PUBLIC DISCLOSURE

April 8, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Ipswich Bank
RSSD #422806

31 Market Street
Ipswich, MA 01938

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

First Ipswich Bank (First Ipswich or the bank) demonstrates a reasonable responsiveness to the credit needs of its assessment area. The major components supporting this rating include:

Lending Test

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

Community Development Test

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

SCOPE OF EXAMINATION

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

The Lending Test was based on small business and residential mortgage loans originated from January 1, 2015, to December 31, 2017. Although loan data from 2015 was included in the analysis, only 2016 and 2017 data is presented in the lending tables for the Borrower Profile and Geographic Distribution criteria. More emphasis was placed on small business loans compared to home mortgage loans for each performance criterion based on the number of originations during the evaluation period. While both the number and dollar volume of the bank's small business and residential mortgage loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand.

Small business loans include commercial real estate loans and commercial and industrial loans with original loan amounts of $1 million or less. Although the bank is not required to collect and report small business loans, it collected and reported its small business loan data. Because the bank reported this data, these loans were compared to aggregate data as well as demographic data obtained from Dun & Bradstreet, Inc., Short Hills, New Jersey (D&B).

Home mortgage lending data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans, and refinance loans for one-to-four family and multifamily (five or more unit) properties. Residential market and demographic data was derived from the 2010 United States Census (Census) and compared to the bank's 2015 and 2016 HMDA loan data. The bank's home mortgage lending performance for 2017 was compared to demographics from the 2015 American Community Survey (ACS) based on the FFIEC's policy regarding the implementation of the ACS. The bank's residential mortgage lending was also compared to aggregate lending data, which was obtained from data reported to the FFIEC, as required by the HMDA.

The Community Development Test included a review of community development loans, qualified investments, and community development services from March 24, 2015, through April 8, 2019. The Community Development Test was evaluated in the context of the community needs and the

1 "Intermediate small institution" means a bank or savings association with assets of at least $321 million as of December 31 of both of the prior two calendar years and less than $1.284 billion as of December 31 of either of the prior two calendar years.

capacity of the bank to meet them. Third-party community organizations were contacted to provide additional insight into the credit and community development needs of the assessment area.

First Ipswich was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on March 23, 2015, using intermediate small institution examination procedures and received an overall rating of "Satisfactory." Both the Lending Test and the Community Development Test were rated "Satisfactory."

DESCRIPTION OF INSTITUTION

First Ipswich is headquartered at 31 Market Street, Ipswich, Massachusetts (MA). The bank is a state-chartered commercial bank established in 1892, and became a member of the Federal Reserve System in 2012. The bank is a wholly-owned subsidiary of Brookline Bancorp, Boston, MA; a bank holding company that also owns Brookline Bank, Brookline, MA, and Bank Rhode Island, Providence, Rhode Island.

In addition to the main office, the bank has 5 full-service branches located in Danvers, Essex, Gloucester, Newburyport, and Rowley. The Danvers branch opened in March, 2017, and is new since the last examination. As of 2016, the Gloucester branch was located in a moderate-income tract, but as of 2017, is now located in a low-income tract based on the ACS. The rest of the branches are located in middle-income tracts. The bank also maintains standalone ATMs in Essex and Gloucester.

The bank offers business, commercial, and personal products and services. Business and commercial products and services include checking accounts, online banking, savings accounts, cash management services, and loans and lines of credit. Personal products and services include mortgages, home equity loans and lines, and checking and savings accounts. The bank also offers personal investment services through Infinex Financial Group, Meriden, Connecticut.

As of December 31, 2018, assets total $421.6 million, loans total $293.8 million, and deposits total $364.6 million. Since December 31, 2014, assets increased by 26.6 percent, loans increased by 23.5 percent, and deposits increased by 45.9 percent. The increase in total assets and deposits since the last examination is attributed to the opening of the Danvers branch.

Table 1 shows the loan distribution by dollar volume as of December 31, 2018. The loan portfolio is comprised primarily of real estate secured loans, at 88.0 percent. From December 31, 2014 to December 31, 2018, total loans by dollar volume increased by $55.9 million, or by 23.5 percent. The increase can be primarily attributed to a $22.5 million increase in multifamily residential loans and an $18.0 million increase in closed-end first lien 1-4 family residential loans. The only notable decrease in the loan portfolio since the last examination was a $5.1 million decrease in nonfarm nonresidential owner-occupied loans.

Table 1 Loan Distribution by Dollar Volume as of December 31, 2018		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans (%)**
Construction and Land Development	13,616	4.6
Revolving 1-4 Family Residential	22,411	7.6
1-4 Family Residential	72,214	24.6
Multi-Family (5 or more) Residential	36,640	12.5
Commercial RE	113,742	38.7
Total Real Estate Loans	**258,623**	**88.0**
Commercial and Industrial	35,000	11.9
Consumer	48	0.0
Other	145	0.0
Total Loans	**293,816**	**100.0**

Consolidated Report of Condition and Income (Call Report) as of 12/31/2018
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Commercial loans, which include commercial real estate and commercial and industrial loans, account for 50.6 percent of the portfolio by dollar volume. Residential loans, which include 1-4 family open- and closed-end loans, and multifamily residential properties, account for 44.7 percent of the portfolio. From December 31, 2014, to December 31, 2018, the loan portfolio has shifted from 62.6 percent commercial to 50.6 percent and 34.6 percent residential to 44.7 percent based on industry loan demand.

According to the FDIC Deposit Market Share Report, as of June 30, 2018, there were 35 financial institutions offering deposit services within Essex County. Competition for deposits includes large national banks and community banks. TD Bank, N.A., is ranked 1st for deposit market share at 11.9 percent, followed closely by Salem Five Cents Savings Bank and Institution for Savings in Newburyport, at 11.4 percent and 11.3 percent, respectively. First Ipswich ranked 16th overall with a deposit market share of 1.4 percent. Within the six towns in which the bank has branches, First Ipswich ranked 4th of 17 financial institutions with 6.0 percent market share. Within the same geographic area, Institution for Savings in Newburyport ranked 1st with 30.0 percent and People's United Bank, N.A. ranked 2nd with 12.5 percent.

According to bank reported loan data and aggregate data, First Ipswich operates in a competitive environment for small business and residential lending. In terms of small business lending, the bank ranked 22nd of 93 lenders in originations and purchases in 2015; 24th of 105 lenders in 2016; and 26th of 108 lenders in 2017. The environment for residential lending is even more competitive as evidenced by the number of lenders originating and/or purchasing loans in the assessment area. The bank ranked 93rd of 455 lenders in 2015; 111th of 449 lenders in 2016; and 93rd of 429 lenders in 2017.

