PUBLIC DISCLOSURE

June 11, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Hometown Bank
RSSD Number: 1004470

31 Sutton Avenue
Oxford, MA 01540

Federal Reserve Bank of Boston

600 Atlantic Avenue
Boston, Massachusetts 02210

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

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

Hometown Bank (Hometown or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area. The major components supporting this rating include:

Lending Test

- The average loan-to-deposit (LTD) ratio of 90.1 percent is reasonable given the bank's size, financial condition, and assessment area credit needs.

- A substantial majority (90.2 percent) of the residential real estate and small business loans (91.2 percent) and other lending related activities are in the assessment area.

- The distribution of borrowers reflects, given the demographics of the bank's assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes.

- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

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

Community Development Test

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

SCOPE OF EXAMINATION

Hometown's performance review was evaluated on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions. Intermediate small institutions are banks with assets of at least $313 million as of December 31 of both of the prior two calendar years and less than $1.252 billion as of December 31 of either of the prior two calendar years. Intermediate-small banks are evaluated under two tests: the lending test and the community development test. The data used for the evaluation and the applicable timeframes are discussed below.

Lending and community development performance were evaluated based primarily on activities inside the bank's assessment area. The bank's delineated assessment area, as discussed in the Description of Assessment Area section below, consists of a portion of the Worcester, MA-CT Metropolitan Statistical Area (Worcester MSA) and a small portion of Franklin County, MA, which is a non-MSA portion of the state.

The bank's assessment area is primarily comprised of the Worcester MSA, which is a multistate MSA that includes portions of Massachusetts and Connecticut. As the bank does not maintain branches outside of the Worcester MSA, a separate analysis was not conducted and separate ratings were not assigned for each state. Instead, the bank's performance was evaluated, and a rating assigned, based on an analysis of the bank's activities compared to aggregate and demographic data inside the bank's defined assessment area.

The lending test was based on home mortgage loans reported by the bank from January 1, 2014 through December 31, 2017, and on a sample of small business loans collected by examiners for the same time period. Greater weight was given to the two most recent full years, 2016 and 2017, and information for these years was included in tables unless otherwise noted. Due to the composition of the portfolio, equal weight was placed on home mortgage and small business loans. While both the number and dollar volume of the bank's home mortgage and small business loans were reviewed, the number of originations was weighted more heavily than the dollar volume in order to eliminate any factors, such as loan size, that could have distorted results. The analysis of the bank's net LTD ratio includes the last 16 quarters, which represents the period since the prior CRA examination.

Home mortgage data was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans and refinance loans for one-to-four family and multifamily (five or more unit) properties. The bank's data is shown in comparison to the 2016 and 2017 aggregate data. Aggregate data consists of lending information from all HMDA reporters that originated or purchased home mortgage loans in the bank's assessment area and was obtained from the FFIEC HMDA Data.

Residential market and demographic data were derived from the 2010 U.S. Census (U.S. Census) for comparison purposes to the bank's 2014, 2015, and 2016 HMDA. The bank's lending performance for 2017 was compared to the 2015 American Community Survey (ACS) based on the FFIEC's policy regarding the implementation of the ACS. A third-party community organization was contacted to provide additional insight into the credit needs and opportunities of the assessment area.

Small business loans, for the purpose of this evaluation, include commercial real estate loans and commercial and industrial loans with original loan amounts of $1 million or less. As the bank is not currently required to collect and report small business loans, examiners obtained a representative sample from the bank for years 2014-2017 and evaluated the sample compared to relative demographic information obtained from Dun & Bradstreet, Inc., Short Hills, NJ (D&B).

The community development test included a review of community development loans, investments, and services for the period of May 12, 2014 through June 10, 2018. The community development test is evaluated in the context of the community needs and the capacity of the bank.

Hometown was last examined by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks for compliance with the CRA on May 12, 2014, in accordance with the intermediate small institution performance standards. The examination resulted in a "Satisfactory" rating.

