

# **PUBLIC DISCLOSURE**

October 16, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Easthampton Savings Bank  
RSSD # 859002

36 Main Street  
Easthampton, Massachusetts 01027

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

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

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

The following table indicates the performance level of Easthampton Savings Bank (d/b/a bankESB or the bank) with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	bankESB		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

*\*The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

The major components supporting the ratings in the above reference table include:

**Lending Test**

- Excellent responsiveness to the credit needs in its assessment area, taking into account the number and amount of home mortgage, small business, and small farm loans in the banks assessment area.
- A high percentage of the bank’s loans are made in its assessment area.
- An adequate geographic distribution of loans in the bank’s assessment area.
- An adequate distribution, particularly in the bank’s assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.
- An adequate record of serving the credit needs of highly economically disadvantaged areas in the bank’s assessment area, low-income individuals, or businesses, with gross annual revenues of \$1 million or less, consistent with safe and sound operations.
- Use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income individuals or geographies.
- The bank is a leader in making community development loans.

**Investment Test**

- A significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position.
- Occasional use of innovative or complex qualified investments.

- Adequate responsiveness to credit and community development needs.

### **Service Test**

- The bank's service delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area.
- To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies and to low- or moderate-income individuals.
- The bank's services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- or moderate-income geographies and low- or moderate-income individuals.
- The bank provides a relatively high level of community development services.

## DESCRIPTION OF INSTITUTION

bankESB is a state-chartered member bank of the Federal Reserve System (FRS) headquartered at 36 Main Street in Easthampton, Massachusetts. bankESB is wholly owned by Hometown Financial Group (HFG), under its top tier holding company Hometown Financial Group MHC. HFG holds two additional wholly owned subsidiaries: Hometown Bank and Abington Bank, both of which are state-chartered banks of the FRS.

In addition to the main office, the bank has 10 full-service branches in the Springfield, MA Metropolitan Statistical Area (MSA), with 7 in Hampshire County and 3 in Hampden County. In Hampshire County, the branches are in Northampton, Amherst, Belchertown, Easthampton, Hadley, Southampton, and South Hadley. In Hampden County, the branches are in Agawam, Holyoke, and Westfield. bankESB closed a branch in Northampton in September 2021, which was located in a middle-income census tract. The bank operates 15 automated teller machines (ATMs) located at the main office and branches, and 2 non-depository standalone ATMs in Northampton and Westfield.

bankESB offers personal and business retail services, loan products, and online and mobile banking. Personal savings products include checking accounts, savings and money market accounts, certificates of deposits (CD), and individual retirement accounts. Business products and services include checking accounts, saving accounts, cash management, and merchant services. Personal and business loan products include mortgages, home equity loans, commercial lending, and personal loans. bankESB also offers municipal banking products and services, such as deposit accounts, lending services, and cash management services. Lastly, the bank offers securities and advisory services through LPL Financial, Boston, Massachusetts.

As of June 30, 2023, assets totaled \$1.9 billion, loans totaled \$1.5 billion, and deposits totaled \$1.6 billion. Since the last examination, assets increased by \$294.2 million, or 18.3 percent. The increase in assets is attributed to a \$353.9 million increase in loans. For the majority of the bank's loan products, there has been stable growth since the last examination for the different loan types. The most significant growth was in multifamily lending, where there was an increase in lending from \$86.3 million on March 31, 2021, to \$251.0 million on June 30, 2023. This accounted for a 190.8 percent increase, and this product line accounts for 16.1 percent of total loans, up from 7.2 percent at the previous examination. During the same period, residential lending, as a percentage of the bank's loan portfolio, increased from 43.7 percent to 48.8 percent. The increase is primarily attributed to the growth in multifamily lending.

Table 1 illustrates that the bank is primarily a real estate lender, with 85.7 percent of loans secured by real estate. Commercial real estate, which includes nonfarm nonresidential owner-occupied properties and other nonfarm nonresidential properties, accounts for the largest portion of the portfolio, at 35.2 percent. One-to-four residential secured loans, which include first and junior lien closed-end loans, account for the next largest share, at 30.4 percent.

<b>Table 1</b>		
<b>Loan Distribution as of June 30, 2023</b>		
<b>Loan Type</b>	<b>Dollar Amount \$(000)</b>	<b>Percent of Total Loans (%)</b>
Construction and Land Development	24,517	1.6
Revolving 1-4 Family Residential	34,572	2.2
1-4 Family Residential	473,176	30.4
Multi-Family (5 or more) Residential	250,977	16.1
Farmland	1,468	0.1
Commercial Real Estate Loans	547,198	35.2
<b>Total Real Estate Loans</b>	<b>1,331,908</b>	<b>85.7</b>
Commercial and Industrial	205,702	13.2
Consumer	1,665	0.1
Obligations of states and political subdivisions	15,686	1.0
<b>Total Loans</b>	<b>1,554,961</b>	<b>100.0</b>

Call Report as of June 30, 2023

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

There is notable competition for both residential and small business loans in the assessment area. In 2022, bankESB was ranked 16<sup>th</sup> of 387 lenders (96<sup>th</sup> percentile) for originating or purchasing residential loans captured in Home Mortgage Disclosure Act (HMDA) data within the assessment area. For the same year, bankESB was ranked 24<sup>th</sup> out of 110 (78<sup>th</sup> percentile) small business reporters. Citizens Bank, N.A. ranked first for HMDA lending and PeoplesBank ranked second. Local banks ranked ahead of bankESB for HMDA lending included Florence Bank and Westfield Bank, at third and fifth, respectively. American Express N.B. was ranked first for small business lending, followed by several significantly larger national banks such as JPMorgan Chase Bank, N.A. Citibank, N.A., Bank of America, N.A., Capital One, N.A.

There is also strong competition for deposits in the assessment area. According to the June 30, 2023 Federal Deposit Insurance Corporation Summary of Deposits Report, bankESB ranked 6<sup>th</sup> of 19 institutions with a deposit market share of 7.54 percent in the assessment area. KeyBank, N.A. ranked first, with 14.6 percent, and Bank of America, N.A. ranked second, with 12.6 percent. It is notable that of the 19 institutions with branches in the assessment area, only four institutions had deposit market shares over 10.0 percent.

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

bankESB was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on May 17, 2021. The bank received an overall rating of Satisfactory with component ratings of High Satisfactory for the Lending Test, Low Satisfactory for the Investment Test, and High Satisfactory for the Service Test.

The CRA requires a bank to define an assessment area within which its CRA performance will be evaluated. bankESB has one assessment area that is comprised of 139 of the 158 tracts in the

Springfield, MA MSA. The assessment area includes all of Hampshire County and all of Hampden County. Franklin County, which is a part of the Springfield, MA MSA, is not included in the assessment area.

Table 2 and 3 provide relevant data for the bank’s assessment area for the years 2021 and 2022, respectively.