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

DESCRIPTION OF ASSESSMENT AREA

During the prior examination, the assessment area was comprised of a portion of Essex County, MA and included the cities and towns of Amesbury, Beverly, Danvers, Essex, Georgetown, Gloucester, Hamilton, Ipswich, Manchester, Marblehead, Middleton, Newbury, Newburyport, Peabody, Salem, Rockport, Rowley, Salisbury, Topsfield, and Wenham. In May 2017, the bank expanded its assessment area to include all 34 cities and towns in Essex County. Essex County accounts for a portion of the Cambridge-Newton-Framingham MA, Metropolitan Division (Cambridge MD), which is part of the Boston-Cambridge-Newton MA-NH Metropolitan Statistical Area (MSA). To the west of its prior assessment area, the bank added the cities and towns of Andover, Boxford, Groveland, Haverhill, Lawrence, Lynnfield, Merrimac, Methuen, North Andover, and West Newbury, and to the south the bank added the cities and towns of Lynn, Nahant, Saugus, and Swampscott.

Although the assessment area was changed in 2017, the bank's lending and community development performance was based on the expanded assessment area for the entire evaluation period, including 2015 and 2016. As part of the evaluation, examiners considered the time of the assessment area expansion relative to the bank's capacity, branch network, and businesses strategy relative to the bank's lending and community development activity levels throughout its entire assessment area. Additionally, examiners considered the impact that the expanded assessment area had on aggregate lending percentages and the demographic composition of low- and moderate-income tracts and families against which the bank was compared as part of the Lending Test.

Tables 2 and 3 display the demographic data used for comparison purposes for each year in the Lending Test tables.

Table 2 Assessment Area Demographics (2016)								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	32	19.6	28,134	15.1	6,848	24.3	49,012	26.2
Moderate-income	31	19.0	33,237	17.8	3,548	10.7	34,275	18.3
Middle-income	69	42.3	85,535	45.8	3,079	3.6	37,738	20.2
Upper-income	30	18.4	40,006	21.4	871	2.2	65,887	35.3
Unknown-income	1	0.6	0	0.0	0	0.0	0	0.0
Total Assessment Area	**163**	**100.0**	**186,912**	**100.0**	**14,346**	**7.7**	**186,912**	**100.0**
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	49,502	13,176	7.1	26.6	31,909	64.5	4,417	8.9
Moderate-income	60,537	29,879	16.1	49.4	25,849	42.7	4,809	7.9
Middle-income	139,194	97,927	52.9	70.4	31,498	22.6	9,769	7.0
Upper-income	55,669	44,153	23.8	79.3	8,522	15.3	2,994	5.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**304,902**	**185,135**	**100.0**	**60.7**	**97,778**	**32.1**	**21,989**	**7.2**
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	4,296	11.7	3,844	11.6	434	13.7	18	9.5
Moderate-income	5,655	15.4	5,129	15.4	507	16.0	19	10.1
Middle-income	17,757	48.5	16,096	48.4	1,572	49.6	89	47.1
Upper-income	8,926	24.4	8,208	24.7	655	20.7	63	33.3
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**36,634**	**100.0**	**33,277**	**100.0**	**3,168**	**100.0**	**189**	**100.0**
	Percentage of Total Businesses:			**90.8**		**8.6**		**0.5**

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

Table 3
Assessment Area Demographics (2017)

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	37	22.7	33,704	17.5	8,335	24.7	54,509	28.3
Moderate-income	31	19.0	35,276	18.3	3,958	11.2	34,640	18.0
Middle-income	68	41.7	86,170	44.8	3,251	3.8	38,841	20.2
Upper-income	26	16.0	37,231	19.4	950	2.6	64,391	33.5
Unknown-income	1	0.6	0	0.0	0	0.0	0	0.0
Total Assessment Area	**163**	**100.0**	**192,381**	**100.0**	**16,494**	**8.6**	**192,381**	**100.0**
	Housing Units by Tract	**Housing Types by Tract**						
		Owner-Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low-income	57,320	13,616	7.5	23.8	39,815	69.5	3,889	6.8
Moderate-income	62,626	31,383	17.3	50.1	26,253	41.9	4,990	8.0
Middle-income	137,286	94,757	52.3	69.0	33,648	24.5	8,881	6.5
Upper-income	50,662	41,537	22.9	82.0	6,903	13.6	2,222	4.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**307,894**	**181,293**	**100.0**	**58.9**	**106,619**	**34.6**	**19,982**	**6.5**
	Total Businesses by Tract		**Businesses by Tract & Revenue Size**					
			Less Than or = $1 Million		**Over $1 Million**		**Revenue Not Reported**	
	#	%	#	%	#	%	#	%
Low-income	4,818	14.2	4,310	14.1	488	15.6	20	11.1
Moderate-income	5,466	16.2	4,824	15.8	616	19.7	26	14.4
Middle-income	15,947	47.1	14,498	47.5	1,368	43.8	81	45.0
Upper-income	7,600	22.5	6,899	22.6	648	20.8	53	29.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**33,831**	**100.0**	**30,531**	**100.0**	**3,120**	**100.0**	**180**	**100.0**
	Percentage of Total Businesses:			**90.2**		**9.2**		**0.5**

2015 ACS and 2017 D&B data
Total percentages shown may vary by 0.1 percent due to automated rounding differences

The expansion of the assessment area increased the number of tracts from the last examination from 69 to 163 tracts. The largest share of new tracts are in Lynn (22), Lawrence (18), and Haverhill (14). Due to the expansion of the assessment area and tract-level income changes from the Census to the ACS, as of 2017, the number of low-income tracts increased from 1 to 37; moderate-income tracts increased from 9 to 31; middle-income tracts increased from 30 to 68; and upper-income tracts decreased from 29 to 26 tracts.

As of 2016, 19.6 percent of the tracts were low-income, 19.0 percent were moderate-income, 42.3 percent were middle-income, 18.4 percent were upper-income, and 0.6 percent had unknown-incomes. As of 2017, the percentage of low-income tracts increased to 22.7 percent, moderate-income tracts remained stable at 19.0 percent, middle-income tracts decreased slightly to 41.7 percent, and upper-income tracts decreased to 16.0 percent. Compared to the prior assessment area, based on the ACS, the composition of low-income tracts has increased by 21.3 percentage points; moderate-income tracts increased by 6.0 percentage points; middle-income tracts decreased by 1.8 percentage points; and upper-income tracts have decreased 26.0 percentage points.

The low- and moderate-income tracts are heavily concentrated in the cities of Lawrence, Lynn, and Haverhill. As of 2017, of the 18 tracts in Lawrence, 17 tracts are low-income and 1 is moderate-income; of the 22 tracts in Lynn, 12 are low-income and 7 are moderate-income; and of the 14 tracts in Haverhill, 4 are low-income and 4 are moderate-income. As part of this evaluation, examiners considered that these cities were not added to the assessment area until May 2017, and are geographically distant from the bank's branch network. Although the bank originated loans within these cities during the evaluation period, based on discussions with senior management, the loans were due to existing relationships and it would not be realistic, based on the bank's capacity and resources, to compete for loans and services in these cities at this point in time.