DESCRIPTION OF INSTITUTION

Hometown is a state-chartered stock cooperative bank headquartered at 31 Sutton Avenue, Oxford, MA. The bank has three wholly-owned subsidiaries. Two of the subsidiaries, Hometown Securities I Inc., and Hometown Securities II Inc., are utilized to buy, sell, and hold investment securities for the bank's portfolio. WCB Realty holds foreclosed real estate. Hometown has undergone structural changes since the prior CRA examination. In April 2016, the parent company of Easthampton Savings Bank (ESB), ESB Bancorp, Inc. (EBI), acquired Hometown. Hometown's parent company, Hometown Community Bancorp, Inc. (HCBI), merged into EBI. Hometown Community Bancorp MHC (HCBMHC), Hometown's top tier holding company, also merged into ESB Bancorp MHC (EBMHC). EBI changed its corporate title to Hometown Financial Group, Inc. (HFGI) and EBMHC changed its corporate title to Hometown Financial Group MHC (HFGMHC). HFGI operates as a multi-bank holding company that holds both ESB and Hometown. Hometown underwent a rebranding effort at that time and is now marketed as bankHometown. In addition, Hometown added five branch locations in Connecticut in November 2016 as a result of ESB transferring the assets and branches of recently-acquired Citizens National Bank, Putnam, CT (CNB) to Hometown.

In addition to the main office, the bank operates 12 full-service branches throughout central Massachusetts and northeast Connecticut. The Massachusetts locations are in Athol, Auburn, Leominster, South Lancaster, Sturbridge, Oxford, and Webster (2). The Connecticut branches are located in Brooklyn, Danielson, Thompson, Putnam, and Woodstock. As discussed above, these five Connecticut branch locations were transferred to Hometown following ESB's acquisition of CNB. Each branch location has an ATM. The bank also maintains one stand-alone ATM located in the Day Kimball Hospital in Putnam, CT. All of the branches and ATMs are within the bank's defined assessment area.

All bank loan products and services are available throughout the bank's assessment area and at every location. Hometown offers traditional personal and business banking products, as well as products and services tailored for municipalities. Personal products and services include checking and savings accounts, fixed-rate mortgages, adjustable-rate mortgages, construction loans, home equity loans and lines of credit, consumer loans, online banking, and mobile banking. Business products and services include checking and savings accounts, lines of credit, small business loans (including Small Business Administration (SBA) loans), commercial mortgages, equipment lending, land loans, and construction mortgages. For government banking, Hometown offers depository, investment, lending, and cash management products and services.

Customers have access to information on Hometown's products and services and to online banking through the bank's website, www.hometowncoop.com. The website includes information about personal and business products and services. Online banking allows customers to check balances and pay bills. The website also provides branch and ATM locations. Customers have additional access to services through the bank's mobile application where they can check balances, pay bills, and make transfers.

As of March 31, 2018, Hometown's assets totaled $740.7 million, with total loans of $501.2 million, and total deposits of $639.5 million. The bank's total assets experienced significant growth during the evaluation period due to the acquisition of the five Connecticut branches from ESB in November 2016. Assets increased from $400.3 million as of December 31, 2014 to $733.2 million, as of December 31, 2016. For the same period, total loans increased from $324.9 million to $478.5

million and total deposits increased from $344.7 million to $623.5 million.

Table 1 Loan Distribution as of March 31, 2018		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans**
1-4 Family- Closed-End	224,058	44.7
1-4 Family- Revolving	22,973	4.6
Multi-Family	22,218	4.4
Residential Real Estate Loan Total	*269,249*	*53.7*
Commercial Real Estate	155,134	31.0
Commercial and Industrial	38,185	7.6
Construction & Land Development	35,556	7.1
Commercial Loan Total	*228,875*	*45.7*
Consumer Loans	1,825	*0.4*
Agricultural Loans	1,213	*0.2*
Other Loan Type Total	*3,038*	*0.6*
Total Loans	*501,162*	*100.0*

Consolidated Report of Condition and Income as of 03/31/2018.

