PUBLIC DISCLOSURE

September 12, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Marblehead Bank
RSSD # 816304

21 Atlantic Avenue
Marblehead, Massachusetts 01945

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.

Marblehead Bank (Marblehead 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 (LTD) ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary market 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) that is reasonable given the demographics of the bank's assessment area.

- A poor geographic distribution of loans, particularly to low- or moderate-income geographies, in the bank's assessment area.

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

SCOPE OF EXAMINATION

Marblehead'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, geographic distribution of loans, loan distribution according to the income of the borrower, 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 2021 data, the bank's performance in 2018 through 2020 was also considered when arriving at conclusions. As the bank was not required to report loans under the Home Mortgage Disclosure Act (HMDA) in 2020, examiners utilized a sample of loans originated in 2020 for this evaluation. The bank's 2020 geographic and borrower distribution tables are included in Appendix A. 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 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 FFIEC Call Reports from June 30, 2018 to June 30, 2022. Assessment area concentration totals and percentages included loans originated from January 1, 2018 through December 31, 2021.

Marblehead's CRA performance was last examined by the Federal Reserve Bank of Boston on July 16, 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 $1.384 billion. As the bank's assets were also below $346 million, the bank was not considered an intermediate small institution.

DESCRIPTION OF INSTITUTION

Marblehead is a state-chartered, independent, mutual savings bank headquartered at 21 Atlantic Avenue, Marblehead, MA. In addition to the main office, the bank maintains three full-service branches in Essex County with one each in Beverly, Marblehead, and Salem. Each location, including the headquarters, includes a full-service automated teller machine (ATM). The Beverly branch is in the Cummings Center, which is part of a 77-acre corporate complex that includes office, commercial, laboratory, and research space. There is an additional full-service ATM at the Marblehead branch, and one standalone cash-only ATM at the Beverly branch. There have been no branch openings or closings since the last examination.

Personal and business deposit products and services include free checking accounts and certificate of deposit and money market savings accounts. Mortgage loans include conforming fixed-rate and jumbo fixed-rate mortgages, adjustable-rate mortgages, home equity loans, and home equity lines of credit. Commercial lending includes real estate financing loans, term loans, lines of credit, and Small Business Administration (SBA) loans. The bank also offers auto, boat, and personal loans. Additional services include mobile banking, mobile deposit, overdraft protection, personal payment transfers via Zelle, and investment products and services. All product and services information can be found on the bank's website at www.marblebank.com.

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 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 approximately 423 PPP loans during the evaluation period.

As of June 30, 2022, bank assets totaled $285.9 million, loans totaled $189.4 million, and deposits totaled $259.3 million. Since the last evaluation as of March 31, 2018, bank assets increased by 34.9 percent, which was primarily driven by a $51.8 million increase in interest-bearing cash and balances due from depository institutions. Total loans increased by 8.4 percent during the same period, with commercial real estate accounting for the largest share of the increase by dollar volume at $14.1 million. Total deposits increased steadily as of the March 31, 2020 Call Report, increasing from $194.3 million to a high of $268.9 million, as of March 31, 2022. This increase in deposits was primarily the result of increased savings, stimulus checks, and unemployment benefits resulting from the COVID-19 pandemic.

Table 1 shows the bank's loan portfolio distribution as of June 30, 2022. Residential loans, which include 1-4 family open-end and closed-end loans, account for the largest share of loans, at 68.3 percent.

Table 1 Loan Distribution as of June 30, 2022		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans (%)**
Construction and Land Development	4,396	2.3
Revolving 1-4 Family Residential	20,542	10.8
1-4 Family Residential	108,872	57.5
Commercial RE	50,908	26.9
Total Real Estate Loans	184,718	97.5
Commercial and Industrial	3,909	2.1
Consumer	751	0.4
Total Loans	*189,378*	*100.0*

Call Report as of June 30, 2022.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Since the last examination, total loans have increased by $14.6 million. The increase in loans is primarily driven by a $14.1 million, or 38.4 percent, increase in commercial real estate loans, as the result of increased 1-4 family investment property lending. During the same period, 1-4 family residential loans increased by $2.2 million, or 2.1 percent, and revolving 1-4 family residential loans decreased by $3.1 million, or 13.2 percent.

