PUBLIC DISCLOSURE

November 28, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Brookfield Savings Bank
RSSD # 528102

35 Summer Street
North Brookfield, Massachusetts 01535

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.

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

- A reasonable loan-to-deposit ratio (LTD) (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area(s), and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments.

- A majority of the bank’s loans and, as appropriate, other lending-related activities, are in its assessment area.

- A distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the bank’s assessment area.

- A reasonable geographic distribution of loans given the bank’s assessment area.

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

SCOPE OF EXAMINATION

North Brookfield's CRA performance was reviewed in accordance with the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Small Institutions[1] and was evaluated based on the following performance criteria: LTD ratio, assessment area concentration of loans, loan distribution according to the income of the borrower, geographic distribution of loans, and response to CRA-related complaints. The data used for the evaluation and the applicable timeframe are discussed below.

The bank's performance was based on residential mortgage loans originated from January 1, 2018 to December 31, 2021. Although the geographic and borrower distribution tables in this evaluation only include 2020 and 2021 data, the bank's performance in 2018 and 2019 was also considered when arriving at conclusions. While both the number and dollar volume of loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand.

Home mortgage lending reviewed during the evaluation was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). Residential loans with a purpose of "other" and/or "not applicable" were excluded from the analysis. The bank's residential lending activity was compared to the aggregate of all lenders operating within the assessment area. Aggregate data was obtained from the Consumer Financial Protection Bureau (CFPB) and consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the assessment area. "Other" and "not applicable" loans have also been excluded from the aggregate data. The bank's residential mortgage lending performance was also compared to demographics from the 2015 American Community Survey (ACS).

The bank's net LTD ratio was calculated from the FFIEC Report of Income and Condition (Call Reports) from September 30, 2018 to September 30, 2022. Assessment area concentration totals and percentages included loans originated from January 1, 2018 through December 31, 2021.

North Brookfield's CRA performance was last examined by the Federal Reserve Bank of Boston on September 17, 2018. The examination resulted in a "Satisfactory" rating.

1 "Small institution" means a bank or savings association that, as of December 31, of either of the prior two calendar years, had assets of less than $1.503 billion. As the bank's assets were also below $376 million, the bank was not considered an intermediate small institution.

DESCRIPTION OF INSTITUTION

North Brookfield is a state-chartered mutual savings bank headquartered in North Brookfield, Massachusetts. The bank has one wholly owned subsidiary, North Brookfield Savings Security Corporation, which is a Massachusetts Securities Corporation, established to engage in securities transactions.

The bank's corporate office, main branch, and residential loan center is located at 35 Summer Street in North Brookfield, MA. Including the main office, the bank maintains eight full-service branches, four of which are in the Springfield, MA Metropolitan Statistical Area (MSA). These locations are in the towns of Palmer (2), Belchertown (1), and Ware (1). The remaining locations are in the Worcester, MA-CT MSA and are in the towns of North Brookfield (2), East Brookfield (1), and West Brookfield (1). All locations have an ATM and offer lobby and drive-up hours Monday through Saturday, except for the Palmer office.

The bank offers traditional consumer and business banking products, which are available throughout the bank's assessment area and at every location. Personal deposit products include checking and savings accounts, money market accounts, individual retirement accounts, and student banking accounts, and personal loan products include mortgages, home equity loans, automobile loans, and personal loans. The bank also offers business deposit products including checking and savings account and a money market product. Business loan products include commercial real estate loans, business loans and lines of credit, and small business loans. The bank also offers online and mobile banking services.

In response to the COVID-19 pandemic, the bank was an active originator of Payment Protection Program (PPP) loans during the review period. PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act and are designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic. In general, PPP loans may be considered particularly responsive to small businesses with annual revenues of $1 million or less or to businesses located in low- or moderate-income geographies. Additionally, such loans generally help retain jobs for low- or moderate-income individuals or in low or moderate-income geographies and may help revitalize or stabilize low- or moderate-income geographies. According to publicly available SBA PPP loan data, the bank originated 378 PPP loans during the evaluation period.