As the data in Table 1 show, as of March 31, 2018, the bank's portfolio is predominantly comprised of residential real estate loans, which account for 53.7 percent of the portfolio, followed by commercial loans, which comprise 45.7 percent of the portfolio. Residential real estate loans include 1-4 family residential closed-end mortgage loans (including junior liens), 1-4 family residential revolving home equity lines of credit, and multi-family loans. One-to-four family residential closed-end mortgage loans are the largest segment of the bank's portfolio. Commercial loans include commercial real estate loans, commercial and industrial loans, and construction and land development loans. Commercial real estate is the largest segment of the commercial loan portfolio; these loans are typically collateralized by the properties used for the borrowers' businesses, such as office and retail buildings. Other loan types comprise the balance of the loan portfolio.

Hometown operates in a competitive environment for both loans and deposits, and competes against both similarly-situated community banks and larger national and regional institutions. While large national and regional banks have some competitive advantages, including advanced technology and a wider array of products and services, Hometown's strategy is to focus on core banking in both lending and deposit products, provide more personalized service to the local community, and remain involved with customers. Hometown identified its primary competitors as Athol Savings Bank, Bay State Savings Bank, Clinton Savings Bank, Cornerstone Bank, Fidelity Co-operative Bank, Jewett City Savings Bank, Putnam Bank, Rollstone Bank & Trust, Savers Co-operative Bank, and Webster Five Cents Savings Bank.

According to the FDIC deposit market share report as of June 30, 2017, there were 39 institutions offering deposit services within the Worcester, MA-CT MSA. These institutions combine for a total of 260 branches in the MSA. Hometown ranks ninth for deposit market share at 3.5 percent within the MSA. Bank of America, NA ranked first in deposit market share, at 14.7 percent, followed by TD Bank, NA, at 8.8 percent, Commerce Bank & Trust Company, at 8.3 percent, and UniBank for Savings, at 8.3 percent. The bank faces greater competition for loans as there were 490 financial institutions and mortgage companies that either originated or purchased a loan in the Worcester, MA-CT MSA in 2017. Hometown ranked 46th with 168 loan originations. Wells Fargo Bank, NA, ranked first with a combined 1,537 loan originations and purchases, followed by Quicken Loans (1,169 loans), Fairway Independent Mortgage Corporation (992 loans), Digital Federal Credit Union (981 loans), and JP Morgan Chase Bank, NA (838 loans).

Financial capacity, legal impediments, local economic conditions, demographics, and market competition are all considered when examining the bank's CRA performance. As evidenced by the LTD ratio discussed below, the bank has the financial capacity to make loans. Further, Hometown did not face any legal or financial impediments during the review period that would have prevented the bank from meeting the credit needs of its assessment area in a manner consistent with its asset size, business strategy, resources, and local economic conditions.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to define an assessment area within which its CRA performance will be evaluated based upon where it focuses its lending efforts. Hometown's assessment area consists of the entirety of Worcester County, MA, a portion of Windham County, CT, and a portion of Franklin County, MA. Both Worcester County, MA and Windham County, CT are located in the Worcester MSA, while Franklin County, MA is in a non-MSA. The assessment area consists of 188 census tracts, of which 19 are low-income, 38 are moderate-income, 76 are middle-income, 52 are upper-income, and 3 are unknown-income. The three unknown-income census tracts are located in the city of Worcester. Clark University and the College of the Holy Cross comprise two of these tracts, while the third is a predominantly non-residential area that includes a hospital, pharmaceutical college, and municipal offices. Worcester County is the largest county in Massachusetts by area and the second largest by population. It contains 60 cities and towns; notable cities and towns include Worcester, Gardner, Fitchburg, Leominster, and Southbridge. Worcester is the most populous city in the assessment area. The cities and towns located in the Windham County portion of the assessment area are Woodstock, Thompson, Eastford, Pomfret, Putnam, Killingly, Brooklyn and Hampton. The cities and towns located in the Franklin County portion of the assessment area are Warwick, Orange, Erving, Wendell, New Salem, Leverett, and Shutesbury. The assessment area features rural, suburban, and urban geographies.

Relevant demographic data for the bank's assessment area is provided in Table 2 and Table 3. Due to updated census data that was released in 2017, demographic data is presented for both 2016 and 2017.