The bank operates in a competitive market for both deposits and home mortgage loans. Of the 14 institutions with branches in the assessment area, Marblehead ranks 10th in deposit market share, with 3.7 percent. Salem Five Cents Savings Bank, which has 7 branches in the assessment area, is ranked first, with a 30.0 percent deposit market share, and Bank of America N.A, with 3 offices in the assessment area, ranks second, with 16.0 percent market share. Other banks with a notable physical presence in the assessment area include Eastern Bank, with 7 branches, and North Shore Bank, with 6 branches.

The bank competes against numerous national, regional, and community banks and mortgage companies for home mortgage loans within the assessment area. During the evaluation period, national and regional banks such as Wells Fargo Bank, N.A., Citizens Bank, N.A., Bank of America, N.A., JPMorgan Chase Bank, N.A., and U.S. Bank were consistently ranked in the top 10 home mortgage originators in the assessment area. Other notable home mortgage lenders in the assessment area included Eastern Bank, Salem Five Cents Savings Bank, Leader Bank, N.A., and Quicken Loans, LLC/Rocket Mortgage. Although Marblehead has significantly less resources and capacity compared to these large national and regional lenders, the bank consistently ranked within the top 20 lenders in the assessment area for home mortgage loans.

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

Marblehead's assessment area includes a portion of the Cambridge-Newton-Framingham, MA Metropolitan Division (MD), specifically the municipalities of Beverly, Marblehead, Salem, and Swampscott in Essex County. These municipalities are located along the seacoast north of Boston and are most known for their historic landmarks. The assessment area has not changed since the previous examination. Table 2 provides relevant demographic data on the bank's delineated assessment area.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	4.3	755	2.6	185	24.5	6,545	22.9
Moderate-income	6	26.1	6,855	23.9	923	13.5	5,124	17.9
Middle-income	11	47.8	13,849	48.4	691	5.0	6,340	22.1
Upper-income	5	21.7	7,173	25.1	151	2.1	10,623	37.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	**23**	**100.0**	**28,632**	**100.0**	**1,950**	**6.8**	**28,632**	**100.0**
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,837	393	1.3	21.4	1,290	70.2	154	8.4
Moderate-income	13,958	5,933	20.3	42.5	7,088	50.8	937	6.7
Middle-income	24,541	14,378	49.3	58.6	8,809	35.9	1,354	5.5
Upper-income	10,342	8,488	29.1	82.1	1,377	13.3	477	4.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	**50,678**	**29,192**	**100.0**	**57.6**	**18,564**	**36.6**	**2,922**	**5.8**

2021 FFIEC Census Data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Assessment Area Composition

The assessment area contains 23 census tracts, of which 1 is low-income, or 4.3 percent, 6 are moderate-income, or 26.1 percent, 11 are middle-income, or 47.8 percent, and 5 are upper-income, or 21.7 percent. Salem contains the one low-income tract and four moderate-income tracts, and the other two moderate-income tracts are in Beverly.

Housing

There are 50,678 housing units in the assessment area, of which 57.6 percent are owner-occupied, 36.6 percent are rental units, and 5.8 percent are vacant. Of the owner-occupied units in the assessment area, only 1.3 percent are in the low-income tract, and 20.3 percent are in the moderate-income tracts. Such a small share of owner-occupied housing units in the sole low-income tract suggests very limited opportunity to originate home mortgage loans in the tract. However, in terms of opportunity to originate home mortgage loans within the low- and moderate-income tracts in the assessment area, 93.8 percent of owner-occupied housing units within such tracts are within the moderate-income tracts.

Based on the 2021 FFIEC Census data, the median housing value in the assessment area was \$381,203, ranging from a low of \$281,304 in the low-income tract in Salem to \$552,754 in the upper-income tracts. The median housing value in the assessment area was higher than that of Essex County, at \$355,100, and the Commonwealth of Massachusetts, at \$333,100. More recent data from The Warren Group, Peabody, MA, indicates significantly higher median sales prices compared to the 2021 FFIEC Census data and illustrates the rapid increase in 1-4 family home prices during the evaluation period. Table 3 shows the median sales price for a single-family home for the towns in the assessment area for calendar years from 2018 to 2021.