As of September 30, 2022, bank assets totaled $362.5 million, loans totaled $238.5 million, and deposits totaled $326.3 million. Since the last evaluation as of June 30, 2018, bank assets increased by 19.4 percent, which was primarily driven by a $34.5 million, or 62.9 percent, increase in securities and a $20.2 million, or 9.2 percent, increase in loans. The $20.2 million increase in loans is primarily attributed to a $15.9 million, or 11.2 percent, increase in closed end first lien loans secured by 1-4 family residential properties. Total deposits increased steadily from the March 31, 2020 Call Report, increasing from $247.6 million to a high of $326.3 million, as of September 30, 2022. This increase in deposits was likely the result of increased savings, stimulus checks, and unemployment benefits from the COVID-19 pandemic.

Table 1 shows the bank's loan portfolio composition as of September 30, 2022. Residential loans, which include 1-4 family open-end and closed-end loans, account for the largest share of loans with 70.8 percent.

Table 1 Loan Distribution as of September 30, 2022		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans (%)**
Residential RE	168,911	70.8
Agriculture	2,895	1.2
Commercial*	60,141	25.2
Consumer	6,561	2.8
Other	12	0.0
Total Loans	238,520	**100.0%**

Call Report as of September 30, 2022
**May include construction, land development, and other land loans reported on the HMDA LAR*
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As mentioned above, since the last examination the bank's loans increased by $20.2 million, or 9.2 percent, which was primarily attributed to a $15.9 million increase in closed first lien loans secured by 1-4 family residential properties. Numerous other loan types have also increased by dollar volume since the last examination: other nonfarm nonresidential loans increased by $4.3 million, or 29.9 percent; multifamily loans increased by $3.3 million, or 18.8 percent; and automobile loans increased by $2.3 million, or 105.4 percent.

The bank operates in a competitive market for both deposits and home mortgage loans. As of June 30, 2022, of the 13 institutions with branches in the assessment area, North Brookfield ranks 3rd in deposit market share, with 10.9 percent. Country Bank for Savings ranks 1st, with 36.4 percent, and Cornerstone Bank ranks 2nd, with 23.7 percent. The top three banks with the largest deposit market share are all community banks with most of their branches within the assessment area.

The bank competes against numerous national and regional mortgage companies and national, regional, and community banks for home mortgage loans within the assessment area. During the evaluation period, national mortgage lenders such as Rocket Mortgage, LLC, Fairway Independent Mortgage Corporation, and Freedom Mortgage Corporation were consistently in the top 5 home mortgage originators in the assessment area. Community banks such as Cornerstone Bank and Country Bank for Savings were also consistently within the top ten lenders in the assessment area. As of 2021, North Brookfield ranked 18th of 325 HMDA reporters for home mortgage originations and purchases within the assessment area.

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

DESCRIPTION OF ASSESSMENT AREA

Table 2 illustrates the composition of North Brookfield's assessment area.

Table 2 Assessment Area		
MSA	**Counties**	**Cities/Towns**
Worcester, MA-CT MSA	*Worcester*	Athol, Barre, Brookfield, Charlton, East Brookfield, Hardwick, Hubbardston, Leicester, New Braintree, North Brookfield, Oakham, Paxton, Petersham, Phillipston, Rutland, Spencer, Sturbridge, Templeton, Warren, West Brookfield
Springfield, MA MSA	*Hampden*	Brimfield, Palmer
	Hampshire	Belchertown, Ware

The assessment area includes portions of both the Worcester, MA-CT and Springfield, MA MSAs and portions of Hampden, Hampshire, and Worcester counties. The assessment area includes 24 of the 172 census tracts in Worcester County, 4 of the 103 census tracts in Hampden County, and 4 of the 36 census tracts in Hampshire County. The assessment area has not changed since the previous examination.

Table 3 provides relevant demographic data on the bank's delineated assessment area.