Table 2

2016 Assessment Area Demographics

Income Categories	Tract Distribution #	Tract Distribution %	Families by Tract Income #	Families by Tract Income %	Families < Poverty Level by Tract #	Families < Poverty Level by Tract %	Families by Family Income #	Families by Family Income %
Low-income	15	8.0	12,099	5.4	3,811	31.5	46,085	20.7
Moderate-income	42	22.3	40,640	18.3	5,186	12.8	37,103	16.7
Middle-income	80	42.6	98,895	44.5	4,636	4.7	49,244	22.2
Upper-income	49	26.1	70,642	31.8	1,573	2.2	89,844	40.4
Unknown	2	1.1	0	0.0	0	0.0	0	0.0
Total Assessment Area	**188**	**100.0**	**222,276**	**100.0**	**15,206**	**6.8**	**222,276**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	26,246	4,353	1.9	16.6	17,279	65.8	4,614	17.6
Moderate-income	75,439	32,140	14.4	42.6	34,729	46.0	8,570	11.4
Middle-income	155,730	108,912	48.7	69.9	36,261	23.3	10,557	6.8
Upper-income	99,264	78,223	35.0	78.8	15,985	16.1	5,056	5.1
Unknown	9	9	0.0	100.0	0	0.0	0	0.0
Total Assessment Area	**356,688**	**223,637**	**100.0**	**62.7**	**104,254**	**29.2**	**28,797**	**8.1**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,710	7.2	2,345	6.9	344	10.5	21	7.4
Moderate-income	6,667	17.8	5,926	17.5	692	21.0	49	17.3
Middle-income	15,352	41.0	14,011	41.3	1,222	37.2	119	42.0
Upper-income	12,724	34.0	11,603	34.2	1,027	31.2	94	33.2
Unknown	10	0.0	7	0.0	3	0.1	0	0.0
Total Assessment Area	**36,801**	**100.0**	**33,892**	**100.0**	**3,288**	**100.0**	**283**	**100.0**
	Percentage of Total Businesses:			**90.5**		**8.8**		**0.8**

2010 Census Data and 2016 D&B data
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Table 3

2017 Assessment Area Demographics

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	19	10.1	15,578	7.1	4,767	30.6	48,931	22.2
Moderate-income	38	20.2	37,509	17.0	5,336	14.2	36,360	16.5
Middle-income	76	40.4	92,209	41.8	5,412	5.9	44,768	20.3
Upper-income	52	27.7	74,965	34.0	2,157	2.9	90,535	41.0
Unknown	3	1.6	333	0.2	124	37.2	0	0.0
Total Assessment Area	**188**	**100.0**	**220,594**	**100.0**	**17,796**	**8.1**	**220,594**	**100.0**

	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	32,175	5,646	2.6	17.5	22,734	70.7	3,795	11.8
Moderate-income	71,008	30,331	14.0	42.7	32,454	45.7	8,223	11.6
Middle-income	151,086	99,608	45.8	65.9	39,219	26.0	12,259	8.1
Upper-income	106,586	81,730	37.6	76.7	18,323	17.2	6,533	6.1
Unknown	1,540	111	0.1	7.2	1,184	76.9	245	15.9
Total Assessment Area	**362,395**	**217,426**	**100.0**	**60.0**	**113,914**	**31.4**	**31,055**	**8.6**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,149	6.3	1,854	6.0	277	8.5	18	6.7
Moderate-income	5,750	16.8	5,124	16.7	576	17.7	50	18.6
Middle-income	12,678	37.0	11,516	37.4	1,062	32.7	100	37.2
Upper-income	12,928	37.7	11,622	37.8	1,213	37.3	93	34.6
Unknown	779	2.3	649	2.1	122	3.8	8	3.0
Total Assessment Area	**34,284**	**100.0**	**30,765**	**100.0**	**3,250**	**100.0**	**269**	**100.0**
	Percentage of Total Businesses:			**89.7**		**9.5**		**0.8**