Table 3 Median Sales Price of a Single-Family Residence				
Town	**2018**	**2019**	**2020**	**2021**
Beverly	\$460,300	\$499,00	\$550,000	\$600,000
Marblehead	\$689,000	\$710,000	\$795,000	\$850,000
Salem	\$418,000	\$425,000	\$490,000	\$541,000
Swampscott	\$580,000	\$580,000	\$627,950	\$703,733

The Warren Group

On average, the median home sales price for the towns in the assessment area increased by 25.5 percent from 2018 to 2021. Median home sales prices in Beverly increased by 30.4 percent and by 29.4 percent in Salem. Given the rapid and significant increase in single family home prices, it may have been increasingly difficult for low- and moderate-income borrowers to afford to purchase a home and it may therefore may have been more difficult for the bank to originate home mortgage loans to low- and moderate-income families during the evaluation period.

Population

The assessment area is comprised of 117,475 individuals, of which 3.2 percent reside in the low-income tract, 25.9 percent reside in moderate-income tracts, 46.7 percent reside in middle-income tracts, and 24.1 percent reside in upper-income tracts. There are 47,756 households in the assessment area, of which 3.5 percent reside in the low-income tract, 27.3 percent resident in moderate-income tracts, 48.6 percent reside in middle-income tracts, and 20.7 percent reside in upper-income tracts. Of the households in the assessment area, 28,632 are families, of which 2.6 percent reside in low-income tracts, 23.9 percent reside in moderate-income tracts, 48.4 percent reside in middle-income tracts, and 25.1 percent reside in upper-income tracts. There are 1,950 families in the assessment area living below the poverty level, or 6.8 percent, of which 185 families, or 9.5 percent reside in the low-income tract and 923 families, or 47.3 percent, live in 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 2021 MFI incomes for the assessment area.

Table 4
Median Family Income Comparison

MSA/MD/Town/County/State	MFI
Assessment Area	$94,498
Essex County	$86,793
Commonwealth of Massachusetts	$87,085
Cambridge-Newton-Framingham, MA MD	$100,380

FFIEC median family income estimates.

At $94,498, the MFI of the assessment area was higher than that of Essex County, at $86,793, and the Commonwealth of Massachusetts, at $87,085, but lower than the Cambridge-Newton-Framingham, MA MD, at $100,380. The MFI for the municipalities in the assessment area ranged from a low of $72,085 in Salem to a high of $131,109 in Marblehead. With an assessment area MFI of $94,498, a moderate-income family would have an approximate income of $75,598 or less and a low-income family would have an income of $47,249 or less. Given the significant increase in median home sale prices during the evaluation period relative to low- and moderate-income MFI ranges, purchasing an affordable home in the assessment area during the later years of the evaluation period may have proved challenging.

Employment Statistics

According the 2015 ACS, the unemployment rate in the assessment area was 6.5 percent, which was less than Essex County, at 7.7 percent, and the Commonwealth of Massachusetts, at 7.6 percent. More recent data from the Bureau of Labor Statistics shows the average annual unemployment rate for each municipality in the assessment area during the evaluation period was 4.9 percent. Each municipality in the assessment area experienced a significant jump in the unemployment rate as of April 2020 due to the COVID-19 pandemic. Most notably, the unemployment rate in Salem increased to 19.8 percent in April 2020 from 3.8 percent in March 2020. As of June 2022, the unemployment rate in each town in the assessment area reflects pre-April 2020 levels.

Community Contact

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

A community contact was conducted with the chief executive officer of an organization whose mission is to invest to create thriving communities. Organizational programs include affordable housing, workforce development, including financial wellness and coaching, and small business assistance for low-income individuals and families. The contact stated that financial institutions can better engage low-income individuals in the community by offering financial literacy programs or perform outreach where this population already receives such services rather than expecting individuals to come to the bank. The contact stated that engagement in the community does not only mean to speak the languages that are prevalent in the community, but also to be culturally competent and have front line staff that reflects the demographics of the neighborhood. The contact also stated that financial literacy needs of most low-income individuals include basic financial concepts such as opening a checking account, establishing credit, and budgeting, rather than focusing on products or services that are out of reach, such as first-time homebuyer classes and mortgages. Lastly, the contact stated that working with smaller financial institutions on larger scale projects or complex financing can be burdensome if the institution lacks the specific knowledge or experience. In such situations, community organizations tend to gravitate to more established institutions who have the capacity and dedicated staff for such projects.