Housing

As of 2016, the assessment area included 304,902 housing units, of which 16.2 percent were located in low-income tracts, 19.9 percent were in moderate-income tracts, 45.7 percent were in middle-income tracts, and 18.3 percent were in upper-income tracts. Of the housing units, 60.7 percent were owner-occupied housing units (OOHU), 32.1 percent were rental units, and 7.2 percent were vacant. As of 2017, the number of housing units increased to 307,894, of which 18.6 percent were located in low-income tracts, 20.3 percent were in moderate-income tracts, 44.6 percent were in middle-income tracts, and 16.5 percent were in upper-income tracts.

From 2016 to 2017, OOHU in the assessment decreased by 3,842 units, or 2.1 percent. Low- and moderate-income tracts experienced slight increases in OOHU of 0.4 percent and 1.2 percent respectively, while middle- and moderate-income tracts experienced slight decreases in OOHU of 0.6 percent and 0.9 percent, respectively. Although the volume of OOHU in low-income tracts increased slightly from 2016 to 2017, the percentage of OOHU as a total share of units in these tracts decreased from 26.6 percent to 23.8 percent, suggesting a tighter market in which to originate residential home mortgage loans.

Although the volume of total housing units from 2016 to 2017 only increased by a net of 2,922 units, or 1.0 percent, of note is that rental units in the assessment area increased by 8,841 units, or 9.0 percent, during this time. Of the 8,841 rental unit increase, 7,906 units, or 89.4 percent, are located in low-income tracts. The growing volume of rental units in low-income tracts paired with a decreased share of OOHU in these tracts suggests limited opportunity to originate home mortgage loans in these areas.

As of 2016, the median home value in the assessment area was $372,407, which was higher than the median home value of the Commonwealth of Massachusetts (Commonwealth), at $352,300, but lower than the median home value of the Cambridge MD, at $401,045. As of 2017, the median home values in the assessment area, the Commonwealth, and the Cambridge MD decreased to

$353,121, $333,100, and $390,820, respectively. According to recent data from The Warren Group, Boston, MA, as of December, 2018 the median sales price in Essex County was $390,000.

Although recent data published by The Warren Group indicates high median home values in Essex County, the ACS indicates low median housing values in low-income tracts and in moderate-income tracts: $226,444 in low-income tracts and $267,544 in moderate-income tracts. Although the median home value in the assessment area as a whole may make home ownership unattainable to low- and moderate-income borrowers, median home values based on the ACS suggests homes in low- and moderate-income areas may be more affordable to such borrowers, although OOHU are limited.

Population

As of 2016, the assessment area was comprised of 743,159 individuals, of whom 16.7 percent resided in low-income tracts, 18.7 percent resided in moderate-income tracts, 44.5 percent resided in middle-income tracts, and 20.1 percent resided in upper-income tracts. As of 2017, the population of the assessment area increased to 763,849, of which 19.7 percent reside in low-income tracts, 19.1 percent reside in moderate-income tracts, 42.8 percent reside in middle-income tracts, and 18.5 percent reside in upper-income tracts.

As of 2016, the population of the assessment area included 186,912 families, of which 26.2 percent were low-income, 18.3 percent were moderate-income, 20.2 percent were middle-income, and 35.3 percent were upper-income. Of all families in the assessment area, 7.7 percent, were below the poverty level, which was higher than that of the Commonwealth at 7.5 percent and the Cambridge MD at 6.0 percent. The composition of families by income-level within the assessment area remained stable from 2016 to 2017.

As of 2017, Lawrence, Lynn, and Haverhill account for 48.1 percent of low-income families and 30.1 percent of moderate-income families in the assessment area. As mentioned, these cities were not added to the assessment until May 2017, the bank did not have the capacity to consistently originate residential loans within these cities, and the cities are geographically distant from the bank's branch network. Examiners considered the bank's residential lending performance in light of these facts relative to the concentrations of low- and moderate-income families within the assessment area and aggregate lending percentages.

Income

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

Table 4 Median Family Income Comparison					
Year	***MSA/MD/Town/County/State***	***MFI***	***Year***	***MSA/MD/Town/County/State***	***MFI***
2016	Assessment Area	$80,288	2017	Assessment Area	$85,174
2016	Cambridge MD	$90,625	2017	Cambridge MD	$100,380
2016	Commonwealth of MA	$81,165	2017	Commonwealth of MA	$87,085

2010 U.S. Census, 2015 ACS, and FFIEC.

As of 2016, the MFI for the assessment area was $80,228, which was lower than the MFIs for the Cambridge MD, and the Commonwealth. The MFIs as of 2017 increased for all areas listed above, although the MFI for the assessment area remained below the others.

Employment Statistics

As of 2016, the unemployment rate for the assessment area was 6.8 percent, which was lower than the Commonwealth, at 7.3 percent, but slightly higher than the Cambridge MD, at 6.3 percent. As of 2017, the unemployment rate in the assessment area increased to 7.7 percent, and increased slightly for the Commonwealth and the Cambridge MD, at 7.6 percent and 6.6 percent, respectively. According to the November 2018, release by the U.S. Bureau of Labor Statistics, the following were the average non-seasonally adjusted unemployment rates: 2.7 percent for Essex County, 2.6 percent for Massachusetts, and 2.2 percent for the Cambridge MD. As of November 2018, the unemployment rates across Essex County, the Commonwealth, and the Cambridge MD are at the lowest point since January 2010.

Business Characteristics

According to 2016 D&B data, there were 36,634 businesses in the assessment area, of which 11.7 percent were located in low-income tracts, 15.4 percent were in moderate-income tracts, 48.5 percent were in middle-income tracts, and 24.4 percent were in upper-income tracts. Of all businesses, 90.8 percent had gross annual revenues (GARs) of $1 million or less. According to 2017 D&B data, the number of businesses in the assessment area decreased to 33,831. Of the businesses in the assessment area as of 2017, 14.2 percent of businesses are in low-income tracts, 16.2 percent are in moderate-income tracts, 47.1 percent are in middle-income tracts, and 22.5 percent are in upper-income tracts. The percentage of businesses with GARs of $1 million or less remained stable at 90.2 percent.

According to the Massachusetts Executive Office of Labor and Workforce Development, the largest employers in Essex County include Raytheon Systems International Co in Andover, Mass General Hospital for Children in Salem, Columbia Gas of Massachusetts in Lawrence, and EBSCO Information Services in Ipswich. Other top employers in the county include hospitals and colleges.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing, credit, 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. Community contacts were conducted with organizations that serve geographical areas that overlapped with the cities and towns that examiners determined the bank could reasonably serve.