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

Housing

According to the 2015 ACS, there are 362,395 housing units in the assessment area, of which the majority, 84.4 percent, are 1-4 family housing, 15.6 percent have five or more units, and 1.1 percent are mobile homes. Housing unit statistics show an owner-occupancy rate of 60.0 percent, a rental rate of 31.4 percent, and a vacancy rate of 8.6 percent. These figures are generally in line with the housing statistics for Massachusetts and Connecticut, where the owner-occupancy rates are 56.0 percent and 60.8 percent, respectively. At the county level, Windham County, CT has the highest owner-occupancy rate, at 63.4 percent, while Worcester County, MA has the lowest, at 59.3 percent. Worcester County, MA also has the highest percentage of rental units (32.3 percent). Within low-income census tracts in the assessment area, only 17.6 percent of units are owner-occupied, while 70.7 percent are rental units, and 11.8 percent are vacant. These percentages indicate that there are limited opportunities for home ownership in the low-income census tracts, and similarly, that there are limited opportunities for financial institutions to originate home mortgage loans in these census tracts. In moderate-income census tracts, only 42.7 percent of units are owner-occupied, while 45.7 percent are rental units, and 11.6 percent are vacant. Conversely, middle- and upper-income census tracts have owner-occupancy rates of 65.9 percent and 76.7 percent, respectively.

This data is in line with the 2010 U.S. Census Data where, of the 356,688 housing units in the assessment area, 84.5 percent are 1-4 family housing, 15.5 percent have five or more units, and 1.0 percent are mobile homes. The owner occupancy rate was slightly higher at 62.7 percent, while the rental rate was 29.2 percent and the vacancy rate was 8.1 percent. State statistics for Massachusetts and Connecticut are similar, with an owner-occupancy rate of 57.7 percent for Massachusetts and 63.7 percent for Connecticut. At the county level, Windham County, CT had the highest owner-occupancy rate (64.7 percent) while Worcester County, MA has the lowest rate (62.3 percent). Within low-income census tracts in the assessment area, only 16.6 percent of units were owner-occupied, while 65.8 percent were rental units, and 17.6 percent were vacant. These percentages indicated that there were limited opportunities for home ownership in the low-income census tracts, and similarly, that there were limited opportunities for financial institutions to originate home mortgage loans in these census tracts. In moderate-income census tracts, only 42.6 percent of units are owner-occupied, while 46.0 percent are rental units and 11.4 percent are vacant. Conversely, middle- and upper-income census tracts have owner-occupancy rates of 69.9 percent and 79.0 percent, respectively.

Based on housing values, income levels, and rental costs, housing in the assessment area appears to be more affordable than the average housing costs for Massachusetts and Connecticut. The 2015 ACS lists the median housing value for this area as $247,725, which is below the median housing value for Massachusetts, at $333,100, and for Connecticut, at $270,500. According to 2010 U.S. Census Data, the median housing value for the assessment area was $277,702, while the median housing values for Massachusetts and Connecticut were $352,300 and $296,500, respectively. While the median housing value decreased between the times the 2010 U.S. Census Data and the 2015 ACS data were released, the median gross rent for the assessment area increased from $858 per month to $929 per month. However, for both the 2015 ACS and 2010 U.S. Census Data sets, the median gross rent for the assessment area was below the median gross rents of Massachusetts and Connecticut. As such, this could create additional demand for rental housing.

Population

According to 2010 Census data, the assessment area has a population of 874,876 individuals and includes 327,891 households. The majority of households, 41.8 percent, are upper-income. Middle-income households represent 18.1 percent of the assessment area, while low- and moderate-income households represent 25.0 percent and 15.0 percent, respectively. The distribution of households in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut, and Worcester County, MA, while Windham County, CT has a slightly smaller percentage of upper-income households and slightly larger percentages of middle- and moderate-income households and Franklin County, MA has a slightly larger percentage of moderate-income households.

According to 2010 Census data, there are 222,276 families in the assessment area. Of these families, 40.4 percent are upper-income, 22.2 percent middle-income, 16.7 percent moderate-income, and 20.7 percent low-income. The distribution of families in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut, and Worcester County, MA, while Windham County, CT has a smaller percentage of upper-income families and a slightly higher percentage of low-, moderate, and middle-income families, while Franklin County, MA has a slightly larger percentage of moderate-income families.