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 demonstrated a reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area, 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 June 30, 2018 through June 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 to similarly sized institutions operating within the assessment area.

Table 5
Loan-to-Deposit Ratio Comparison

Institutions	Total Assets* $(000's)	Average LTD Ratio** (%)
BankGloucester	344,854	92.2
Wakefield Co-operative Bank	276,059	86.6
Marblehead Bank	285,928	86.0
Methuen Co-operative Bank	213,356	66.0

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

The bank's average LTD ratio for the evaluation period was 86.0 percent. The ratio reached a high of 100.9 percent, as of June 30, 2019, and a low of 69.4 percent, as of December 31, 2021.

As of June 30, 2019, the ratio steadily declined and as of June 30, 2021, was at 69.6 percent. This decline is the result of a steady increase in deposits, primarily because of the COVID-19 pandemic, and the bank's selling of fixed-rate home mortgage loans to Fannie Mae. The bank's average LTD ratio of 86.0 percent is in line with these similarly situated institutions.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of the bank's 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	91	76.5	40,309	81.5	28	23.5	9,135	18.5	119	49,444
Refinancing	230	82.7	91,396	83.1	48	17.3	18,630	16.9	278	110,026
Home Improvement	28	90.3	6,582	90.7	3	9.7	675	9.3	31	7,257
Multifamily	2	50.0	2,315	73.4	2	50.0	841	26.6	4	3,156
Total	**351**	**81.3**	**140,602**	**82.8**	**81**	**18.8**	**29,281**	**17.2**	**432**	**169,883**

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 351 home mortgage loans, or 81.3 percent, inside the assessment area. The bank originated 54 loans, or 77.1 percent, inside the assessment area in 2018, 92 loans, or 86.8 percent, in 2019, 77 loans, or 76.2 percent in 2020, and 128 loans, or 82.6 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.

Total home mortgage originations increased from 70 loans in 2018, to 106 loans in 2019. According to bank records, the bank originated approximately 200 home mortgage loans in 2020; however, based on sampling procedures this evaluation incorporated a total of 101 originations. In 2021, the bank originated a total of 155 home mortgage loans. The bank originated its highest share of loans in the evaluation period in 2020, which was during the COVID-19 pandemic, of which 67 loans, or 87.0 percent of the total loans in the assessment area, were refinancing loans.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) 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 Borrower Distribution of HMDA Loans							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans							
Low	2	6.5	4.6	370	2.3	2.5	22.9
Moderate	1	3.2	18.5	60	0.4	13.2	17.9
Middle	7	22.6	23.4	4,032	24.5	21.3	22.1
Upper	11	35.5	37.8	6,840	41.6	46.5	37.1
Unknown	10	32.3	15.7	5,144	31.3	16.4	0.0
Total	31	100.0	100.0	16,444	100.0	100.0	100.0
Refinance Loans							
Low	14	15.2	5.7	2,797	7.2	3.0	22.9
Moderate	23	25.0	19.6	6,810	17.6	15.2	17.9
Middle	20	21.7	23.3	7,270	18.8	21.2	22.1
Upper	28	30.4	35.8	14,813	38.3	43.7	37.1
Unknown	7	7.6	15.6	6,944	18.0	16.9	0.0
Total	92	100.0	100.0	38,633	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	5.9	0	0.0	4.0	22.9
Moderate	1	20.0	17.1	442	25.6	12.6	17.9
Middle	4	80.0	26.2	1,286	74.5	23.8	22.1
Upper	0	0.0	48.4	0	0.0	56.0	37.1
Unknown	0	0.0	2.4	0	0.0	3.5	0.0
Total	5	100.0	100.0	1,727	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	16	12.5	5.4	3,167	5.6	2.9	22.9
Moderate	25	19.5	19.1	7,312	12.9	14.4	17.9
Middle	31	24.2	23.4	12,588	22.2	21.2	22.1
Upper	39	30.5	37.5	21,652	38.1	45.2	37.1
Unknown	17	13.3	14.7	12,088	21.3	16.4	0.0
Total	128	100.0	100.0	56,806	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, 2019, and 2020. Within the assessment area, 22.9 percent of families are low-income, and both the bank and the aggregate lending percentages are far below this demographic comparator during the evaluation period. Given the high home prices in the assessment area relative to the income levels of low-income borrowers, it is not expected that the bank or the aggregate lending percentages would be comparable to the percentage of low-income families in the assessment area. Additionally, as the number of low-income families in the assessment area is slightly higher than the number of moderate-income families, the bank's performance in lending to low-income borrowers is weighted slightly more than the performance to moderate-income families.