A community contact was initiated with the director of an organization that serves the city of Gloucester through economic development, conservation, tourism, city planning, and the administration of federal and state grants. The contact discussed multiple challenges faced by residents, namely affordable housing, homelessness, aging housing stock, and high housing costs. Additionally, the contact indicated the need to revitalize Gloucester Harbor, which is a vital part of the city's economic and cultural identity. The contact stated that in the harbor, blighted buildings are literally falling into the ocean because the owners cannot obtain financing to improve or tear down the structures. This area was designed as an Opportunity Zone as part of the U.S. Tax Cut and Jobs Act of 2017, meaning there are tax incentives for investors to provide capital for real estate and small business development. In terms of products and services, the contact felt that financial institutions could do a better job in providing loans to help rehabilitate older homes as well as small business financing that affords simplified underwriting and approval conditions.

Another community contact was conducted with the director of community engagement for an organization that serves Beverly, Peabody, and Salem. The organization's services include young adult education, college preparedness, vocational workforce development training, job search assistance, counseling services, life-skills workshops, community engagement, small business development, financial counseling, and the creation of affordable housing. According to the contact, a primary need in the area is financial literacy, specifically helping individuals with basic financial concepts and how to build and repair credit, as well as educational support for small and startup businesses. In terms of credit, the contact indicated a need for credit building and small dollar loans for businesses. The contact stated they would like to see more involvement from local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

First Ipswich's CRA rating is Satisfactory. Examiners based the overall rating on Satisfactory ratings for both the Lending Test and the Community Development Test.

LENDING TEST

Assessment Area Concentration

This performance criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area from 2015 to 2017. As shown below, a majority of loans and other lending related activities are located in the bank's assessment area.

Table 5
Lending Inside and Outside the Assessment Area

Loan Type	Inside				Outside				Total	
	#	%	$ (000's)	%	#	%	$ (000's)	%	#	$ (000's)
Home Purchase	45	75.0	17,221	72.3	15	25.0	6,588	27.7	60	23,809
Home Improvement	11	91.7	2,843	96.6	1	8.3	100	3.4	12	2,943
Multifamily Housing	15	83.3	32,132	90.9	3	16.7	3,210	9.1	18	35,342
Refinancing	32	72.7	11,854	57.0	12	27.3	8,925	43.0	44	20,779
Residential Total	**103**	**76.9**	**64,050**	**77.3**	**31**	**23.1**	**18,823**	**22.7**	**134**	**82,873**
Small Business	167	72.3	34,505	65.7	64	27.7	18,005	34.3	231	52,510
Small Bus. Secured by Real Estate	20	57.1	4,493	47.3	15	42.9	5,008	52.7	35	9,501
Small Business Total	**187**	**70.3**	**38,998**	**62.9**	**79**	**29.7**	**23,013**	**37.1**	**266**	**62,011**
Grand Total	**290**	**72.5**	**103,048**	**71.1**	**110**	**27.5**	**41,836**	**28.9**	**400**	**144,884**

HMDA and CRA data 1/1/2015-12/31/2017

During the evaluation period, the bank originated a total of 400 loans, of which 134 were residential mortgage loans and 266 were small business loans. In total, the bank originated 290 loans, or 72.5 percent, inside the assessment area.

Small Business Lending

Overall, the bank originated 187 small business loans, or 70.3 percent, inside the assessment area. Of the small business loans originated inside the assessment area, 68 were originated in 2015; 49 were originated in 2016; and 70 were originated in 2017. The bank originated a majority of small business loans inside the assessment area in each year of the evaluation period.

Residential Lending

Overall, the bank originated 103 residential mortgage loans, or 76.9 percent, inside the assessment area. Of the residential mortgage loans originated inside the assessment area, 36 were originated in 2015; 31 were originated in 2016; and 36 were originated in 2017. The bank originated a majority of residential loans inside the assessment area in each year of the evaluation period.

Borrower's Profile

This criterion analyzes the distribution of loans to businesses with different revenues as well as borrowers of different income levels. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes and individuals of different income levels (including low- and moderate-income) when compared to area demographics and aggregate performance. Examiners considered the bank's lending capacity based on its branch network in light of the expanded assessment area and the effect it had on aggregate lending percentages and demographics relative to the bank's performance.

Small Business Lending

Table 6 compares the bank's lending to aggregate data and small businesses according to revenue size. The bank's performance in lending to businesses with GARs of $1 million or less is excellent.

Table 6
Distribution of Small Business Loans by GARs of Businesses

Gross Annual Revenues	2016 Total Businesses	2016 Bank			2017 Total Businesses	2017 Bank		
	%	#	%	Agg	%	#	%	Agg
≤ $1MM	90.8	24	49.0	44.8	90.2	37	52.9	48.0
> $1MM	8.6	22	44.9		9.2	28	40.0	
N/A	0.5	3	6.1		0.5	5	7.1	
Total	**100.0**	**49**	**100.0**		**100.0**	**70**	**100.0**	

2016 & 2017 D&B data, CRA data 1/1/2016-12/31/2017, and CRA aggregate data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank's lending percentage to businesses with GARs of $1 million or less exceeded the aggregate by an increasing margin each year during the evaluation period. In 2015, the bank originated 34 loans, or 50.0 percent, to businesses with GARs of $1 million or less, which exceeded the aggregate by 0.8 percentage points. In 2016, the bank originated 24 loans, or 49.0 percent, to businesses with GARs of $1 million or less, which exceeded the aggregate by 4.2 percentage points. In 2017, the bank originated 37 loans, or 52.9 percent, to businesses with GARs of $1 million or less, which exceeded the aggregate by 4.9 percentage points.

The bank's lending to small businesses with GARs of $1 million or less aligns with needs identified by community contacts. Specifically, the contacts mentioned the need for accommodating the needs of small businesses during the underwriting and approval process and the need for smaller dollar loans. In 2016, the bank was designated as a preferred lender by the U.S. Small Business Administration (SBA) under the Preferred Lender Program (PLP). Under the SBA PLP, the bank can underwrite SBA loans with full authority over the credit decision, which adds flexibility and helps streamline the application process for the borrower. Additionally, in 2 of the 3 years of the evaluation period, the majority of the bank's small business loans inside the assessment area were in amounts of $100,000 or less. The origination of smaller dollar loans is considered particularly responsive to the needs of small businesses.

Residential Lending

Table 7 compares the bank's lending by borrower income level to the aggregate and to the income distribution of families in the assessment area. The bank's performance is poor primarily based on its performance in lending to moderate-income borrowers.