Table 2 2021 bankESB Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	24	17.3	19,475	13.0	8,031	41.2	36,811	24.6
Moderate	22	15.8	22,849	15.2	4,034	17.7	23,495	15.7
Middle	41	29.5	47,974	32.0	3,668	7.6	26,786	17.9
Upper	48	34.5	59,517	39.7	2,277	3.8	62,783	41.9
Unknown	4	2.9	60	0.0	12	20.0	0	0.0
<b>Total AA</b>	<b>139</b>	<b>100.0</b>	<b>149,875</b>	<b>100.0</b>	<b>18,022</b>	<b>12.0</b>	<b>149,875</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	35,921	6,954	4.7	19.4	24,913	69.4	4,054	11.3
Moderate	40,857	18,315	12.4	44.8	18,516	45.3	4,026	9.9
Middle	86,044	52,037	35.2	60.5	28,070	32.6	5,937	6.9
Upper	91,795	70,369	47.6	76.7	16,096	17.5	5,330	5.8
Unknown	343	15	0.0	4.4	246	71.7	82	23.9
<b>Total AA</b>	<b>254,960</b>	<b>147,690</b>	<b>100.0</b>	<b>57.9</b>	<b>87,841</b>	<b>34.5</b>	<b>19,429</b>	<b>7.6</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3,272	13.3	2,878	12.8	379	18.8	15	8.3
Moderate	3,559	14.4	3,172	14.1	372	18.5	15	8.3
Middle	7,288	29.5	6,682	29.7	556	27.6	50	27.6
Upper	10,426	42.3	9,626	42.8	699	34.7	101	55.8
Unknown	131	0.5	121	0.5	10	0.5	0	0.0
<b>Total AA</b>	<b>24,676</b>	<b>100.0</b>	<b>22,479</b>	<b>100.0</b>	<b>2,016</b>	<b>100.0</b>	<b>181</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	17	12.2	11,515	7.6	4,436	38.5	36,359	24.1
Moderate	30	21.6	32,356	21.4	5,368	16.6	24,447	16.2
Middle	44	31.7	49,352	32.7	3,432	7.0	27,546	18.2
Upper	43	30.9	57,592	38.1	1,935	3.4	62,747	41.5
Unknown	5	3.6	284	0.2	39	13.7	0	0.0
<b>Total AA</b>	<b>139</b>	<b>100.0</b>	<b>151,099</b>	<b>100.0</b>	<b>15,210</b>	<b>10.1</b>	<b>151,099</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	22,899	3,489	2.3	15.2	16,874	73.7	2,536	11.1
Moderate	60,074	24,316	16.0	40.5	30,848	51.4	4,910	8.2
Middle	85,106	56,129	37.0	66.0	23,074	27.1	5,903	6.9
Upper	88,881	67,753	44.7	76.2	16,942	19.1	4,186	4.7
Unknown	867	25	0.0	2.9	649	74.9	193	22.3
<b>Total AA</b>	<b>257,827</b>	<b>151,712</b>	<b>100.0</b>	<b>58.8</b>	<b>88,387</b>	<b>34.3</b>	<b>17,728</b>	<b>6.9</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low	2,236	9.1	1,935	8.7	284	14.2	17	8.7
Moderate	5,073	20.7	4,567	20.5	482	24.1	24	12.2
Middle	7,047	28.7	6,438	28.8	541	27.1	68	34.7
Upper	9,929	40.5	9,180	41.1	663	33.2	86	43.9
Unknown	240	1.0	212	0.9	27	1.4	1	0.5
<b>Total AA</b>	<b>24,525</b>	<b>100.0</b>	<b>22,332</b>	<b>100.0</b>	<b>1,997</b>	<b>100.0</b>	<b>196</b>	<b>100.0</b>
<small>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.</small>								

### Assessment Area Composition

In May 2021, the bank expanded its assessment area from 79 census tracts to 139. All 60 tracts that were added to the assessment area are located in Hampden County as the bank now includes the county in its entirety. Of the 60 census tracts added to the assessment area, 16 were low-income census tracts, 13 were moderate-income census tracts, 13 were middle-income census tracts, and 18 were upper-income census tracts. Of the total 139 census tracts in the assessment area, 17, or 12.2 percent, are low-income, 30 tracts, or 21.6 percent are moderate-income, 44, or 31.7 percent are middle-income, 43, or 30.9 percent are upper-income, and 5 are unknown-income. Four of the five unknown-income tracts are comprised of the campuses of The University of Massachusetts Amherst, Hampshire College, and Smith College. The fifth unknown-income census tract is located in Springfield. Table 4 illustrates the dispersion of low- and moderate-income tracts in the cities and towns in the assessment area.



<b>Table 4 Assessment Area Low- and Moderate-Income Census Tracts</b>				
<b>City/Town</b>	<b>2015 ACS</b>		<b>2020 U.S. Census</b>	
	<b>Low</b>	<b>Moderate</b>	<b>Low</b>	<b>Moderate</b>
<b>Easthampton</b>	0	0	0	1
<b>Ware</b>	0	1	0	1
<i>Hampshire County</i>	<i>0</i>	<i>1</i>	<i>0</i>	<i>2</i>
<b>Chicopee</b>	0	6	0	6
<b>Holyoke</b>	8	1	5	2
<b>Ludlow</b>	0	1	0	0
<b>Palmer*</b>	0	0	0	1
<b>Springfield*</b>	16	12	12	11
<b>West Springfield</b>	0	1	0	2
<b>Westfield</b>	0	1	0	2
<i>Hampden County</i>	<i>24</i>	<i>21</i>	<i>17</i>	<i>28</i>
<b>Total</b>	<i>24</i>	<i>22</i>	<i>17</i>	<i>30</i>
*Denotes towns/cities added to the bank's assessment area in the review period 2011-2015 U.S. Census Bureau: American Community Survey 2016-2020 U.S. Census Bureau: American Community Survey				

The City of Springfield in Hampden County has the largest concentration of low- and moderate-income tracts in the assessment area. Other notable concentrations of low- and moderate-income tracts are in Holyoke and Chicopee, also in Hampden County. Additionally, all the low-income tracts (24) are located in Hampden County and 21 of 22 moderate-income tracts for the 2015 ACS and 28 of 30 moderate-income tracts for the 2020 U.S. Census are located in Hampden County.

### *Population*

The population of the assessment area is 628,133 individuals, comprised of 240,099 households and 151,099 families. Hampden County accounts for 74.2 percent of the population, 75.2 percent of households, and 76.3 percent of families in the assessment area. Also, of note, nearly a quarter of the population of the entire assessment area resides in the City of Springfield. The population density of this city relative to the assessment area may suggest increased opportunities to originate loans, while other areas in Hampshire County may be more challenging to penetrate as the population is more dispersed.

### *Housing*

The assessment area contains 257,827 housing units, of which 58.8 percent are owner-occupied, 34.3 percent are rental units, and 6.9 percent are vacant. Of the housing units, 34.5 percent are in upper-income tracts, 33.0 percent are in middle-income tracts, 23.3 percent are in moderate-income tracts, 8.9 percent are in low-income tracts, and 0.3 are in unknown-income census tracts. Of all housing units, 75.1 percent are in Hampden County, with the City of Springfield containing the largest concentration of low- and moderate-income census tracts. Therefore, the bank's performance for home mortgage lending is subject to demographic and competitive

factors within this city. In the low-income tracts in the City of Springfield, only 16.4 percent of housing units are owner-occupied, while 72.5 percent are rental units, and 11.4 percent are vacant. In the moderate-income census tracts, 42.7 percent of units are owner-occupied while 49.4 percent are rental units and 11.4 are vacant. The high percentage of rental and vacant units may suggest challenges in originating home mortgage loans in the low- and moderate-income tracts in the city.