In 2018, the bank originated 1 loan, or 1.7 percent, to low-income borrowers, which trailed the aggregate, at 6.3 percent. For the same year, the bank originated 9 loans, or 15.5 percent, to moderate-income borrowers, which trailed the aggregate at 18.9 percent and the percentage of moderate-income families at 17.9 percent. In 2019, the bank originated 7 loans, or 7.2 percent, to low-income borrowers, which exceeded the aggregate lending percentage of 5.3 percent. For the same year, the bank originated 16 loans, or 16.5 percent, to moderate-income borrowers, which trailed the aggregate at 20.7 percent and the percentage of moderate-income families at 17.9 percent.

In 2020, the bank originated 3 loans, or 3.9 percent, to low-income borrowers while the aggregate originated 5.1 percent to low-income borrowers. For the same year, the bank originated 16 loans, or 20.8 percent, to moderate-income borrowers, which exceeded the aggregate at 19.8 percent and the percentage of moderate-income families. As shown in Table 7, in 2021, the bank originated 16 loans, or 12.5 percent, to low-income borrowers, which notably exceeded the aggregate, at 5.4 percent. For the same year, the bank originated 25 loans, or 19.5 percent, to moderate-income borrowers, which exceeded the aggregate, at 19.1 percent, and the percentage of moderate-income families, at 17.9 percent.

From 2018 to 2021, the share of home mortgage loan originations to low-income borrowers exhibited a positive trend, from 1.7 percent in 2018 to 12.5 percent in 2021. In 2019 and 2021, the bank exceeded the aggregate, and in 2018 and 2020, the bank's percentage was below the aggregate. The bank's share of lending to moderate-income borrowers increased from 15.5 percent in 2018 to 19.5 percent in 2021. For moderate-income borrowers, the bank trailed the aggregate in 2018 and 2019 and exceeded the aggregate in 2020 and 2021. The distribution of loans to individuals of different income levels (including low- and moderate-income) is reasonable when compared to area demographics and aggregate performance.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrated a poor geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area.

Table 8 provides a comparison of the bank's 2021 lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 8 Geographic Distribution of HMDA Loans							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans							
Low	1	3.2	2.6	440	2.7	1.9	1.3
Moderate	5	16.1	26.0	2,469	15.0	21.5	20.3
Middle	17	54.8	49.8	8,277	50.3	46.8	49.3
Upper	8	25.8	21.6	5,259	32.0	29.9	29.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Total	31	100.0	100.0	16,444	100.0	100.0	100.0
Refinance Loans							
Low	0	0.0	1.2	0	0.0	0.9	1.3
Moderate	9	9.8	20.3	3,343	8.7	16.9	20.3
Middle	50	54.3	49.3	20,808	53.9	46.0	49.3
Upper	33	35.9	29.2	14,483	37.5	36.2	29.1
Total	92	100.0	100.0	38,633	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	0.6	0	0.0	0.8	1.3
Moderate	0	0.0	19.5	0	0.0	13.7	20.3
Middle	2	40.0	49.0	891	51.6	46.6	49.3
Upper	3	60.0	30.9	837	48.5	38.9	29.1
Total	5	100.0	100.0	1,727	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	1	0.8	1.6	440	0.8	1.6	1.3
Moderate	14	10.9	22.1	5,812	10.2	23.1	20.3
Middle	69	53.9	49.3	29,976	52.8	43.8	49.3
Upper	44	34.4	27.0	20,579	36.2	31.4	29.1
Total	128	100.0	100.0	56,806	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.