Table 7
Borrower Distribution of HMDA Loans

Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison 2016						Families by Family Income %	Bank & Aggregate Lending Comparison 2017					
			Count			Dollar				Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
			#	%	%	$(000s)	$ %	$ %		#	%	%	$(000s)	$ %	$ %
HOME PURCHASE	Low	15.1%	2	13.3%	7.5%	$305	4.7%	4.1%	17.5%	0	0.0%	8.5%	$0	0.0%	4.7%
	Moderate	17.8%	0	0.0%	24.4%	$0	0.0%	19.3%	18.3%	2	18.2%	23.4%	$489	10.4%	18.8%
	Middle	45.8%	3	20.0%	23.6%	$1,420	22.1%	22.6%	44.8%	1	9.1%	24.2%	$424	9.0%	23.6%
	Upper	21.4%	5	33.3%	29.5%	$1,707	26.6%	39.2%	19.4%	3	27.3%	29.8%	$2,370	50.3%	39.1%
	Unknown	0.0%	5	33.3%	15.0%	$2,990	46.6%	14.8%	0.0%	5	45.5%	14.1%	$1,431	30.4%	13.7%
	Total	*100.0%*	*15*	*100.0%*	*100.0%*	*$6,422*	*100.0%*	*100.0%*	*100.0%*	*11*	*100.0%*	*100.0%*	*$4,714*	*100.0%*	*100.0%*
REFINANCE	Low	15.1%	1	14.3%	5.1%	$110	4.3%	2.9%	17.5%	1	8.3%	8.4%	$180	4.6%	5.0%
	Moderate	17.8%	1	14.3%	17.1%	$265	10.5%	12.7%	18.3%	3	25.0%	22.7%	$998	25.6%	18.1%
	Middle	45.8%	1	14.3%	24.8%	$421	16.6%	22.4%	44.8%	5	41.7%	25.8%	$1,652	42.3%	24.2%
	Upper	21.4%	3	42.9%	36.9%	$1,384	54.6%	45.9%	19.4%	2	16.7%	30.8%	$926	23.7%	40.1%
	Unknown	0.0%	1	14.3%	16.1%	$355	14.0%	16.2%	0.0%	1	8.3%	12.3%	$150	3.8%	12.6%
	Total	*100.0%*	*7*	*100.0%*	*100.0%*	*$2,535*	*100.0%*	*100.0%*	*100.0%*	*12*	*100.0%*	*100.0%*	*$3,906*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	15.1%	0	0.0%	6.2%	$0	0.0%	3.5%	17.5%	0	0.0%	7.3%	$0	0.0%	4.0%
	Moderate	17.8%	1	25.0%	19.7%	$10	3.3%	14.5%	18.3%	0	0.0%	21.3%	$0	0.0%	17.8%
	Middle	45.8%	1	25.0%	25.9%	$40	13.3%	21.6%	44.8%	0	0.0%	27.2%	$0	0.0%	23.2%
	Upper	21.4%	1	25.0%	42.4%	$100	33.3%	52.5%	19.4%	1	20.0%	37.4%	$425	17.5%	46.6%
	Unknown	0.0%	1	25.0%	5.9%	$150	50.0%	7.9%	0.0%	4	80.0%	6.8%	$2,008	82.5%	8.3%
	Total	*100.0%*	*4*	*100.0%*	*100.0%*	*$300*	*100.0%*	*100.0%*	*100.0%*	*5*	*100.0%*	*100.0%*	*$2,433*	*100.0%*	*100.0%*
MULTIFAMILY	Low	15.1%	0	0.0%	0.0%	$0	0.0%	0.0%	17.5%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	17.8%	0	0.0%	0.0%	$0	0.0%	0.0%	18.3%	0	0.0%	0.0%	$0	0.0%	0.0%
	Middle	45.8%	0	0.0%	0.0%	$0	0.0%	0.0%	44.8%	0	0.0%	0.0%	$0	0.0%	0.0%
	Upper	21.4%	0	0.0%	0.0%	$0	0.0%	0.0%	19.4%	0	0.0%	0.0%	$0	0.0%	0.0%
	Unknown	0.0%	5	100.0%	100.0%	$3,751	100.0%	100.0%	0.0%	8	100.0%	100.0%	$27,054	100.0%	100.0%
	Total	*100.0%*	*5*	*100.0%*	*100.0%*	*$3,751*	*100.0%*	*100.0%*	*100.0%*	*8*	*100.0%*	*100.0%*	*$27,054*	*100.0%*	*100.0%*
HMDA TOTALS	Low	15.1%	3	9.7%	6.2%	$415	3.2%	3.3%	17.5%	1	2.8%	8.3%	$180	0.5%	4.6%
	Moderate	17.8%	2	6.5%	20.3%	$275	2.1%	15.4%	18.3%	5	13.9%	22.8%	$1,487	3.9%	17.6%
	Middle	45.8%	5	16.1%	24.2%	$1,881	14.5%	21.8%	44.8%	6	16.7%	24.8%	$2,076	5.4%	22.6%
	Upper	21.4%	9	29.0%	33.9%	$3,191	24.5%	41.8%	19.4%	6	16.7%	30.5%	$3,721	9.8%	37.9%
	Unknown	0.0%	12	38.7%	15.5%	$7,246	55.7%	17.7%	0.0%	18	50.0%	13.7%	$30,643	80.4%	17.3%
	Total	*100.0%*	*31*	*100.0%*	*100.0%*	*$13,008*	*100.0%*	*100.0%*	*100.0%*	*36*	*100.0%*	*100.0%*	*$38,107*	*100.0%*	*100.0%*

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

In 2015, the bank originated 3 loans, or 8.3 percent, to low-income borrowers, which exceeded the aggregate by 0.9 percentage points. For the same year, the bank originated 3 loans, or 8.3 percent, to moderate-income borrowers, which trailed the aggregate by 12.9 percentage points. In 2016, the bank originated 3 loans, or 9.7 percent, to low-income borrowers, which exceeded the aggregate by 3.5 percentage points, but was less than the percentage of low-income families in the assessment area, at 15.1 percent. For the same year, the bank originated 2 loans, or 6.5 percent, to moderate-income borrowers, which was far below the aggregate, at 20.3 percent, and the percentage of moderate-income families, at 17.8 percent. In 2017, the bank originated 1 loan, or 2.8 percent, to low-income borrowers, which was below the aggregate, at 8.3 percent, and far below the percentage of low-income families, at 17.5 percent. For the same year, the bank originated 5 loans, or 13.9 percent, to moderate-income borrowers, which was below the aggregate, at 22.8 percent, and the percentage of moderate-income families, at 18.3 percent.

The bank's poor performance to moderate-income borrowers may be attributable to the bank's limited resources and capacity. The bank employs one mortgage loan originator and as the bank does not sell loans on the secondary market, the bank's home mortgage loan offerings and underwriting guidelines may not be as competitive as other offerings in the bank's assessment area and therefore, may be less desirable for a moderate-income borrower.