According to recent data from The Warren Group, Peabody, MA, median home sale prices in Hampshire and Hampden counties are far below that of the Commonwealth of Massachusetts (the Commonwealth). From 2021 to 2023, combined median sales prices of single-family homes and condominiums in the Commonwealth increased from \$495,000 to \$550,000. During the same period in Hampshire County, the median sales price increased from \$320,000 to \$375,000 and in Hampden County the median sales prices increased from \$255,000 to \$304,000. As of 2023, median home sale prices in the City of Springfield remain very low compared to the Commonwealth, at \$269,500. While the 2023 median home sale prices in the City of Springfield suggest low- and moderate-income borrowers may be well-qualified home buyers based on their income, a community contact that works extensively in affordable housing in the City of Springfield stated that while home prices are relatively low, many low- and moderate-income individuals cannot afford homeownership due to their low-incomes.

### *Business Characteristics*

According to Dun & Bradstreet, Jacksonville, FL (D&B) data, there are 24,525 businesses operating in the assessment area. Of the businesses, 91.1 percent have gross annual revenues (GARs) of \$1 million or less. Most businesses are in upper- and middle-income tracts, at 28.7 percent and 40.5 percent, respectively. Only 20.7 percent of businesses are in moderate-income tracts and 9.1 percent are in low-income tracts. The lower percentages of businesses in low- and moderate-income tracts suggest limited opportunity to originate small business loans in these areas. The largest employers in Hampshire County include C&S Wholesale Grocers, Inc., Amherst College, Cooley Dickinson Hospital, Berry Global, and Northampton VA Medical Center. The largest employers in Hampden County include American Postal Workers Union, Baystate Health, General Dynamics, and MGM Springfield.

### *Income*

The Federal Financial Institutions Examination Council (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. The following table displays the MFI for the assessment area.

<b>Table 5</b>		
<b>Median Family Income</b>		
<b>MSA</b>	<b>2021</b>	<b>2022</b>
Springfield, MA MSA	\$81,300	\$91,300
Commonwealth of Massachusetts*	\$111,700	\$119,400
<i>FFIEC median family income estimates</i>		
<i>*Represents non-MSA portions of the state</i>		

Table 5 shows the MFI for the Springfield, MA MSA and the Commonwealth for 2021 to 2022. The MFI, for both the Springfield, MA MSA and the Commonwealth, increased year over year. From 2021 to 2022, the MFI in the Springfield, MA MSA increased from \$81,300 to \$91,300, or 12.3 percent, and the MFI for the Commonwealth increased from \$111,700 to \$119,400, or 6.9 percent. The relatively low MFI in the Springfield, MA MSA is consistent with comments made by the community contacts and could be a factor in the unaffordability of accessing credit for homeownership.

In the assessment area, upper-income families account for the largest portion of families by income, at 41.5 percent. Low-income families account for 24.1 percent, middle-income families account for 18.2 percent, and moderate-income families account for 16.2 percent. Out of the all the low-income families in the assessment area, 53.4 percent are in the City of Springfield.

*Employment Statistics*

In 2020, the COVID-19 pandemic resulted in significant increases in the unemployment rate across the United States in a very short period. Although the peak of unemployment resulting from COVID-19 was prior to the review period, the effects to the unemployment rate had lasting impact. According to the Bureau of Labor Statistics, the highest unemployment rate for the Springfield, MA MSA during the review period was 6.1 percent in June 2021. The unemployment rate steadily dropped to 2.9 percent in August 2023. The average unemployment rate during the review period for the Springfield, MA MSA was 4.6 percent which was higher than the Commonwealth, at 3.8 percent.

## SCOPE OF EXAMINATION

bankESB's performance review was based on CRA activities conducted using the FFIEC Examination Procedures for Large Institutions<sup>1</sup>. These procedures evaluate banks under three tests: the Lending Test, the Investment Test, and the Service Test.

The Lending Test evaluates the bank's lending performance pursuant to the following criteria: lending activity, assessment area concentration of loans, geographic distribution of loans, borrower's profile, responsiveness of credit needs, community development lending activity, and product innovation. The Investment Test evaluates the bank's performance pursuant to the following criteria: investment and grant activity, responsiveness to credit and community development needs, and community development initiatives. The Service Test evaluates the bank's performance pursuant to the following criteria: accessibility of delivery systems, changes in branch locations, reasonableness of business hours and services, and community development services.

Home mortgage lending data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to HMDA. The evaluation includes 2021 and 2022. Closed-end other purpose loans were not included in the evaluation. The bank's residential loan performance was compared to applicable aggregate data; the 2021 and 2022 aggregate data was obtained from the Consumer Finance Protection Bureau (CFPB). Aggregate data consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the bank's assessment area. Closed-end other purpose loans for 2021 and 2022 were excluded from the aggregate data. The bank's home mortgage lending performance for all years was also compared to demographics from the 2020 American Community Survey (ACS).

Small business loans included commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. The bank's small business loan performance was compared to small business demographic and aggregate data obtained from D&B.

The evaluation period for the Investment Test and the Service Test was May 17, 2021 through October 16, 2023. Qualified investments and community development services were evaluated in the context of community needs and the capacity of the bank.

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<sup>1</sup> "Large institutions" are banks or savings associations with assets of at least \$1.503 billion as of December 31 of both of the prior two calendar years.

## 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.

The first community contact was conducted with a director who works at an organization focused on strengthening housing stability and economic mobility. The organization serves communities throughout Western Massachusetts, including Hampden and Hampshire counties. The contact indicated several needs and opportunities in Hampshire County, including affordable home improvement loans for maintaining the aging housing stock, which is primarily occupied by a large senior population. The contact also noted that there is a need for more housing stock. The contact stated that the banks and credit unions operating in the region are generally responsive to the credit needs of the community.

The second community contact was conducted with the president and CEO of a community development corporation that focuses on economic development, education, community organizing, and real estate development. The contact noted that while the housing market is challenging, people are resilient and working towards attaining homeownership. However, for many in the low- and moderate-income populations, even with downpayment assistance, homeownership is unaffordable. The contact stated that there are opportunities for banks to be more involved in the investment space. Specifically, participation in funding for short term consumer loans and micro business loans. These programs can make a positive impact to the community.

Lastly, examiners leveraged a community contact conducted during a CRA examination for a different institution that serves the same communities as bankESB. The contact was conducted with the president of a nonprofit community development financial institution. The mission of the organization is to create economic opportunities for historically underserved businesses. The contact stated that consumer and business behaviors have returned to normalcy from COVID-19. Challenges that small and new businesses are having include a tight labor market, challenges with getting loans under \$50,000, and financing if the business is less than two years old. The contact listed bankESB as an active financial institution in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

bankESB's performance under the Lending Test is rated High Satisfactory.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance.