According to the updated 2015 ACS data, the assessment area population increased to 886,931, with 331,340 households. The majority of households, 42.5 percent, are upper-income. Middle-income households represent 17.1 percent of the assessment area, while low- and moderate-income households represent 25.7 percent and 14.7 percent, respectively. The distribution of households in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut and Worcester County, MA, while Windham County, CT has a slightly smaller percentage of upper-income households and slightly larger percentages of middle- and moderate-income households, and Franklin County, MA has a slightly larger percentage of moderate-income households and a slightly lower percentage of upper-income households.

According to 2015 ACS data, there are 220,594 families in the assessment area. Of these families, 41.0 percent are upper-income, 20.3 percent middle-income, 16.5 percent moderate-income, and 22.2 percent low-income. The distribution of families in the assessment area is generally in line with the distribution throughout Massachusetts, Connecticut, and Worcester County, MA, while Windham County, CT has a smaller percentage of upper-income families and slightly higher percentages of low-, moderate, and middle-income families, and Franklin County, MA has a slightly larger percentage of moderate-income households and a slightly lower percentage of upper-income families.

Income

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

Table 4 Median Family Income Comparison			
2016 MFI Data*		***2017 MFI Data*****	
MSA/County/State	***MFI ($)***	***MSA/County/State***	***MFI ($)***
Worcester County, MA	79,121	Worcester County, MA	82,733
Franklin County, MA	65,760	Franklin County, MA	70,054
Windham County, CT	69,642	Windham County, CT	72,358
Worcester, MA-CT MSA	77,128	Worcester, MA-CT MSA	81,137
Massachusetts	81,165	Massachusetts	87,085
Connecticut	84,170	Connecticut	89,031
Assessment Area	***77,491***	***Assessment Area***	***80,920***

FFIEC Median Family Income Reports found at www.ffiec.gov/Medianincome.htm
**MFI based on 2010 U.S. Census Data*
***MFI based on 2015 ACS Data*

The MFI for the assessment area rose from $77,491 according to the 2010 U.S. Census to $80,920 according the 2015 ACS. During this same period, MFIs rose in the Worcester MSA, Windham County, CT, Worcester, County, MA, Franklin County, MA, the Commonwealth of Massachusetts, and the State of Connecticut. The Commonwealth of Massachusetts experienced the largest growth. While the MFIs rose for the assessment area, MSA, states, and counties, there is still a financial hurdle for borrowers in the assessment area to be able to afford a home purchase or other home mortgage loans. For instance, according to the 2015 ACS, a low-income family's income is $40,460 and a moderate-income family's income is less than $64,736. With a median housing value of $247,725, the costs to obtain a home mortgage and the resulting monthly payment may put home ownership out of reach for many of these families.

The percentage of families in the assessment area living below the poverty level is 8.1 percent, which is slightly below the Commonwealth of Massachusetts's 8.2 percent and above the State of Connecticut's 7.6 percent. Worcester County, MA has the highest poverty rate in the assessment area with 8.4 percent of its families living below the poverty level.

Business Characteristics

Based on 2017 D&B data, there are 34,284 businesses operating in the assessment area. The majority, 89.7 percent, has revenues equal to or less than $1 million, and 9.5 percent have revenues over $1 million. The largest percentages of businesses in the assessment area are located in upper-income (37.7 percent) and middle-income census tracts (37.0 percent). Only 6.3 percent of businesses are located in low-income census tracts and 16.8 percent in moderate-income census tracts.

Worcester is the most populous city in the assessment area, and the second largest city by population in New England. Formerly a manufacturing center, Worcester's economy is now driven by education and healthcare, which make up the largest percentage of employment (48 percent) by industries. Seven of the top 10 employers in Worcester are hospitals or medical-related institutions; UMass Memorial Medical Center and St. Vincent Hospital combine to employ over 15,000 individuals. Worcester is also home to nine colleges and universities, with over 36,000 full- and part-time students and 10,000 employees. The large student presence is likely to cause seasonal disruptions to the local economy, although this presence boosts the need for rental properties in the city. According to a July 2016 article in the Worcester Business Journal, Worcester ranked third in the northeastern U.S. for return on investment for rental properties, trailing only Washington, D.C. and Boston, MA. Worcester maintains a manufacturing presence in machinery, wire production, and power looms. Polar Beverages, a bottling company, is also headquartered in the city.