In addition, examiners considered if the expanded assessment area impacted the bank's lending performance to low- and moderate-income individuals. Even though Lawrence, Lynn, and Haverhill contain a substantial share of low- and moderate-income individuals within the assessment area, examiners concluded that the expansion of the assessment area alone, and as a separate consideration, the inclusion of these specific cities, did not have an negative impact on bank's lending performance to low- and moderate-income borrowers, which means the expansion of the assessment area did not mitigate the bank's poor penetration to moderate-income borrowers. However, as discussed in the next section, examiners concluded that the expansion of the assessment area did have a negative impact on the bank's geographic distribution of loans within low-income tracts.

Geographic Distribution of Loans

This performance criterion evaluates the distribution of loans to census tracts of all income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. As discussed, the assessment area expansion, particularly the inclusion of Lawrence, Lynn, and Haverhill, added a significant volume of low- and moderate-income tracts to the assessment area. These cities are geographically distant from the bank's branch network and the bank did not have the capacity to serve these cities during the evaluation period. Additionally, the inclusion of these cities resulted in the bank being compared to other financial institutions that are established lenders in these areas. Although the expansion of the assessment area did not impact the bank's performance relative to low- and moderate-income borrowers, as discussed in the Borrower Profile section, examiners concluded that the expansion of the assessment area alone, absent any bank specific considerations, negatively impacted the bank's loan distribution within low-income tracts. Given the consideration of the factors described above, examiners concluded the bank's lending performance was reasonable even though the bank's small business and residential lending performance against the aggregate in low-income tracts reflected a poor distribution

Small Business Lending

Table 8 compares the distribution of small business loans by census tract income level to aggregate lending and business demographics. The bank's dispersion of small business loans is reasonable.

Table 8 Geographic Distribution of Small Business Loans by Census Tract								
Census Tract Income Levels	2016 Total Businesses by Tracts	2016 Aggregate	2016 Bank		2017 Total Businesses by Tracts	2017 Aggregate	2017 Bank	
	%	%	#	%	%	%	#	%
Low	11.7	11.1	0	0.0	14.2	14.5	10	14.3
Moderate	15.4	15.0	14	28.6	16.2	16.6	3	4.3
Middle	48.5	48.5	24	49.0	47.1	45.2	47	67.1
Upper	24.4	24.5	11	22.4	22.5	23.1	10	14.3
Unknown	0.0	0.8	0	0.0	0.0	0.7	0	0.0
Total	**100.0**	**100.0**	**49**	**100.0**	**100.0**	**100.0**	**70**	**100.0**

2016 & 2017 D&B data, CRA data 1/1/2016-12/31/2017, and CRA aggregate data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2015, the bank originated 3 loans, or 4.4 percent, in low-income tracts, and 9 loans, or 13.2 percent, in moderate-income tracts. The bank's lending in low-income tracts trailed the aggregate by 6.9 percentage points; however, lending in moderate-income tracts was within 1.6 percentage points of the aggregate. In 2016, the bank did not originate a loan in a low-income tract, but originated 14 loans, or 28.6 percent, in moderate-income tracts, which exceeded the aggregate by 13.6 percentage points and the demographics by 13.2 percentage points. In 2017, the bank originated 10 loans, or 14.3 percent, in low-income tracts, and 3 loans, or 4.3 percent, in moderate-income tracts. For 2017, the bank's lending in low-income tracts was in line with the aggregate; however, the lending percentage in moderate-income tracts was 12.3 percentage points below the aggregate. Although the bank's lending percentages were significantly below the aggregate in 2 of the 3 years of the evaluation period, given the performance context regarding the expansion of the assessment area, the bank was not penalized for its performance in low-income tracts.

Based on the Census data and relative to 2015 and 2016 lending, the bank penetrated 1 of 32 low-income tracts and 6 of 31 moderate-income tracts. The 1 low-income tract penetrated was in Lawrence and of the 6 moderate-income tracts penetrated, 4 were in Gloucester, and 1 each in Beverly and Methuen. Based on the ACS and 2017 lending, the bank penetrated 5 of the 37 low-income tracts, and 2 of the 31 moderate-income tracts. Of the 5 low-income tracts, the bank penetrated 3 in Lawrence, and 1 each in Gloucester and Lynn, and originated 1 loan each in a moderate-income tract in Gloucester and Peabody. There were no conspicuous gaps in the geographic distribution of small business loans in the assessment area that could not be adequately explained given the recent expansion and demographic shifts of the assessment area.

Residential Lending

Table 9 compares the bank's lending by census tract income level to the aggregate lending and demographics of the assessment area. The bank's dispersion of home mortgage loans is reasonable.