#### **Lending Activity**

The bank demonstrates excellent responsiveness to the credit needs in its assessment area, taking into account the number and amount of home mortgage, small business, and small farm loans in its assessment area.

During the evaluation period, the bank originated 1,485 residential and small business, and small farm loans, of which 1,296 were in the assessment area. Of the loans in the assessment area, 684 were residential, 604 were small business, and 8 were small farm loans. The bank's level of residential loan originations in the assessment area decreased during the evaluation period. The bank originated 410 residential loans in 2021, and 274 residential loans in 2022, a 33.2 percent decrease. Small business lending in the assessment area also decreased during the evaluation period from 533 in 2021, to 71 in 2022, an 86.1 percent decrease. The residential lending decrease can be attributed to the rising interest rate environment. The decrease in small business lending is attributed to the termination of the Payment Protection Program (PPP). Small business lending in 2021 was bolstered by PPP loans as the bank originated 458 loans through this program before dropping off in 2022.

During the evaluation period, bankESB was a top residential lender in the assessment area. For each year, the bank was in the 95<sup>th</sup> percentile for HMDA originations and/or purchases; the bank ranked 20<sup>th</sup> of 405 lenders in 2021 and ranked 16<sup>th</sup> of 387 lenders in 2022. For small business lending, the bank ranked 7<sup>th</sup> of 121 lenders (94<sup>th</sup> percentile) in 2021 and ranked 20<sup>th</sup> of 110 lenders (82<sup>nd</sup> percentile) in 2022. Notably, in 2021, bankESB was a top lender in the assessment area for originating PPP loans. The bank ranked 1<sup>st</sup> of 101 lenders and originated 283 PPP loans in Hampshire County. In Hampden County, the bank originated 175 PPP loans and ranked 11<sup>th</sup> of 124 lenders. In Hampshire and Hampden counties combined, the bank originated 458 PPP loans and was ranked second of 155 lenders.

#### **Distribution of Lending within the Assessment Area**

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 6 demonstrates a high percentage of its loans are made in its assessment area. The following table 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 Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	23	92	\$2,265	73.6	2	8	\$812	26.4
Home Purchase - Conventional	270	81.8	\$78,773	78.2	60	18.2	\$21,931	21.8
Home Purchase - FHA	1	50	\$428	52.5	1	50	\$388	47.5
Loan Purpose Not Applicable	10	66.7	\$1,016	38.7	5	33.3	\$1,606	61.3
Multi-Family Housing	15	83.3	\$28,029	71.8	3	16.7	\$11,010	28.2
Other Purpose Closed-End	52	91.2	\$4,551	82.3	5	8.8	\$976	17.7
Refinancing	313	89.4	\$63,152	86.2	37	10.6	\$10,105	13.8
<b>Total HMDA related</b>	<b>684</b>	<b>85.8</b>	<b>\$178,215</b>	<b>79.2</b>	<b>113</b>	<b>14.2</b>	<b>\$46,827</b>	<b>20.8</b>
Small Business	604	89.1	\$59,438	85.9	74	10.9	\$9,740	14.1
<b>Total Small Bus. related</b>	<b>604</b>	<b>89.1</b>	<b>\$59,438</b>	<b>85.9</b>	<b>74</b>	<b>10.9</b>	<b>\$9,740</b>	<b>14.1</b>
Small Farm	8	80	\$766	91.3	2	20	\$73	8.7
<b>Total Small Farm related</b>	<b>8</b>	<b>80</b>	<b>\$766</b>	<b>91.3</b>	<b>2</b>	<b>20</b>	<b>\$73</b>	<b>8.7</b>
<b>TOTAL LOANS</b>	<b>1,296</b>	<b>87.3</b>	<b>\$238,419</b>	<b>80.8</b>	<b>189</b>	<b>12.7</b>	<b>\$56,640</b>	<b>19.2</b>

HMDA and small business data for 2021 and 2022

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

## Residential Lending

In 2022, the bank originated 336 loans, of which 274 loans, or 81.5 percent, were inside the assessment area. In 2021, the bank originated a total of 461 residential loans, of which 410 loans, or 88.9 percent, were inside the assessment area. Refinancings accounted for the highest share of residential loans in the assessment area for each year.

## Small Business Lending

In 2022, the bank originated 78 small business loans, of which 71 loans, or 91.0 percent, were inside the assessment area. In 2021, the bank originated 600 small business loans, of which 533 loans, or 88.8 percent, were inside the assessment area. Included in the 600 small business loans in 2021 are the PPP loans. In 2021, the bank originated 458 PPP loans in the assessment area for \$30.3 million that had loan amounts of \$1 million or less. Taking the PPP loans out of consideration in 2021, the bank's small business loan volume was stable from 2021, at 75 loans, to 78 loans in 2022.

## Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrates an adequate geographic distribution of loans in its assessment area.

## Residential Lending

Table 7 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution is adequate.

Table 7 Distribution of 2021 and 2022 Home Mortgage Lending By Income Level of Geography Assessment Area: Easthampton AA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2021						2022						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	#%	\$(000)	\$%	\$%	#	%	#%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	11	8.0	9.3	1,866	5.5	7.7	4	3.1	5.4	445	1.3	4.5	2.3
Moderate	3	2.2	17.1	543	1.6	14.3	17	13.1	23.9	2,939	8.4	20.5	16.0
Middle	55	39.9	35.0	12,695	37.7	32.6	51	39.2	34.9	14,207	40.4	32.6	37.0
Upper	69	50.0	38.7	18,559	55.1	45.5	58	44.6	35.6	17,588	50.0	42.4	44.7
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.1	0	0.0	0.1	0.0
<b>Total</b>	<b>138</b>	<b>100.0</b>	<b>100.0</b>	<b>33,663</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>100.0</b>	<b>35,179</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	6	2.5	4.0	864	1.8	3.0	0	0.0	2.6	0	0.0	2.2	2.3
Moderate	5	2.1	11.8	768	1.6	8.8	6	8.3	19.6	1,424	10.6	16.7	16.0
Middle	84	35.3	34.2	15,030	31.0	30.7	35	48.6	37.2	5,799	43.1	34.8	37.0
Upper	143	60.1	50.0	31,847	65.7	57.4	31	43.1	40.6	6,219	46.3	46.3	44.7
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
<b>Total</b>	<b>238</b>	<b>100.0</b>	<b>100.0</b>	<b>48,509</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>100.0</b>	<b>13,442</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	0	0.0	4.8	0	0.0	3.9	0	0.0	1.5	0	0.0	1.2	2.3
Moderate	0	0.0	10.7	0	0.0	7.1	3	23.1	12.3	290	17.5	12.6	16.0
Middle	4	40.0	33.5	322	52.6	34.6	5	38.5	39.8	993	60.1	34.2	37.0
Upper	6	60.0	51.0	290	47.4	54.5	5	38.5	46.4	370	22.4	52.0	44.7
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	<b>612</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>100.0</b>	<b>1,653</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>													<b>Multi-family Units %</b>
Low	0	0.0	27.4	0	0.0	24.3	7	46.7	14.8	12,545	60.9	10.1	24.9
Moderate	1	16.7	23.0	680	3.6	11.2	4	26.7	39.8	1,985	9.6	17.0	26.7
Middle	4	66.7	31.1	12,833	67.5	35.9	2	13.3	24.2	5,243	25.5	29.4	25.3
Upper	1	16.7	18.5	5,493	28.9	28.7	2	13.3	18.8	813	3.9	38.6	21.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	2.3	0	0.0	4.9	1.3
<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>19,006</b>	<b>100.0</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>100.0</b>	<b>20,586</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													<b>Owner Occupied Units %</b>
Low	17	4.1	6.3	2,730	2.7	5.8	11	4.0	4.0	12,990	17.3	4.1	2.3
Moderate	9	2.2	14.0	1,991	1.9	11.3	33	12.0	20.9	6,753	9.0	18.7	16.0
Middle	150	36.6	34.5	41,082	39.9	31.8	107	39.1	36.2	27,718	36.9	33.0	37.0
Upper	234	57.1	45.3	57,215	55.5	51.0	123	44.9	38.8	27,738	36.9	43.8	44.7
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.1	0	0.0	0.4	0.0
<b>Total</b>	<b>410</b>	<b>100.0</b>	<b>100.0</b>	<b>103,018</b>	<b>100.0</b>	<b>100.0</b>	<b>274</b>	<b>100.0</b>	<b>100.0</b>	<b>75,199</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 17 loans, or 4.1 percent, in low-income tracts and 9 loans, or 2.2 percent, in moderate-income tracts. The bank’s lending in both low- and moderate-income tracts trailed the aggregate at 6.3 percent and 14.0 percent, respectively. The bank and the aggregate surpass the percentage of owner-occupied housing units in low-income tracts but trail the percentage of owner-occupied units in moderate-income tracts. It is worth noting that the bank