Although not included in the table above, this evaluation included an analysis of the bank's geographic distribution of home mortgage lending in 2018, 2019, and 2020. Due to the very low percentage of owner-occupied housing units in this single low-income tract, at 1.3 percent, the bank is not reasonably expected to consistently penetrate this tract with home mortgage loans. Additionally, of the volume of owner-occupied housing units within the low- and moderate-income tracts in the assessment area, 93.8 percent are in the moderate-income tracts, which suggests increased opportunity; therefore, examiners weighted the bank's performance in moderate-income tracts more heavily.

In 2018, the bank did not originate a home mortgage loan in the low-income tract in Salem, while the aggregate originated 2.2 percent of home mortgage loans within this tract. For the same year, the bank originated 6 home mortgage loans, or 10.0 percent, in the moderate-income tracts. At 10.0 percent, the bank was less than half of the aggregate, at 23.1 percent, and less than half of the percentage of owner-occupied units, at 20.3 percent.

In 2019, the bank originated 2 loans, or 2.1 percent, in the low-income tract, which exceeded the aggregate and the percentage of owner-occupied units by 0.8 percentage points. For the same year, the bank originated 11 loans, or 11.3 percent, in the moderate-income tracts. Again, the bank was less than half the aggregate, at 24.5 percent, and slightly less than half of the demographic comparator, at 20.3 percent.

In 2020, the bank originated 1 home mortgage loan in the low-income tract, which was slightly less than the aggregate, at 1.6 percent, and equal to the percentage of owner-occupied housing units, at 1.3 percent. For the same year, the bank originated 8 loans, or 10.4 percent, in moderate-income tracts while the aggregate originated 22.3 percent of loans in the same tracts. Once again, the bank's percentage of lending within moderate-income tracts was less than half of the aggregate's lending percentage.

In 2021, the bank originated 1 loan, or 0.8 percent, in the low-income tract, while the aggregate's lending percentage was 1.6 percent. For the same year, the bank originated 14 loans, or 10.9 percent in moderate-income tract, while the aggregate's lending percentage exceeded that of the bank's by more than double, at 22.1 percent.

Based on the distribution of home mortgage loans within the assessment area during the evaluation period, examiners did not identify any conspicuous gaps in lending. The bank penetrated the low-income tract in Salem and originated at least one home mortgage loan in each of the six moderate-income tracts.

Although the bank's percentage of lending within the moderate-income tracts remained consistent throughout the evaluation period, it lagged the aggregate's lending percentage by an average of 12.3 percentage points, and the aggregate lending percentage was at least double that of the bank for each year of the evaluation period. The bank has two branches in moderate-income tracts, in Beverly and Salem, and these branches are contiguous to the remainder of the low- and moderate-income branches in the assessment area. The Beverly branch was opened in 2010 and the Salem branch was opened in 2016. Based on Federal Deposit Insurance Corporation Summary of Deposits data, 10.0 percent of total bank deposits are derived from the Beverly branch, and 3.3 percent of deposits are derived from the Salem branch.

In terms of loan demand, HMDA aggregate data suggest sufficient opportunity to originate loans in the moderate-income tracts during the evaluation period. In the two moderate-income tracts in Beverly, annual aggregate loan originations ranged from 262 originations in 2018, to 529 originations in 2020. There was a total of 354 originations in these tracts in 2019, and 485 originations in 2021. For the four moderate-income tracts in Salem, annual originations ranged from 573 originations in 2018, to 1,220 originations in 2020. There was a total of 765 originations in these tracts in 2019, and 1,066 originations in 2021.

As discussed under the Assessment Area Concentration component, the bank's home mortgage loan originations increased each year during the evaluation period, which is indicative that the bank's capacity to originate home mortgage loans remained at least consistent from year to year.

Additionally, except for lending within middle-income tracts in 2020, the bank's volume of lending increased year-over-year within middle- and upper-income tracts, which supports continued capacity, and illustrates that most of the bank's home mortgage loans were originated in middle- and upper-income tracts.

Based on the weighting of moderate-income tracts, the bank's lending performance in moderate-income tracts compared to the aggregate for each year of the evaluation period, the bank's branch presence in and proximity to the moderate-income tracts, loan demand in moderate-income tracts, and bank's capacity during the evaluation period, examiners conclude the bank demonstrated a poor geographic distribution of loans, particularly to low- or moderate-income geographies, in its assessment area.