Table 9
Geographic Distribution of HMDA Loans

Product Type	Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison 2016						Owner Occupied Units %	Bank & Aggregate Lending Comparison 2017					
			Count			Dollar				Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
			#	%	%	$ (000s)	$ %	$ %		#	%	%	$ (000s)	$ %	$ %
HOME PURCHASE	Low	7.1%	1	6.7%	10.8%	$105	1.6%	8.4%	7.5%	1	9.1%	12.9%	$330	7.0%	10.2%
	Moderate	16.1%	3	20.0%	18.8%	$1,128	17.6%	15.6%	17.3%	2	18.2%	21.2%	$960	20.4%	17.7%
	Middle	52.9%	5	33.3%	49.1%	$1,729	26.9%	47.1%	52.3%	7	63.6%	46.7%	$3,145	66.7%	46.4%
	Upper	23.8%	6	40.0%	21.4%	$3,460	53.9%	28.9%	22.9%	1	9.1%	19.3%	$279	5.9%	25.8%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*15*	*100.0%*	*100.0%*	*$6,422*	*100.0%*	*100.0%*	*100.0%*	*11*	*100.0%*	*100.0%*	*$4,714*	*100.0%*	*100.0%*
REFINANCE	Low	7.1%	0	0.0%	6.0%	$0	0.0%	4.3%	7.5%	0	0.0%	9.8%	$0	0.0%	7.3%
	Moderate	16.1%	2	28.6%	15.4%	$1,021	40.3%	12.4%	17.3%	0	0.0%	19.3%	$0	0.0%	15.8%
	Middle	52.9%	4	57.1%	52.5%	$1,060	41.8%	49.9%	52.3%	10	83.3%	51.2%	$3,128	80.1%	50.5%
	Upper	23.8%	1	14.3%	26.1%	$454	17.9%	33.4%	22.9%	2	16.7%	19.8%	$778	19.9%	26.4%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*7*	*100.0%*	*100.0%*	*$2,535*	*100.0%*	*100.0%*	*100.0%*	*12*	*100.0%*	*100.0%*	*$3,906*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	7.1%	0	0.0%	5.9%	$0	0.0%	5.1%	7.5%	0	0.0%	7.3%	$0	0.0%	7.4%
	Moderate	16.1%	0	0.0%	14.4%	$0	0.0%	11.0%	17.3%	1	20.0%	16.1%	$528	21.7%	11.9%
	Middle	52.9%	4	100.0%	51.7%	$300	100.0%	49.8%	52.3%	3	60.0%	52.0%	$1,225	50.3%	54.1%
	Upper	23.8%	0	0.0%	28.0%	$0	0.0%	34.2%	22.9%	1	20.0%	24.6%	$680	27.9%	26.6%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*4*	*100.0%*	*100.0%*	*$300*	*100.0%*	*100.0%*	*100.0%*	*5*	*100.0%*	*100.0%*	*$2,433*	*100.0%*	*100.0%*
MULTIFAMILY*	Low	28.3%	0	0.0%	41.9%	$0	0.0%	28.7%	33.1%	1	12.5%	53.0%	$685	2.5%	42.0%
	Moderate	21.5%	3	60.0%	30.6%	$930	24.8%	18.7%	23.7%	3	37.5%	23.0%	$20,395	75.4%	16.9%
	Middle	41.2%	1	20.0%	21.0%	$540	14.4%	38.3%	34.1%	3	37.5%	20.4%	$4,306	15.9%	22.2%
	Upper	8.9%	1	20.0%	6.6%	$2,281	60.8%	14.3%	9.0%	1	12.5%	3.7%	$1,668	6.2%	18.8%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*5*	*100.0%*	*100.0%*	*$3,751*	*100.0%*	*100.0%*	*100.0%*	*8*	*100.0%*	*100.0%*	*$27,054*	*100.0%*	*100.0%*
HMDA TOTALS	Low	7.1%	1	3.2%	8.3%	$105	0.8%	6.9%	7.5%	2	5.6%	11.7%	$1,015	2.7%	10.7%
	Moderate	16.1%	8	25.8%	16.9%	$3,079	23.7%	13.9%	17.3%	6	16.7%	20.1%	$21,883	57.4%	16.8%
	Middle	52.9%	14	45.2%	50.8%	$3,629	27.9%	48.3%	52.3%	23	63.9%	48.5%	$11,804	31.0%	46.9%
	Upper	23.8%	8	25.8%	24.1%	$6,195	47.6%	30.9%	22.9%	5	13.9%	19.8%	$3,405	8.9%	25.7%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*31*	*100.0%*	*100.0%*	*$13,008*	*100.0%*	*100.0%*	*100.0%*	*36*	*100.0%*	*100.0%*	*$38,107*	*100.0%*	*100.0%*

**Distribution of multifamily units by census tract income*
2010 U.S. Census, 2015 ACS, 2016 & 2017 HMDA LARs, and 2016 & 2017 aggregate HMDA data.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2015, the bank originated 1 loan, or 2.8 percent, in a low-income tract, which trailed the aggregate by 5.3 percentage points and the demographics by 4.3 percentage points. For the same year, the bank originated 7 loans, or 19.4 percent, in moderate-income tracts, which exceeded the aggregate by 2.6 percentage points and the demographics by 3.3 percentage points. In 2016, the bank again originated 1 loan, or 3.2 percent, in a low-income tract, which trailed the aggregate by 5.1 percentage points and the demographics by 3.9 percentage points. For the same year, the bank originated 8 loans, or 25.8 percent, in moderate-income tracts, which exceeded the aggregate by 8.9 percentage points and the demographics by 9.7 percentage points. In 2017, although the bank originated 2 loans, or 5.6 percent, in low-income tracts, it still trailed the aggregate by 6.1 percentage points and the demographics by 1.9 percentage points. For the same year, the bank originated 6 loans, or 16.7 percent, in moderate-income tracts, which trailed the aggregate by 3.4 percentage points and the demographics by 0.6 percentage points.

Based on the Census data and relative to 2015 and 2016 lending, the bank penetrated 2 of 32 low-income tracts and 9 of 31 moderate-income tracts. Of the 2 low-income tracts penetrated, 1 each was originated in Lynn and Salem, and of the 9 moderate-income tracts penetrated, 4 were in Gloucester, 3 were in Peabody, and 1 each in Beverly and Lynn. Based on the ACS and 2017 lending, the bank penetrated 2 of the 37 low-income tracts and 6 of the 31 moderate-income tracts. Of the 2 low-income tracts, the bank penetrated the same tracts in Lynn and Salem, and of the 6 moderate-income tracts penetrated, the bank originated 2 in Beverly and 1 each in Gloucester, Lawrence, Salisbury, and Salem. There were no conspicuous gaps in the geographic distribution of home mortgage loans in the assessment area that could not be adequately explained given the recent expansion and demographic shifts of the assessment area.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The bank's net LTD figures were calculated based on the bank's quarterly FFIEC call reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 10 compares the bank's average LTD over the past 16 quarters to similarly sized institutions operating within Essex County. From the quarter ending March 31, 2015 through December 31, 2018, the bank's average LTD was 86.1 percent and is reasonable (considering seasonable variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs.

Table 10
Loan-to-Deposit Ratio Comparison

Institution	Total Assets* $(000's)	Average LTD Ratio** (%)
Northmark Bank	372,260	100.6
Bank Gloucester	273,665	99.5
Beverly Bank	486,825	97.9
Marblehead Bank	212,784	94.4
First Ipswich Bank	**421,567**	**86.1**
Cape Ann Savings Bank	630,994	84.5
Haverhill Bank	394,269	83.6

**Call Report as of December 31, 2018*
***Call Reports from March 31, 2015 to December 31, 2018*

During the 16 quarter period, the LTD ratio experienced only a net decrease of 0.2 percentage points; however, the ratio fluctuated between a high of 93.2 percent, as of March 31, 2017, and a low of 79.7 percent, as of December 31, 2018.

From March 31, 2015 to March 31, 2016, the ratio remained steady between 82.3 percent and 84.6 percent, respectively. As of June 30, 2016, the ratio increased to 92.8 percent and remained in the low 90.0 percent range until September 30, 2017 when it peaked at 90.2 percent. During this period, the bank was involved in larger commercial real estate loans compared to previous years. As of December 31, 2017, the ratio decreased to 83.9 percent and remained in a similar range as it did from March 31, 2015 through March 31 2016. Fluctuations are attributable to strategic changes in commercial real estate holdings.