Table 3 Assessment Area Demographics								
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**	
	#	**%**	**#**	**%**	**#**	**%**	**#**	**%**
Low	0	0.0	0	0.0	0	0.0	7,607	18.4
Moderate	5	15.6	5,618	13.6	701	12.5	6,853	16.6
Middle	21	65.6	24,895	60.3	1,359	5.5	8,899	21.5
Upper	6	18.8	10,800	26.1	303	2.8	17,954	43.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**32**	**100.0**	**41,313**	**100.0**	**2,363**	**5.7**	**41,313**	**100.0**
	Housing Units by Tract	**Housing Type by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	**% by tract**	**% by unit**	**#**	**% by unit**	**#**	**% by unit**
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	10,666	5,472	11.9	51.3	3,716	34.8	1,478	13.9
Middle	40,793	28,814	62.6	70.6	8,231	20.2	3,748	9.2
Upper	14,931	11,737	25.5	78.6	2,245	15.0	949	6.4
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**66,390**	**46,023**	**100.0**	**69.3**	**14,192**	**21.4**	**6,175**	**9.3**

Source: 2021 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Assessment Area Composition

The assessment area contains 32 census tracts, of which 5 are moderate-income, at 15.6 percent, 21 are middle-income, at 65.6 percent, and 6 are upper-income, at 18.8 percent. There are no low-income census tracts in the assessment area. The moderate-income tracts are in Athol (2), Spencer (1), Ware (1), and Warren (1).

Housing

There are 66,390 housing units in the assessment area, of which 69.3 percent are owner-occupied, 21.4 percent are rental units, and 9.3 percent are vacant. Of the owner-occupied units, 11.9 percent are in moderate-income tracts. Further, within the moderate-income census tracts in the assessment area, 51.3 percent are owner-occupied. Compared to the percentage of owner-occupied units in middle- and upper-income tracts, in which 70.6 percent and 78.6 of housing units are owner-occupied, respectively, the opportunities to originate home mortgage loans in the moderate-income tracts are limited.

Based on the 2021 FFIEC Census data, the median housing value in the assessment area was $230,200. The median housing value of the counties comprising the assessment area ranged from $196,400 in Hampden County to $265,400 in Hampshire County. The median housing value for Worcester County was $265,400. The median housing value in the assessment area ranged from $167,364 in the moderate-income tracts, all of which are in Worcester County, to a high of $284,027 in the upper-income tracts.

According to more recent data from The Warren Group, Peabody, MA, the median sales price of single-family homes and condominiums in Worcester Country increased from $239,900 in 2018 to $328,925 in 2021. Additionally, from 2018 to 2021, the median sales price increased in each county comprising a portion of the assessment area as follows: 37.1 percent in Worcester County, 31.4 percent in Hampden County, and 29.4 percent in Hampshire County. While the median sales prices in each county comprising a portion of the assessment area increased throughout the evaluation period, the average median home sale price in the four towns with moderate-income census tracts during the evaluation period was $193,103. The median home values and sales prices throughout the assessment area did increase at a greater rate compared to median family incomes during the evaluation period. However, as discussed below, the relative cost of homeownership based on borrower incomes alone, in general, should not have been prohibitive for low- and moderate-income borrowers, particularly within the moderate-income tracts.

Population

The assessment area is comprised of 157,161 individuals, of which 14.1 percent reside in moderate-income tracts, 60.9 percent reside in middle-income tracts, and 25.0 percent reside in upper-income tracts. There are 60,215 households in the assessment area, of which 15.3 percent reside in moderate-income tracts, 61.5 percent reside in middle-income tracts, and 23.2 percent reside in upper-income tracts. Of the households in the assessment area, 41,313 are families, of which 13.6 percent reside in moderate-income tracts, 60.3 percent reside in middle-income tracts, and 26.1 percent reside in upper-income tracts. There are 2,363 families in the assessment area living below the poverty level, of which 701 families, or 29.7 percent of the total, reside in the moderate-income tracts.

Income

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

Table 4 displays the MFI incomes for each MSA comprising a portion of the assessment area and the state non-MSA/MD family income for Massachusetts.

