's CRA rating, one loan was made within the assessment area and is a qualified activity. The loan supported the sustainability of affordable housing in Boston. Affordable housing was an area noted as needed by community contacts. The loan is to a multi-family housing developer, and the transaction is a \$95,000,000 leasehold loan on a 286 unit apartment building in Boston. The subject property is encumbered by a 99 year ground lease to the Massachusetts Department of Transportation. The ground lease is a function of a portion of the 1-93 Central Artery Tunnel running beneath the property. The building contains 10 affordable units; however the bank can receive pro-rata consideration for the portion of the loan that supports affordable housing. The bank extended \$47,500,000 of the total loan, of which 3.4 percent or \$1,615,000 will support the continuation of affordable housing.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

With respect to State Street, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

Section 1025 of the Dodd–Frank Wall Street Reform and Consumer Protection Act assigns to the Consumer Financial Protection Bureau (CFPB) exclusive examination authority, and primary enforcement authority, to ensure compliance by banks with assets more than \$10 billion. The CFPB has not provided any information about, or other evidence of, discriminatory or other illegal credit practices relative to this institution with respect to the federal consumer financial law.

### **OTHER COMMUNITY DEVELOPMENT ACTIVITIES**

The bank has adequately addressed the needs of its assessment area; therefore, qualified investments outside the bank's assessment area were also considered. The Interagency Questions and Answers regarding CRA recognize that nationwide funds are important sources of investments in low- and moderate-income and underserved communities throughout the country and can be an efficient vehicle for institutions in making qualified investments that help meet community development needs. Nationwide funds are considered suitable investment opportunities, particularly for large financial institutions with nationwide footprints. With a national presence and a global focus, State Street's nationwide community development investment activities outside its defined assessment area serve to augment the bank's performance and contributed to the bank's "Outstanding" rating. The bank also provided a modest level of community development loans, grants and donations, and engaged in community development service activity outside of its assessment area, while positive, these activities were not considered in the the overall rating.

### LIHTCs

Qualified activity on a nationwide level that contributed to the bank's rating includes the bank's commitment of \$301 million to nationwide LIHTC projects. These projects have created 14,144 units of affordable housing<sup>8</sup> for low- and moderate-income people nationwide. In addition, as previously described, consideration is given to investments that were made prior to the current examination, but are still outstanding. Factors relevant to the bank's CRA performance context, such as the effect of outstanding long-term qualified investments, the pay-in schedule, and the amount of any cash call, on the capacity of the bank to make new investments are also considered. There is currently \$627.2 million in outstanding balances to previously qualified funds. Table 5 depicts the new commitments as well as the outstanding balances on prior period commitments and all capital contributions made between the previous examination and August 9, 2019, including capital paid towards investments made in prior CRA exam periods. Within Table 5, prior period investments are reflected at their book value as of the end of the current evaluation period, August 9, 2019, and current period investments are reflected at their original investment amounts.

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<sup>8</sup> Unit information based on information provided to the bank by the syndicators on the number of properties and housing units associated with each fund at time of commitment.