Response to Substantiated Complaints

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

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area was demonstrated by its record of extending loans inside the assessment area; lending to borrowers of different incomes, including small businesses and low- and moderate-income borrowers; and through it dispersion of loans throughout the assessment area. The bank has also maintained a reasonable LTD ratio. Given performance context considerations related to the expansion of the assessment area, particularly the effect on bank and aggregate lending and demographics, and the expectation that the bank cannot reasonably serve the entire assessment area given its capacity and resources, the bank's lending levels reflected an adequate responsiveness and is therefore rated "Satisfactory."

COMMUNITY DEVELOPMENT TEST

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

During the evaluation period, the bank originated 9 community development loans totaling $4.3 million. Of the 9 loans, 6 were affordable housing loans totaling $3.0 million, which facilitated the construction or rehabilitation of 32 affordable housing units either for sale or for rent within the assessment area. The other 3 loans helped finance community development services, specifically social services for elderly residents, in Gloucester. During a community contact, the director of an organization in Gloucester indicated that the borrowing organization for 2 of the loans was particularly supportive of the needs of low- and moderate-income elderly in the city.

The bank made $652,499 in qualified investments, which was comprised of $575,613 in 2 equity investments and $76,886 in donations. During the prior examination, the bank invested $500,000 in the CRA Qualified Investment Fund, a publicly traded mutual fund (CRAIX) that purchases investments for the bank during each examination cycle. During this examination cycle, the fund purchased loans from Fannie Mae loan pools, of which each loan was located in the assessment area. These loans qualify as affordable housing based on the borrower's income at the time of origination. As of this examination, the book value of this investment was $525,613.

The bank has also invested $50,000 in the Merrimack Valley Small Business Emergency Loan Fund, a vehicle established by state and municipal officials to provide loans with no payment and no interest for the first six months to businesses that were directly impacted by the September, 2018, gas explosions and fires in Lawrence, Andover, and North Andover. This investment supports the economic development of these municipalities because it helps retain jobs for small businesses located in low- and moderate-income census tracts that were adversely affected by the gas explosions and fires.

The bank made 52 qualified donations totaling $76,886. These donations supported 19 different organizations that focused their efforts on community development services, affordable housing, revitalization and stabilization, and economic development. Compared to the previous examination, qualified donations have increased by $67,874. The following are some of the local and regional organizations that received donations from the bank:

YMCA of the North Shore – The bank made annual contributions to the YMCA of the North Shore, which is comprised of seven locations through the assessment area. A core component of the mission of this YMCA is to provide affordable housing to residents of the North Shore, as such, this YMCA operates affordable housing facilities in Beverly, Ipswich, Gloucester, and Haverhill.

Action Inc. -This organization provides a variety of community services to the residents of Gloucester, Essex, Ipswich, Manchester-by-the-Sea, and Rockport, including fuel assistance and energy efficiency programs, case management, housing assistance and homelessness prevention, job training and education, and affordable housing. A community contact mentioned this organization as being particularly responsive to the needs of low- and moderate-income residents.

North Shore Community Development Coalition, Inc. – This organization focuses on the development of affordable housing and the implementation of community services which support youth and small business development. Its youth development program employs an integrative approach to support young adults aged 16 to 24 in obtaining their high school equivalency diploma, learning job skills, and becoming pre-apprentice level construction workers and community leaders. Its business development program provides free consultative services to small businesses in Peabody.

Jeanne Geiger Crisis Center - The mission of this organization is to empower individuals and engage communities to end domestic violence. It offers a broad number of services within low- and moderate-income tracts that support survivors of domestic violence, such as transitional housing, a 24-hour crisis hotline, crisis counseling, legal representation and assistance, rapid response teams support groups, and childcare.

The Open Door – This organization seeks to alleviate the impact of hunger in various communities on the North Shore through various programs such a food pantry, which provides emergency groceries for income-qualified residents; a summer meals programs for children up to the age of 18; and a 12-week program that offers job training and workforce readiness to youth ages 16 through 21 in their service area.

Bank employees participated in community development services through participation on boards of directors and committees, financial literacy seminars, and other community development services. During the evaluation period, 13 bank employees served in a leadership capacity through membership and/or committee or board participation for 10 different organizations that support community development activities in the assessment area. In addition to service on boards and committees of the organizations listed in the section above, the following are additional examples of participation in community organizations by bank employees:

Harborlight Community Partners (Harborlight) – Harborlight is a state certified Community Development Corporation focused on creating, preserving, and operating safe affordable housing units in southern Essex County. Harborlight provides elder, supportive, family, and individual housing options throughout communities located on the North Shore. During the evaluation period, a senior vice president (SVP) & director of retail services and a vice president (VP) of commercial lending served on the board of directors.

SeniorCare, Inc. – This organization provides and coordinates services to elders and others, enabling them to live independently at home or in a setting of their choice by offering services such as home care, healthy eating, wellness programs, and protective services. A majority of the clients served are low- to moderate-income individuals. A senior credit analyst and an assistant manager served on the board of directors and the advisory council, respectively.

Massachusetts Coalition for the Homeless (the Coalition) - The mission of the Coalition is to eradicate homelessness from the Commonwealth. The Coalition advocates with and for people experiencing homelessness or those at risk of homelessness in areas of public policy, including but not limited to: the availability of decent, accessible, affordable housing; adequate income maintenance programs; medical care; mental health services; social services; job training and employment. The SVP & director of retail lending serves on the Coalition's board of directors.

Cape Ann Commercial Fishermen's Loan Fund – This loan fund was established to restore the economic well-being of the Cape Ann fishing industry and to alleviate and prevent poverty, unemployment, and underemployment among local fishermen by making and guaranteeing loans to, and securing and assisting in securing loans for, those commercial fishermen of Gloucester, Rockport, and Essex. A VP of commercial lending is the treasurer for the loan fund.

During the evaluation period, bank employees participated in 12 financial literacy events to support community development services, affordable housing, and economic development. The following are examples of community development services provided through educational seminars to individuals, students, and small businesses in the assessment area:

Gloucester Housing Authority (GHA) – The GHA works to promote and provide adequate and affordable housing, economic opportunity, and suitable living environments in Gloucester. The GHA supports over 1,300 households through public housing, rental assistance, and homeownership and resident service programs. During the evaluation period, bank employees provided 4 first time homebuyer workshops and 2 post ownership workshops for new home owners. The bank's support of affordable housing and homeownership initiatives in Gloucester aligns with the need and opportunities highlighted by one of the community contacts.

Reality Fairs – The bank participated in two events at Salem High School, where the majority of students are eligible to receive free or reduced-priced meals. This program is designed to help high school students develop personal financial management skills they will use throughout their lives.
Small Business Seminars – Bank employees participated in two seminars supporting small businesses and economic development. One seminar educated small businesses about SBA

financing options and the other covered social media presence, effectiveness, and goal setting.

Lastly, the bank has one branch in Gloucester in a low-income census. The location of this branch generally helps to provide retail banking services to low- and moderate-income individuals.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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