expanded its assessment area in May 2021 which increased the number of low- and moderate-income census tracts significantly from 26 to 47 tracts. Additionally, 23 of the 47 low- and moderate-income census tracts are in the City of Springfield where the bank faces significant competition. In the City of Springfield, there are 32 branches operated by 11 banks, of which six are significantly larger national banks. The bank originated 5 loans in low-income census tracts and 0 loans in moderate-income census tracts in the City of Springfield.

In 2022, the bank originated 11 loans, or 4.0 percent, in low-income tracts and 33 loans, or 12.0 percent, in moderate-income tracts. The bank's lending in low-income census tracts was in-line with the aggregate, at 4.0 percent, but trailed the aggregate in moderate-income census tracts, at 20.9 percent. The bank surpassed the percentage of owner-occupied housing units in low-income tracts, at 2.3 percent; however, the bank lagged the percentage of owner-occupied housing units in moderate-income tracts, which was at 16.0 percent. The bank demonstrated an improved performance in lending to low and moderate-income census tracts in 2022 compared to 2021. In 2022 the bank originated 44 loans in low- and moderate-income census tracts compared to 26 loans, or 6.3 percent in 2021.

During the evaluation period, the bank penetrated 2 of the 17 low-income tracts and 10 of the 30 moderate-income tracts in 2022, and 11 of the 24 low-income tracts and 8 of the 22 moderate-income census tracts in 2021. There are no conspicuous lending gaps in low- or moderate-income tracts. The low level of lending in low- and moderate-income tracts during the review period can be attributed to the recent expansion of the bank's assessment area. However, going forward it is expected that the bank's performance in lending in the low- and moderate-income census tracts will improve. Specifically, there is opportunity for the bank to improve its lending performance in the City of Springfield as the bank originated 5 loans in low- and moderate-income census tracts in 2021, and 4 loans in low- and moderate-income census tracts in 2022.

### Small Business Lending

Table 8 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loan is adequate.

Table 8 Distribution of 2021 and 2022 Small Business Lending By Income Level of Geography Assessment Area: Easthampton AA													
Geographic Income Level	Bank And Aggregate Loans By Year												Total Businesses %
	2021						2022						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
<b>Low</b>	56	10.5	12.8	7,830	18.2	15.8	5	7.0	8.4	2,126	12.9	9.7	9.1
<b>Moderate</b>	26	4.9	15.2	2,295	5.3	18.5	16	22.5	21.0	3,756	22.8	22.5	20.7
<b>Middle</b>	213	40.0	29.7	18,321	42.6	28.1	18	25.4	29.9	4,021	24.5	29.1	28.7
<b>Upper</b>	237	44.5	41.6	14,530	33.8	37.1	32	45.1	39.4	6,542	39.8	37.9	40.5
<b>Unknown</b>	1	0.2	0.2	17	0.0	0.5	0	0.0	0.5	0	0.0	0.5	1.0
<b>Tract-Unk</b>	0	0.0	0.5	0	0.0	0.1	0	0.0	0.7	0	0.0	0.3	
<b>Total</b>	533	100.0	100.0	42,993	100.0	100.0	71	100.0	100.0	16,445	100.0	100.0	100.0

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 56 small business loans, or 10.5 percent, in low-income tracts, which was slightly below the aggregate at 12.8 percent but above the total businesses of 9.1 percent. For the same year the bank originated 26, or 4.9 percent, in moderate-income tracts which was significantly below the aggregate and significantly below the total businesses of 20.7 percent. However, the bank’s lending performance was anomalous due to the bank’s PPP lending. In 2021, 458 of 533 small business loans were PPP loans. PPP loans are considered responsive to the credit needs of the community as they were designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic.

In 2022, the bank originated 5 small business loans, or 5.0 percent, in low-income tracts, which is slightly below the aggregate of 8.4 percent but below the total businesses of 9.1 percent. For the same year, the bank originated 16 loans, or 22.5 percent, in moderate-income tracts, which was slightly above the aggregate of 21.0 percent. Additionally, both the bank and the aggregate outperformed lending to total businesses in moderate-income tracts, which was at 20.7 percent.

In 2021, the bank made a small business loan in 17 of the 24 low-income tracts and 15 of the 22 moderate-income tracts; while in 2022, the bank made a small business loan in 3 of the 17 low-income tracts and 6 of the 30 moderate-income tracts. The bank penetrated the majority of the low- and moderate-income tracts in 2021, which can be attributed to the lending volume resulting from the PPP loans. In 2022, the bank’s lending penetration to low- and moderate-income tracts decreased which is attributable to the decrease in lending and recentness of the assessment area expansion.

### **Borrowers’ Profile**

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The bank demonstrates an adequate distribution, particularly in its assessment area, of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the bank.

Residential Lending

Table 9 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. The bank’s performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is adequate.