Table 4
Median Family Income

MSA/MD	2018	2019	2020	2021
Worcester, MA-CT	$86,900	$95,300	$95,300	$96,700
Springfield, MA	$73,900	$76,700	$76,900	$81,300
Massachusetts*	$80,700	$102,600	$109,900	$111,700

FFIEC median family income estimates
**Represents non-MSA portions of the state*

As shown above, the MFI for each MSA comprising a portion of the assessment area and the Massachusetts non-MSA increased each year during the evaluation period except for the Worcester, MA-CT MSA remaining unchanged from 2019 to 2020. From 2018 to 2021, the MFI for each MSA and the non-MSA portion of Massachusetts increased as follows: 11.3 percent for the Worcester, MA-CT MSA, 10.0 percent for the Springfield, MA MSA, and 38.4 percent for the non-MSA portion of Massachusetts. Although the MFIs of the MSAs comprising portions of the assessment area increased during the evaluation period, the median sales price of homes and median home values, as discussed above, outpaced the increases in the MFIs. This suggests an increased difficulty of home affordability for low- and moderate-income borrowers. However, based on the relative home values, despite the percentage increases during the evaluation period, the cost of homeownership, in general, should not have been prohibitive for low- and moderate-income borrowers, particularly within the moderate-income tracts.

Employment Statistics

According to the 2015 ACS, the unemployment rate in the assessment area was 7.5 percent. The unemployment rate in the counties comprising of portions of the assessment area were as follows: 10.0 percent in Hampden County, 7.2 percent in Hampshire County, and 7.8 percent in Worcester County. More recent data from the Bureau of Labor Statistics shows the 2021 average annual unemployment rate for counties comprising portions of the assessment area of 6.2 percent, which is slightly less than the average annual unemployment rate for the Springfield, MA MSA at 6.5 percent, but slightly above the Worcester, MA-CT MSA at 5.9 percent. Based on the same data, the average annual unemployment rate for the Commonwealth of Massachusetts was 5.7 percent. Unemployment rates in the assessment area and the counties comprising portions of the assessment increased substantially in 2020 due to COVID-19. Although unemployment rates in 2021 have declined since 2020, they are still above 2019 unemployment levels.

Community Contacts

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

A community contact was conducted with the president of a local Community Development Financial Institution that works to strengthen communities by creating economic opportunities for low-and-moderate income individuals, women, people of color, and immigrants in western Massachusetts. The contact noted the region experiences high levels of racial, ethnic, and socio-economic disparities, especially in the Springfield and Holyoke areas. The organization frequently works with banks and noted the great activities and opportunities that community banks offer the region, especially as they have a strong community focus as it relates to philanthropic work. The contact stated that flexibility in products and offerings are essential for western Massachusetts given its diverse socioeconomic and racial demographics. In addition, programs that promote upward mobility, a community-focused approach to lending, and financial literacy courses are all areas of necessity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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 demonstrates a reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area(s), and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments.

The bank's net LTD figures are calculated from the bank's latest 17 quarterly FFIEC Call Reports from September 30, 2018 to September 30, 2022. 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 5 provides a comparison of the bank's average LTD ratio to similarly sized institutions operating within the assessment area.

Table 5
Loan-to-Deposit Ratio Comparison

Institutions	Total Assets* $(000's)	Average LTD Ratio** (%)
Milford Federal Bank	465,839	101.5
Bay State Savings Bank	497,041	99.9
North Brookfield Savings Bank	**362,481**	**83.2**
Dean Bank	436,642	81.0
Charles River Bank	326,863	76.7

**Call Report as of September 30, 2022*
***Call Reports from September 30, 2018 to September 30, 2022.*

The bank's average LTD ratio for the evaluation period was 83.2 percent. The ratio reached a high of 94.5 percent, as of September 30, 2019, and a low of 71.3 percent, as of June 30, 2022. As of September 30, 2019, the ratio began a steady decline and as of September 30, 2022, was at 72.7 percent. The decreasing LTD ratio generally coincided with the steady increase in total deposits as from December 31, 2019 to September 30, 2022 and the slight decline in loans during the same period.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of its loans and, as appropriate, other lending-related activities, are in its assessment area. Table 6 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period.