The May 2018 Beige Book from the Federal Reserve System provides further insight into the economic conditions in New England. Economic activity experienced moderate expansion, with retailers, manufacturers, and software and information technology services reporting increases in revenues compared with a year earlier. Commercial real estate markets have held steady or experienced modest improvement. Industrial leasing and sales remained strong in areas other than Connecticut. Residential real estate sales of single-family homes and condominiums decreased for Massachusetts while the median sales prices increased throughout the region, possibly due to a decrease in inventory. Homebuilders struggle to enter new markets due to high costs, legislative hurdles, difficulties in acquiring land, and the need for approval from local governments.

According to the Massachusetts Department of Labor and Workforce Development,[1] the unemployment rate of Worcester County, the largest county in the bank's assessment area, for April of 2018 was 3.5 percent, which is slightly higher than the unemployment rate for Massachusetts (3.3 percent), but lower than the overall unemployment rate for the United States (3.9 percent). The county unemployment rate has generally decreased since the previous examination by the FDIC in May 2014, when the rate was 6.0 percent. The unemployment rates in the five major cities of the assessment area were: Fitchburg (4.7 percent), Gardener (4.3 percent), Leominster (3.5 percent), Southbridge (5.1 percent), and Worcester (3.7 percent), respectively. The unemployment rate as of April 2018 was 4.3 percent for the State of Connecticut and 4.4 percent for Windham County, CT,[2] which are both higher than the unemployment rates for the Commonwealth of Massachusetts and the United States.

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 executive director of a nonprofit organization that works to strengthen neighborhoods in North Central Worcester County by providing affordable housing, homeownership services, small business and economic development, and financial literacy. The contact stated that the area the organization serves suffers from a lack of wealth, and while there are signs that the economy has improved, low-income individuals still struggle. Additional challenges include a lack of employment opportunities to retain high school and college graduates; aging housing stock that requires significant costs to rehabilitate and bring properties up to code; and costs of utilities, home insurance, and construction that are similar to the costs for these items across the state despite lower income throughout this region. The contact identified needs for flexible lending products that allow borrowers with a higher loan-to-value ratio to obtain loans; smaller dollar loans similar to payday loans, but with less onerous terms and interest rates; very affordable housing opportunities for low-income individuals that allow them to build equity and savings; assistance to community organizations to obtain and rehab abandoned properties; and bilingual bank staff, particularly those that speak Spanish and Portuguese. The contact noted that local banks offer first time homebuyer classes and are receptive to working with community organizations.

A second community contact was conducted with the director of administration for a nonprofit agency that fights poverty in the City of Worcester and the greater-Worcester region through financial advice and assistance, help with fuel and energy costs, educational and employment programs, and family-oriented resources that offer childcare and educational opportunities for young children. According to the community contact, Worcester is going through an economic renaissance, but the results are not yet fully apparent. Worcester has a large foreign-born population, and cultural differences in management of finances, and mistrust of banks have contributed to 5.8 percent of Worcester County being unbanked. Furthermore, banking services and products are out of reach to those who have not established a credit history or had a negative credit event occur in their credit history. There are many individuals that exhibit a strong record of repayment through

[1] https://www.mass.gov/orgs/labor-market-information
[2] https://www1.ctdol.state.ct.us/lmi/laus/lauscty.asp

on-time rent or utility payments, but these are not typically factored into credit decisions, especially for home mortgage loans. The contact also stated that there are low-income communities that do not have bank branches, and the residents are forced to use check cashing businesses or payday lenders for their banking needs. Payday lenders, in addition to credit cards, fill a need for small dollar loans that are not available through traditional banking channels. As such, the contact sees a need for loan products to replace the high interest payday loans, bank services that take a fuller look at an individual's credit history and profile beyond a credit score, and bank personnel that can communicate with Worcester's ethnically diverse population. Additionally, while the contact noted that banks, particularly community banks, are active in the community, the contact would like to see more sponsorship of charitable events and continued support and involvement of financial literacy programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