Table 9 Distribution of 2021 and 2022 Home Mortgage Lending By Borrower Income Level Assessment Area: Easthampton AA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
<b>Home Purchase Loans</b>													
Low	12	8.7	7.2	1,814	5.4	4.7	13	10.0	6.0	1,674	4.8	3.4	24.1
Moderate	23	16.7	29.1	4,535	13.5	24.4	33	25.4	28.7	7,646	21.7	23.4	16.2
Middle	37	26.8	22.7	8,752	26.0	21.9	31	23.8	23.1	8,147	23.2	22.7	18.2
Upper	58	42.0	25.9	16,776	49.8	33.6	46	35.4	26.0	15,703	44.6	33.8	41.5
Unknown	8	5.8	15.0	1,786	5.3	15.5	7	5.4	16.2	2,009	5.7	16.7	0.0
<b>Total</b>	<b>138</b>	<b>100.0</b>	<b>100.0</b>	<b>33,663</b>	<b>100.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>100.0</b>	<b>35,179</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>													
Low	13	5.5	5.4	1,389	2.9	3.2	9	12.5	10.4	1,227	9.1	6.9	24.1
Moderate	41	17.2	18.4	6,170	12.7	14.3	13	18.1	26.4	1,787	13.3	22.8	16.2
Middle	67	28.2	23.8	12,681	26.1	21.9	21	29.2	26.3	3,581	26.6	25.4	18.2
Upper	113	47.5	35.1	27,289	56.3	42.3	28	38.9	27.4	6,484	48.2	33.5	41.5
Unknown	4	1.7	17.4	980	2.0	18.4	1	1.4	9.5	363	2.7	11.4	0.0
<b>Total</b>	<b>238</b>	<b>100.0</b>	<b>100.0</b>	<b>48,509</b>	<b>100.0</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>100.0</b>	<b>13,442</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>													
Low	1	10.0	7.2	4	0.7	4.2	0	0.0	8.1	0	0.0	5.6	24.1
Moderate	4	40.0	22.2	186	30.4	17.4	3	23.1	24.4	99	6.0	19.7	16.2
Middle	0	0.0	27.1	0	0.0	24.9	3	23.1	28.6	120	7.3	26.2	18.2
Upper	5	50.0	40.9	422	69.0	49.2	7	53.8	37.6	1,434	86.8	46.8	41.5
Unknown	0	0.0	2.6	0	0.0	4.2	0	0.0	1.4	0	0.0	1.6	0.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	<b>612</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>100.0</b>	<b>1,653</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>													
Low	28	6.9	6.2	3,337	4.0	3.9	25	9.7	7.7	3,081	5.6	4.5	24.1
Moderate	72	17.8	22.6	11,243	13.4	18.8	59	22.8	27.2	10,536	19.3	22.9	16.2
Middle	107	26.5	23.2	21,528	25.6	21.8	66	25.5	24.6	12,758	23.4	23.5	18.2
Upper	185	45.8	31.5	45,138	53.7	38.3	101	39.0	28.1	25,866	47.4	34.5	41.5
Unknown	12	3.0	16.5	2,766	3.3	17.2	8	3.1	12.4	2,372	4.3	14.7	0.0
<b>Total</b>	<b>404</b>	<b>100.0</b>	<b>100.0</b>	<b>84,012</b>	<b>100.0</b>	<b>100.0</b>	<b>259</b>	<b>100.0</b>	<b>100.0</b>	<b>54,613</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2022 FFIEC Census Data													
2016-2020 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.													

In 2021, the bank originated 28 home mortgage loans, or 6.9 percent, to low-income borrowers and 72 loans, or 17.8 percent, to moderate-income borrowers. The bank exceeded the aggregate for low-income borrowers but trailed the low-income family percentage of 24.1 percent. A community contact stated that even with the down payment assistance loan products for low-income families, housing prices are still unaffordable for many low-income families. Therefore, it is not expected that the bank or aggregate will match the percentage of low-income families.

In 2022, the bank originated 25 home mortgage loans, or 9.7 percent, to low-income borrowers and 59 loans, or 22.7 percent, to moderate-income borrowers. While the bank improved its lending by percentage to low- and moderate-income borrowers compared to 2021, so did the aggregate. The bank exceeded the aggregate's lending, 7.7 percent, to low-income borrowers but the bank lagged the aggregate lending, 27.2 percent, to moderate-income borrowers. However, both the bank and aggregate outperformed the percentage of moderate-income families, 16.2 percent, in the assessment area.

The bank demonstrates use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- or moderate-income borrowers. The following is a description of innovative and/or flexible lending programs offered by the bank:

- **Affordable Housing Program** – The bank offers an in-house affordable loan program featuring a 7/3 adjustable-rate mortgage with an initial low rate and requires as little as 3.0 percent down. During the review period, the bank originated 23 loans, totaling \$5.3 million, under this program.
- **Freddie Mac Home Possible** – The Freddie Mac Home Possible mortgage offers very-low to low-income borrowers credit options through a low-down payment and credit flexibility for the purchase of a home. During the evaluation period, the bank originated 19 loans, for approximately \$3.6 million.
- **Equity Builder Program (EBP)** – As a member of the Federal Home Loan Bank of Boston (FHLBB), bankESB participates in the EBP, which provides low- and moderate-income borrowers with down payment, closing cost, home-buyer counseling, and rehabilitation assistance. During the evaluation period, the bank provided 1 grant, totaling \$10,000, under this program.
- **Federal Home Loan Bank Equity Builder Grant** – The FHLBB offers the Housing Our Workforce (HOW) grant program. This program offers homebuyers earning 80-120 percent of the area median income with down-payment and closing cost assistance. bankESB provided 1 grant, for \$15,000, during the evaluation period.
- **MassHousing Loans** – These loans are targeted to qualifying low- and moderate-income borrowers obtaining a fixed-rate mortgage. This loan program offers down payment assistance, financing for both purchase and renovation costs, and discounted mortgage insurance premiums that includes protection against job loss. First time homebuyers also receive low and no-down payment options along with educational resources. As mentioned, per community contacts, renovation for the aging housing stock is a significant need within the assessment area. During the review period the bank originated 7 loans, totaling \$736,500.

- Federal Housing Administration (FHA) Loans** – These are loans from private lenders that the FHA regulates and insures. The FHA loans offer lower down payment options, expanded qualifying criteria, and no income limits. In October 2022, the bank began offering this loan product and originated 3 loans for \$914,000 during the evaluation period.

Small Business Lending

The bank’s small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 10 details the bank’s lending to small businesses according to revenue size. The bank’s performance in lending to businesses with GARs of \$1 million or less is adequate.