Table 6
Lending Inside and Outside the Assessment Area

Loan Type	Inside				Outside				Total			
	#	%	$(000s)	%	#	%	$(000s)	%	#	%	$(000s)	%
Home Purchase	153	70.5	34,910	67.4	64	29.5	16,856	32.6	217	100.0	51,766	100.0
Home Improvement	34	94.4	1,531	91.3	2	5.6	145	8.7	36	100.0	1,676	100.0
Multi-Family Housing	8	57.1	2,060	48.6	6	42.9	2,175	51.4	14	100.0	4,235	100.0
Refinancing	279	79.0	48,851	69.8	74	21.0	21,104	30.2	353	100.0	69,955	100.0
Total	**474**	**76.5**	**87,352**	**68.4**	**146**	**23.5**	**40,280**	**31.6**	**620**	**100.0**	**127,632**	**100.0**

HMDA for 2018 - 2021.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

During the evaluation period, the bank originated a total of 474 home mortgage loans, or 76.5 percent, inside the assessment area. The bank originated 69 loans, or 65.1 percent, inside the assessment area in 2018, 137 loans, or 76.1 percent, in 2019, 149 loans, or 81.0 percent, in 2020, and 119 loans, or 79.3 percent, in 2021. Refinance loans accounted for the largest share of lending for each year and in total for loans originated inside the assessment area.

Overall lending inside the assessment area increased by 98.6 percent from 2018 to 2019. During this time home mortgage loans increased from 30 loans to 44 loans and refinance loans increased from 30 loans to 72 loans, respectively. From 2019 to 2020, home purchase loans increased slightly from while refinance loans increased from 72 loans to 93 loans, or by 29.2 percent. Overall lending in the assessment area decreased from 2020 to 2021; home purchase loans decreased from 50 loans to 29 loans and refinance loans decreased slightly from 93 loans to 84 loans, respectively.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The bank demonstrates a distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) that is reasonable given the demographics of the bank's assessment area.

Table 7 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

Table 7
Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level

Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans													
Low	6	12.0	8.5	852	7.5	5.3	2	6.9	7.7	293	3.6	4.7	18.4
Moderate	14	28.0	28.1	2,528	22.3	23.6	10	34.5	27.7	2,330	28.6	23.7	16.6
Middle	13	26.0	26.4	3,185	28.1	27.9	7	24.1	24.4	2,125	26.1	24.6	21.5
Upper	15	30.0	24.9	4,493	39.7	30.9	10	34.5	24.9	3,399	41.7	31.3	43.5
Unknown	2	4.0	12.1	269	2.4	12.4	0	0.0	15.2	0	0.0	15.7	0.0
Total	50	100.0	100.0	11,327	100.0	100.0	29	100.0	100.0	8,147	100.0	100.0	100.0
Refinance Loans													
Low	10	10.8	4.8	815	4.7	2.8	10	11.9	6.6	1,315	8.5	4.2	18.4
Moderate	14	15.1	15.3	2,118	12.1	12.2	21	25.0	20.3	3,374	21.9	16.8	16.6
Middle	24	25.8	25.8	4,394	25.2	24.3	26	31.0	24.5	4,786	31.1	24.3	21.5
Upper	44	47.3	38.0	9,988	57.2	43.1	27	32.1	31.5	5,925	38.5	36.2	43.5
Unknown	1	1.1	16.0	148	0.8	17.5	0	0.0	17.1	0	0.0	18.5	0.0
Total	93	100.0	100.0	17,462	100.0	100.0	84	100.0	100.0	15,399	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	7.3	0	0.0	6.9	1	16.7	9.5	10	2.1	6.6	18.4
Moderate	2	40.0	16.4	44	40.4	14.3	3	50.0	17.6	360	76.6	12.1	16.6
Middle	2	40.0	31.1	43	39.4	27.1	1	16.7	27.5	50	10.6	27.7	21.5
Upper	1	20.0	43.4	22	20.2	48.9	1	16.7	43.4	50	10.6	50.3	43.5
Unknown	0	0.0	1.8	0	0.0	2.8	0	0.0	2.0	0	0.0	3.4	0.0
Total	5	100.0	100.0	109	100.0	100.0	6	100.0	100.0	470	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	16	10.8	6.2	1,666	5.8	3.8	13	10.9	7.1	1,618	6.7	4.4	18.4
Moderate	30	20.3	19.6	4,690	16.2	16.5	34	28.6	22.5	6,064	25.2	19.4	16.6
Middle	39	26.4	25.7	7,622	26.4	25.4	34	28.6	24.5	6,961	29.0	24.4	21.5
Upper	60	40.5	32.8	14,503	50.2	37.8	38	31.9	29.9	9,374	39.0	34.4	43.5
Unknown	3	2.0	15.7	417	1.4	16.5	0	0.0	16.1	0	0.0	17.4	0.0
Total	148	100.0	100.0	28,898	100.0	100.0	119	100.0	100.0	24,017	100.0	100.0	100.0