Response to Complaints

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

CONCLUSION

Although the bank's geographic distribution of home mortgage loans is considered poor due to lending percentages compared to the aggregate in moderate-income tracts and additional performance context considered, the bank's overall lending performance is considered satisfactory. The bank's performance in meeting the credit needs in the assessment area is demonstrated by a reasonable LTD ratio as it compares to similarly situated institutions operating within the assessment area, originating the majority of home mortgage loans within the assessment area, and achieving a reasonable penetration of loans to low- and moderate-income borrowers.

APPENDIX A

2020 BORROWER AND GEOGRAPHIC DISTRIBUTION TABLES

Table 9
Geographic Distribution of HMDA Loans

Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans							
Low	0	0.0	2.3	0	0.0	1.8	1.3
Moderate	1	12.5	27.2	412	14.7	22.7	20.3
Middle	3	37.5	49.3	808	28.9	47.6	49.3
Upper	4	50.0	21.2	1,580	56.4	27.9	29.1
Total	8	100.0	100.0	2,799	100.0	100.0	100.0
Refinance Loans							
Low	1	1.5	1.3	108	0.4	1.0	1.3
Moderate	7	10.4	20.9	2,766	10.4	17.7	20.3
Middle	25	37.3	49.4	9,710	36.6	46.3	49.3
Upper	34	50.7	28.5	13,949	52.6	34.9	29.1
Total	67	100.0	100.0	26,533	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	1.6	0	0.0	2.4	1.3
Moderate	0	0.0	17.5	0	0.0	15.0	20.3
Middle	1	50.0	44.7	300	27.3	42.0	49.3
Upper	1	50.0	36.2	800	72.7	40.7	29.1
Total	2	100.0	100.0	1,100	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	1	1.3	1.6	108	0.4	1.4	1.3
Moderate	8	10.4	22.3	3,178	10.4	19.6	20.3
Middle	29	37.7	49.0	10,818	35.5	46.4	49.3
Upper	39	50.6	27.1	16,329	53.7	32.6	29.1
Total	77	100.0	100.0	30,433	100.0	100.0	100.0

Source: 2020 FFIEC Census Data
2011-2015 U.S. Census Bureau: American Community Survey
Note: Percentages may not total 100.0 percent due to rounding.

Table 10 Borrower Distribution of HMDA Loans							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans							
Low	0	0.0	4.8	0	0.0	2.3	22.9
Moderate	3	37.5	21.2	811	29.0	16.2	17.9
Middle	1	12.5	27.7	158	5.6	25.7	22.1
Upper	1	12.5	36.3	412	14.7	44.8	37.1
Unknown	3	37.5	10.0	1,419	50.7	10.9	0.0
Total	8	100.0	100.0	2,799	100.0	100.0	100.0
Refinance Loans							
Low	3	4.5	5.0	698	2.6	2.8	22.9
Moderate	13	19.4	19.8	3,768	14.2	15.5	17.9
Middle	18	26.9	25.2	5,469	20.6	23.5	22.1
Upper	28	41.8	38.1	13,824	52.1	45.8	37.1
Unknown	5	7.5	11.9	2,774	10.5	12.5	0.0
Total	67	100.0	100.0	26,533	100.0	100.0	100.0
Home Improvement Loans							
Low	0	0.0	8.2	0	0.0	4.0	22.9
Moderate	0	0.0	15.9	0	0.0	13.7	17.9
Middle	0	0.0	27.7	0	0.0	23.7	22.1
Upper	2	100.0	45.2	1,100	100.0	49.0	37.1
Unknown	0	0.0	3.0	0	0.0	9.6	0.0
Total	2	100.0	100.0	1,100	100.0	100.0	100.0
Total Home Mortgage Loans							
Low	3	3.9	5.1	698	2.3	2.6	22.9
Moderate	16	20.8	19.8	4,579	15.0	15.5	17.9
Middle	19	24.7	25.6	5,627	18.5	23.9	22.1
Upper	31	40.3	38.0	15,336	50.4	45.6	37.1
Unknown	8	10.4	11.5	4,193	13.8	12.4	0.0
Total	77	100.0	100.0	30,433	100.0	100.0	100.0

Source: 2020 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.

APPENDIX B

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