Table 10 Distribution of 2021 and 2022 Small Business Lending By Revenue Size of Businesses Assessment Area: Easthampton AA													
	Bank And Aggregate Loans By Year												Total Businesses %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
<b>By Revenue</b>													
\$1 Million or Less	314	58.9	44.5	10,779	25.1	25.6	33	46.5	52.5	7,389	44.9	32.8	91.1
Over \$1 Million	91	17.1		23,439	54.5		38	53.5		9,056	55.1		8.1
Revenue Unknown	128	24.0		8,775	20.4		0	0.0		0	0.0		0.8
<b>Total</b>	<b>533</b>	<b>100.0</b>		<b>42,993</b>	<b>100.0</b>		<b>71</b>	<b>100.0</b>		<b>16,445</b>	<b>100.0</b>		<b>100.0</b>
<b>By Loan Size</b>													
\$100,000 or Less	420	78.8	91.8	9,841	22.9	37.6	28	39.4	94.8	1,501	9.1	42.4	
\$100,001 - \$250,000	64	12.0	5.0	10,323	24.0	21.3	23	32.4	2.9	3,908	23.8	17.0	
\$250,001 - \$1 Million	49	9.2	3.2	22,829	53.1	41.1	20	28.2	2.3	11,036	67.1	40.6	
<b>Total</b>	<b>533</b>	<b>100.0</b>	<b>100.0</b>	<b>42,993</b>	<b>100.0</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>100.0</b>	<b>16,445</b>	<b>100.0</b>	<b>100.0</b>	
<b>By Loan Size and Revenues \$1 Million or Less</b>													
\$100,000 or Less	296	94.3		5,152	47.8		16	48.5		729	9.9		
\$100,001 - \$250,000	10	3.2		1,650	15.3		8	24.2		1,306	17.7		
\$250,001 - \$1 Million	8	2.5		3,977	36.9		9	27.3		5,354	72.5		
<b>Total</b>	<b>314</b>	<b>100.0</b>		<b>10,779</b>	<b>100.0</b>		<b>33</b>	<b>100.0</b>		<b>7,389</b>	<b>100.0</b>		
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.													

In 2021, the bank originated 314 small business loans, or 58.9 percent, to businesses with GARs of \$1 million or less. At 58.9 percent, the bank exceeded the aggregate, at 44.5 percent. The loan volume in 2021 is not representative of the bank’s typical lending capacity as 458 of the 533 loans were PPP loans. In 2021, the bank was in the 94<sup>th</sup> percentile of lending to businesses with GARs of \$1 million or less. In 2022, the bank originated 33 small business loans, or 46.5 percent, to businesses with GARs of \$1 million or less. At 46.5 percent, the bank trailed the aggregate of 52.5 percent, and was in the 81<sup>st</sup> percentile. However, the bank exceeded the

aggregate by dollar amount in lending to businesses with GARS of \$1 million or at 44.9 percent compared to the aggregate at 32.8 percent.

The following is a description of innovative and/or flexible lending programs offered by the bank.

- **Small Business Banking Partnership** – bankESB is a participating bank in the Massachusetts Office of the State Treasurer’s Small Business Banking Partnership. This program was created to help banks expand their small business loan programs by moving state deposits into qualified community banks for loans to small, creditworthy businesses. The capital is intended for small business to expand and create new jobs.
- **Small Business Administration (SBA) Loans** – The bank offers SBA 7(a) loans and 504 loans. The 7(a) program is targeted to small businesses for short- and long-term working capital, refinance of current business debt, and the purchase of furniture, fixtures, and supplies. The maximum loan amount is \$5 million. The 504 program is a long-term financing tool for small businesses that promotes economic development through the acquisition of major fixed assets for business expansion and job creation. Under this program, the bank partners with a certified development company (CDC) to finance the small businesses.

### **Community Development Lending Activities**

The institution’s community development lending activities are evaluated pursuant to the following criteria: 1) The number and amount of community development loans in the institution’s assessment area(s); 2) the extent to which community development lending opportunities have been made available to the institution; 3) the responsiveness to the opportunities for community development lending; 4) the extent of leadership the institution has demonstrated in community development lending; and 5) the innovativeness or complexity involved.

The bank demonstrates it is a leader in making community development loans. The bank originated 44 qualified community development loans, totaling \$84.5 million. A sampling of the bank’s community development lending activity during the evaluation period is provided below.

- Four loans to a community development financial institution, totaling \$3.8 million, were used to acquire properties to build affordable housing. For example, one of the loans was used to purchase a 114-room motel located in a moderate-income tract. The motel is set to be converted into a 90-unit permanent supportive housing development for formerly homeless households.
- A \$4.2 million commercial construction loan to a community development corporation to construct 28-units of affordable housing in Amherst, MA.
- A \$3.2 million SBA 504 construction loan qualified as an economic development loan. The loan was for the construction of a self-storage facility in a low-income census tract in the City of Springfield.
- The funds from a \$1.0 million loan were used to purchase and renovate a 37-unit building

in a low-income census tract in Holyoke. Twenty-five of the units will be supported by the Massachusetts Rental Voucher Program.

Overall, the bank exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its assessment area, low-income individuals, and/or very small businesses, consistent with safe and sound banking practices. The bank was a top HMDA lender and is competitive at originating small business loans throughout the assessment area. The bank was also the top PPP lender in Hampshire County and was ranked 4<sup>th</sup> for PPP loan originations across Hampshire and Hampden County combined. Additionally, the bank is considered a leader in making community development loans in the assessment area.

## INVESTMENT TEST

bankESB's performance under the Investment Test is rated Low Satisfactory. The Investment Test evaluates the institution's record of meeting the credit needs of its assessment area through its use of qualified investments<sup>2</sup> that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The institution's investment performance is evaluated pursuant to the following criteria: 1) the number and dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

- The bank demonstrates a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position.
- The bank demonstrates occasional use of innovative or complex qualified investments.
- The bank demonstrates adequate responsiveness to credit and community development needs.

## Equity Investments

The following includes descriptions of qualified investments held by the bank during the evaluation period:

- **Freddie Mac Loan Pool** – During the review period the bank purchased five Freddie Mac mortgage-backed securities that were secured by loans made to low- and moderate-income borrowers within the bank's assessment area. The loan pools totaled \$6.8 million. In addition, the bank held a Freddie Mac Loan Pool that was purchased prior to the review period with a book value of \$681,725.
- **Community Investment Tax Credit (CITC)** – The CITC program is designed to enable local residents and stakeholders to work with and through community development corporations (CDCs) to partner with nonprofit, public, and private entities to improve economic opportunities for low- and moderate-income households and other residents in

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<sup>2</sup> A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

urban, rural, and suburban communities across the Commonwealth. The bank maintains a total of \$33,500 in CITCs purchased from three CDCs in the assessment area, of which \$6,000 was purchased during the evaluation period.

- Access Capital Community Investment Fund (the Fund)** – The Fund seeks to invest in debt securities specifically designed to support economic activities such as affordable housing, education, small business lending, and job creation. The bank’s investment in the Fund supports affordable housing as the loans underlying the bank’s investment were originated to low- and moderate-income borrowers in Agawam, Chicopee, Westfield, Belchertown, Northampton, and South Hadley. As of the examination, the book value of the bank’s 2011 investment was \$1,162,532.

The bank demonstrates adequate responsiveness to credit and community development needs. The majority of the investments made during the review period were mortgage-backed securities. While mortgage-backed securities are a qualifiable investment, they are typically considered less responsive than other investment opportunities. For example, investing in a community development organization that specializes in originating home mortgage loans to low- or moderate-income individuals would be considered more responsive than an investment of the same amount in a single-family mortgage-backed security in which the majority of the loans are to low- or moderate-income borrowers. Although both of these activities may receive consideration as a qualified investment, the former example would be considered to be more responsive than the latter.

**Grants and Donations**

Table 11 displays the bank and charitable foundation’s qualified grants and donations by year and community development purpose.