Source: 2021 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.
Multifamily loans are not included in the borrower distribution analysis.

Although not included in the table above, this evaluation included an analysis of the bank's borrower distribution of home mortgage lending in 2018 and 2019. Within the assessment area, 18.4 percent of families are low-income, and both the bank and the aggregate lending percentages were below this demographic comparator during the evaluation period. Given the general financial challenges of low-income borrowers, it is not expected that the bank or the aggregate percentages would be comparable to the percentage of low-income families in the assessment area. Additionally, as the share of low- and moderate-income families by number in the assessment area is relatively even, the bank's performance in lending to low- and moderate-income borrowers is weighted equally.

In 2018, the bank originated 2 loans, or 2.9 percent, to low-income borrowers, which trailed the aggregate at 7.8 percent. For the same year, the bank originated 15 loans, or 22.1 percent, to moderate-income borrowers, which was slightly below the aggregate at 22.5 percent, but exceeded the percentage of moderate-income families in the assessment area at 16.6 percent. In

2019, the bank increased the number of loans to low-income borrowers to 14, or 10.7 percent, which exceeded the aggregate at 8.5 percent. For the same year, the bank originated 20 loans, or 15.3 percent, to moderate-income borrowers, which trailed the aggregate at 23.0 percent.

In 2020, the bank originated 16 loans, or 10.8 percent, to low-income borrowers, which exceeded the aggregate, at 6.2 percent. For the same year, the bank originated 30 loans, or 20.3 percent, to moderate-income borrowers, which exceeded the aggregate, at 19.6 percent. In 2021, the bank originated 13 loans, or 10.9 percent, to low-income borrowers, which exceeded the aggregate, at 7.1 percent. For the same year, the bank originated 34 loans, or 28.6 percent, to moderate-income borrowers, which exceeded the aggregate, at 22.5 percent.

Considering each year of the evaluation period and the weighting of the bank's performance to low- and moderate-income borrowers, the borrower distribution is reasonable. Over the evaluation period, the bank's lending percentage to low-income borrowers increased year-over-year from 2.9 percent in 2018 to 10.9 percent in 2021. Although the bank exceeded the aggregate in lending to low-income borrowers from 2019 to 2021, the bank's performance was 4.9 percentage points below the aggregate in 2018. The bank exceeded the aggregate lending performance to moderate-income borrowers in 2020 and 2021, however, it was 0.4 percentage points below the aggregate in 2018 and 7.7 percentage points below the aggregate in 2019. Of note is that the number of loans originated to moderate-income borrowers increased each year during the evaluation period.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrates a reasonable geographic distribution of loans given the bank's assessment area.