Table 5 Nationwide LIHTC Projects					
Fund	New Commitments (000's)	Outstanding Book Balance as of 6/30/2019 (000''s)	Advances (000's)	# of Units	# LIHTC Units
Raymond James Tax Credit Fund 44 L.L.C. <sup>4</sup>	\$10,000		\$14,337	1493	1453
CREA Corporate Tax Credit Fund 52, LLC	\$30,000		\$22,224	1854	1830
WNC Institutional Tax Credit Fund 43, L.P.	\$25,000		\$19,050	1844	1794
Boston Financial Institutional Tax Credits XLVII Limited Partnership	\$35,000		\$19,884	1684	1634
Stratford Fund 27 Limited Partnership	\$40,000		\$3,191	1306	1290
WNC Institutional Tax Credit Fund 45, L.P.	\$40,000		\$6,735	1862	1847
Stratford Fund 29 Limited Partnership	\$47,000		\$9,264	1154	944
WNC Institutional Tax Credit Fund 46, L.P.	\$49,000		\$5,361	1076	1068
Red Stone Equity-2019 National Fund, L.P.	\$25,000		\$4,103	2290	2284
<b>Total New Commitments</b>	<b>\$301,000</b>		<b>\$104,149</b>	<b>14563</b>	<b>14144</b>
<b>Prior Period Investments</b>					
Alliant Tax Credit Fund 66, LTD.		\$0	\$1,196		
Alliant Tax Credit Fund 80, LTD.		\$31,428	\$7,521		
BF Advantaged Institutional Tax Credits I, Limited Partnership		\$6,696	\$176		
Boston Capital Corporate Tax Credit Fund XXX, A Limited Partnership		\$1,182			
Boston Financial Institutional Tax Credits XLVII Limited Partnership		\$30,216			
Boston Financial Institutional Tax Credits XXXVII, A Limited Partnership		\$3,062	\$71		
CREA Corporate Tax Credit Fund 39, LLC		\$23,604	\$8,931		
CREA Corporate Tax Credit Fund 41, LLC		\$32,090	\$15,103		
CREA Corporate Tax Credit Fund 45, LLC		\$35,398	\$33,618		
CREA Corporate Tax Credit Fund 52, LLC		\$25,453			
CREA Corporate Tax Credit Fund XXIII, LLC		\$8,199			
CREA Corporate Tax Credit Fund XXXVI, LLC		\$19,837	\$1,074		
Enterprise Multifamily Opportunity Fund II, LLC		\$5,967			
Garnet LIHTC Fund XXVII, LLC		\$2,287	\$167		
Ohio Equity Fund for Housing Limited Partnership XX		\$5,233	\$848		
PNC Multifamily Capital Institutional Fund XL Limited Partnership		\$1,453			
Raymond James Tax Credit Fund 34 L.L.C.		\$1,472			
Raymond James Tax Credit Fund 38 L.L.C.		\$0	\$420		
Raymond James Tax Credit Fund 40 L.L.C.		\$0	\$1,395		
Raymond James Tax Credit Fund 41 L.L.C.		\$36,774	\$19,217		
Raymond James Tax Credit Fund 44 L.L.C.		\$26,069			
RBC Tax Credit Equity National Fund-10, L.P.		\$349			
RBC Tax Credit Equity National Fund-17, L.P.		\$0	\$1,956		
RBC Tax Credit Equity National Fund-22, L.P.		\$29,398	\$26,187		
Red Stone Equity-2019 National Fund, L.P.		\$23,683			
Stratford Fund 27 Limited Partnership		\$34,031			
Stratford Fund 29 Limited Partnership		\$23,051			
Stratford Fund XVII Limited Partnership		\$21,790			
Stratford Fund XVII Limited Partnership		\$0	\$15,200		
SunAmerica Affordable Housing Partners 172, A Nevada Limited Partnership		\$1,055			
TIAA		\$3,585			
U.S.A. Institutional Tax Credit Fund LXXXVII L.P.		\$7,645	\$103		
USA Institutional Tax Credit Fund LXXII L.P.		\$2,210			
WNC Institutional Tax Credit Fund 30, L.P.		\$4,705			
WNC Institutional Tax Credit Fund 32, L.P.		\$7,041			
WNC Institutional Tax Credit Fund 38, L.P.		\$10,758	\$1,666		
WNC Institutional Tax Credit Fund 40, L.P.		\$24,986	\$6,937		
WNC Institutional Tax Credit Fund 41, L.P.		\$34,416	\$22,341		
WNC Institutional Tax Credit Fund 43, L.P.		\$19,702			
WNC Institutional Tax Credit Fund 45, L.P.		\$35,981			
WNC Institutional Tax Credit Fund 46, L.P.		\$46,418			
<b>Total</b>		\$627,224	\$164,127		

Source; Internal bank documents

### **Affordable Housing Preservation Funds**

In addition to investing in projects that support the creation of affordable housing, the bank also invested in funds aimed at ensuring the ongoing affordability of workforce and affordable housing. The bank has invested \$34.5 million in two affordable housing preservation funds during the review period, which are summarized below.

- The bank invested \$24.5 million in a fund formed to address the need to preserve and recapitalize affordable and workforce rental housing for low- and moderate-income individuals in communities across the United States.
- The bank invested \$10.0 million in an affordable rental housing preservation fund. The fund will acquire affordable housing properties throughout the U.S. with the intent to preserve and extend long-term affordability. The fund's purpose is to acquire, own and manage a portfolio of real estate investments designed primarily to promote the public welfare by benefiting low- and moderate-income individuals.

## 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