Table 11 Qualified Donations by Purpose								
Community Development Category	2021 (as of May 17th)		2022		2023 YTD		Total	
	#	\$	#	\$	#	\$	#	\$
Affordable Housing	4	5,500	4	7,500	2	2,000	10	15,000
Community Services	44	99,005	85	184,765	57	101,896	186	385,666
Economic Development	4	4,250	6	23,496	5	15,300	15	43,046
Revitalization/Stabilization	2	3,600	4	2,750	4	104,000	10	110,350
<b>Total</b>	<b>54</b>	<b>112,355</b>	<b>99</b>	<b>218,511</b>	<b>68</b>	<b>223,196</b>	<b>221</b>	<b>554,062</b>

*Bank provided qualified investment data.*

During the evaluation period, the bank provided 221 donations, totaling \$554,062, to 128 organizations. Donations qualified as community services accounted for the largest share, at \$385,666, and supported organizations providing social services, financial education, childcare, and employment services to low- and moderate-income individuals and families. Donations supporting organizations focusing on revitalization or stabilization accounted for the second largest share, at \$110,350.



The following is a sample of the organizations that benefited from the bank and foundation contributions.

- **Riverside Industries, Inc. (Riverside)** – Riverside provides individualized services combining life skill development, rehabilitation, employment training, and job placement for adults living with developmental disabilities in the tri-county region. The bank provided 3 donations, totaling \$40,000.
- **United Way of Hampshire County (UWoHC)** – UWoHC helps distribute capital in the form of multi-year grants to local health and social service programs in Hampshire County. The grants are targeted to children, youth, and their families, health and safety, and economic security. Ninety percent of the grants distributed support basic needs for those in poverty or are low-income. The bank provided 3 donations, totaling \$51,000.
- **CitySpace Easthampton** – BankESB donated \$100,000 to revitalize the Old Town hall. The Old Town Hall is located in a moderate-income census tract and will be used for a community space and support under-served artists through programming and other opportunities.
- **The Food Bank of Western Massachusetts Inc.-** The Food Bank of Western Massachusetts is a member of Feeding America, a national network of 200 food banks. This organization distributes food to members in Berkshire, Franklin, Hampden, and Hampshire counties. The bank provided 5 donations, totaling \$23,085.

## SERVICE TEST

bankESB's performance under the Service Test is rated High Satisfactory. The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

### Retail Banking Services

Retail banking services evaluates the availability and effectiveness of an institution's systems for delivering retail banking services, pursuant to the following criteria: 1) the current distribution of the institution's branches among low-, moderate-, middle-, and upper-income geographies; 2) in the context of its current distribution of branches, the record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income geographies and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank demonstrated its service-delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area. Table 12 displays the distribution of the bank's current branch network compared to the percentage of census tracts within the

assessment area as well as the percentage of the population that resides in those tracts.

Table 12 Distribution of Branch Offices by Income Category				
Census Tract Income Category	Assessment Area Demographics		Bank Offices by Tract Location	
	Total Census Tracts	Total Population	#	%
	% of #	% of #		
Low	12.2	9.1	0	0.0
Moderate	21.6	21.9	3	30.0
Middle	31.7	31.2	5	50.0
Upper	30.9	34.8	2	20.0
Unknown	3.6	3.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

2020 ACS

Of the 10 locations, the bank maintains its headquarters and a branch in a moderate-income tract in Easthampton. In addition, the bank operates one branch in moderate-income tract in Westfield.

- To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- or moderate-income individuals. In September 2021 the bank closed a branch in a middle-income census tract in Northampton. The branch closure did not adversely affect services to low- and moderate-income individuals.
- The bank demonstrates its services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- or moderate-income geographies or low- or moderate-income individuals.

### **Community Development Services**

Community development services are evaluated pursuant to the following criteria: 1) The extent to which the institution provides community development services; and 2) the innovativeness and responsiveness of community development services. During the review, period the bank demonstrates it is a leader in providing community development services.

The following details the bank’s community development service activity:

#### Employee Services

- **Valley Community Development Corporation (CDC)** – Valley CDC serves Hampden, Hampshire, and Franklin counties for homeownership and small business services and primarily Amherst, Hadley, Northampton, and Easthampton for affordable housing development. Valley CDC has built or preserved over 400 affordable homes and apartments in the communities it serves. An employee served as a board member.
- **Massachusetts Housing Partnership** – This organization is a public nonprofit affordable housing organization that works in concert with the Governor’s Office and the state Department of Housing and Community Development (DHCD) to help increase the supply of affordable housing in Massachusetts. An employee served as a board member.

- **Riverside Industries, Inc.** – This organization provides individualized services combining life skill development, day habilitation, and employment options for adults living with intellectual and developmental disabilities in the tri-county region of Western Massachusetts. An employee served as a board member.
- **Children's Advocacy Center of Hampshire County (CAC)** – CAC's mission statement states that this organization provides a comprehensive, culturally competent, multi-disciplinary team response to allegations of child abuse in a dedicated, child-friendly setting. CAC brings together members of the child protection, law enforcement, prosecution, victim advocacy, medical and mental health communities to provide child victims and their non-offending family members with comprehensive services designed to meet their individual needs. An employee served as a board member.
- **Home City Development** – Home City Development is a multi-service, nonprofit housing organization that develops and owns low-income multi-family and single room occupancy rental properties in Hampden and Hampshire counties. Over the years, HCDCI has helped to develop thousands of housing units in the Springfield area. An employee served as a board member.

#### Educational Programs and Seminars

- **Credit for Life** – In partnership with Junior Achievement of Western Massachusetts, Credit for Life provides financial literacy fairs and education for high school students in Springfield, Holyoke, Easthampton, Chicopee, West Springfield, and other communities in Western Massachusetts. Bank employees participated in several Credit for Life fairs in Holyoke.
- **Holyoke Housing Authority** – In 2022 and 2023, a bank employee provided a first-time homebuyer workshop in Spanish with the primary purpose of increasing housing choices for eligible low-income families in Holyoke.
- **OneHolyoke CDC**- In 2021, a bank employee conducted a first time homebuyer workshop in Spanish.
- **Nuestra Raices Inc.**- An employee conducted a financial literacy and education presentation to individuals from the Holyoke community. The group was comprised primarily of Spanish speaking individuals. Topics in the presentation series included bookkeeping, business planning, and property insurance.

#### Other Community Development Services

- **Highland Valley Elder Services** – This organization provides a range of programs for older adults and their families to support them where they live. Throughout the evaluation period, several employees volunteered their time to the organization's money management program, where they provided financial supervision for participants who are unable to manage their own financial affairs.

- **Community Action Pioneer Valley (Community Action)** – Community Action is a federally-designated antipoverty agency serving Franklin and Hampshire counties that offers 40 comprehensive programs to assist people who have low incomes to achieve economic stability and security. During the evaluation period, an employee participated in the Volunteer Income Tax Assistance (VITA) program. The VITA program is a free service that helps taxpayers with lower incomes maximize their tax refund with the assistance of IRS-certified volunteers.

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

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

## APPENDIX

### GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Underserved middle-income geography:** A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that



the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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