Table 8 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 8 Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	8	16.0	14.5	1,459	12.9	11.1	2	6.9	15.0	466	5.7	12.2	11.9
Middle	37	74.0	57.8	8,355	73.8	55.7	22	75.9	59.9	6,071	74.5	58.2	62.6
Upper	5	10.0	27.7	1,513	13.4	33.2	5	17.2	25.1	1,611	19.8	29.6	25.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	50	100.0	100.0	11,327	100.0	100.0	29	100.0	100.0	8,147	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	5	5.4	7.3	664	3.8	5.4	8	9.5	8.7	1,221	7.9	6.7	11.9
Middle	74	79.6	54.4	13,257	75.9	50.8	70	83.3	56.2	13,236	86.0	52.8	62.6
Upper	14	15.1	38.3	3,541	20.3	43.8	6	7.1	35.1	943	6.1	40.4	25.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	93	100.0	100.0	17,462	100.0	100.0	84	100.0	100.0	15,399	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	10.5	0	0.0	7.4	0	0.0	9.8	0	0.0	6.9	11.9
Middle	5	100.0	54.8	109	100.0	50.8	6	100.0	57.8	470	100.0	58.5	62.6
Upper	0	0.0	34.7	0	0.0	41.7	0	0.0	32.4	0	0.0	34.6	25.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	5	100.0	100.0	109	100.0	100.0	6	100.0	100.0	470	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	42.9	0	0.0	38.8	0	0.0	36.6	0	0.0	28.5	25.8
Middle	0	0.0	42.9	0	0.0	38.3	0	0.0	43.9	0	0.0	58.2	56.8
Upper	1	100.0	14.3	430	100.0	22.9	0	0.0	19.5	0	0.0	13.3	17.3
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	430	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	13	8.7	10.2	2,124	7.2	8.1	10	8.4	11.0	1,687	7.0	9.3	11.9
Middle	116	77.9	55.8	21,721	74.1	52.7	98	82.4	57.6	19,777	82.3	55.2	62.6
Upper	20	13.4	34.0	5,484	18.7	39.2	11	9.2	31.5	2,553	10.6	35.5	25.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	149	100.0	100.0	29,328	100.0	100.0	119	100.0	100.0	24,017	100.0	100.0	100.0

Source: 2021 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

As the assessment area does not contain any low-income census tracts, the geographic distribution was evaluated primarily based on the bank's performance in originating home mortgage loans in the moderate-income tracts. In 2018, the bank originated 11 loans, or 15.9 percent, in moderate-income tracts, which exceeded the aggregate at 11.9 percent. In 2019, the bank increased the number of loans originated in moderate-income tracts to 20 loans, or 14.6 percent, which again exceeded the aggregate at 11.4 percent. In 2020, the volume of loans originated in moderate-income tracts decreased to 13 loans, or 8.7 percent, which trailed the aggregate, at 10.2 percent. In 2021, the bank originated 10 loans, or 8.4 percent, in moderate-income tracts, which trailed the aggregate, at 11.0 percent. Examiners did not identify any conspicuous gaps in the bank's penetration of the moderate-income census tracts.

Even though the bank's home mortgage lending percentages in the moderate-income tracts declined each year of the evaluation period, bank outperformed the aggregate in 2018 and 2019. Of note is that the bank's lending percentages in middle-income tracts was significantly higher in the middle-income tracts compared to the aggregate for each year of the evaluation period and notably trailed the aggregate in the percentage of loans originated in upper-income tracts. Considering the bank's performance in the moderate-income tracts paired with the general concentration of loans in the middle-income tracts compared to the upper-income tracts, the bank's geographic distribution of home mortgage loans is reasonable.

Response to Complaints

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

CONCLUSION

The bank's Satisfactory performance in meeting the credit needs in the assessment area is demonstrated by its record of extending loans to borrowers of different incomes, especially low- and moderate-income borrowers. The bank has also met the credit needs in its assessment area by making the majority of its loans within its assessment area. The bank exhibited a reasonable distribution of loans across census tract income levels, particularly in moderate-income tracts, and has maintained a reasonable LTD ratio.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

A substantive violation of Section 5(a) of the Federal Trade Commission Act involving unfair or deceptive practices was identified in the concurrent consumer compliance examination. Bank management is committed to correcting the violation. The violation did not impact the bank's CRA rating.

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