An intermediate small bank's lending performance is evaluated pursuant to the following criteria: the bank's LTD ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments; the percentage of loans and, as appropriate, other lending-related activities located in the bank's assessment area; the bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; the geographic distribution of the bank's loans; and the bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area. The following details the bank's efforts with regard to each performance criterion.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The bank's net LTD figures are calculated from the bank's quarterly FFIEC Consolidated Reports of Condition and Income (Call Reports). The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. The bank's LTD ratio is 90.1 percent.

Table 5 provides a comparison of the bank's average LTD over the past 16 quarters to similarly sized institutions operating within the assessment area. The bank's average LTD ratio of 90.1 percent is reasonable given the bank's size, financial condition, capacity to lend, capacity of other similarly situated institutions, lending opportunities, and assessment area credit needs.

Table 5
Loan-to-Deposit Ratio Comparison

Institution	***Total Assets* (in millions)***	***Average LTD Ratio** (%)***
Savers Co-Op Bank	$539.9	108.3
Webster Five Cents Savings Bank	$810.6	103.7
Clinton Savings Bank	$556.7	96.6
Fidelity Co-Op Bank	$822.3	91.1
Hometown Savings Bank	***$740.7***	***90.1***

Report of Condition and Income (Call Reports) 06/30/2014 to current 03/31/2018.
**As of 03/31/2018*
***From 04/01/2014 through 03/31/2018*

While Hometown's average LTD ratio is lower than its comparable peers, the ratio decreased during the evaluation period due to the bank's acquisition of CNB in November 2016. Before the acquisition, the bank's LTD ratio ranged from a low of 93.2 as of December 31, 2014 to a high of 101.7 percent as of December 31, 2015. As a result of the acquisition, the ratio decreased from 97.7 percent, as of September 30, 2016, to 76.6 percent, as of December 31, 2016. As of March 31, 2018, the bank's LTD ratio inched up to 77.8 percent. Still, the average LTD ratio of 90.1 percent demonstrates that the bank is using the funds received via deposits to originate a large volume of loans.

Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a substantial majority of loans and other lending related activities are located in the bank's assessment area. Table 6 presents the bank's levels of lending inside and outside the assessment area from January 1, 2014 to December 31, 2017.

Table 6
Lending Inside and Outside the Assessment Area

Loan Type	Inside				Outside				Total	
	#	%	$ (000's)	%	#	%	$ (000's)	%	#	$ (000's)
Home Purchase	368	88.0	69,967	86.9	50	12.0	10,581	13.1	418	80,548
Refinancing	211	91.3	37,955	86.8	20	8.7	5,787	13.2	231	43,742
Home Improvement	140	92.7	18,481	92.4	11	7.3	1,518	7.6	151	19,999
Multi-Family Housing	54	94.7	34,477	98.6	3	5.3	473	1.4	57	34,950
Residential Total	**773**	**90.2**	**160,880**	**89.8**	**84**	**9.8**	**18,359**	**10.2**	**857**	**179,239**
Small Business Total	**302**	**91.2**	**45,701**	**87.5**	**29**	**8.8**	**6,524**	**12.5**	**331**	**52,225**
Grand Total	**1,075**	**90.5**	**206,581**	**89.2**	**113**	**9.5**	**24,883**	**10.8**	**1,188**	**231,464**

HMDA data 1/1/2014-12/31/2017 and bank-provided small business data 1/1/2014-12/31/17

<u>Residential Mortgage Lending</u>

The bank made a substantial majority of HMDA-reportable loans inside the assessment area during the review period. As shown in Table 3, the bank made a total of 857 residential loans from January 1, 2014 to December 31, 2017. Of these loans, 90.2 percent by number and 89.8 percent by dollar volume were inside the assessment area, with multi-family housing loans (94.7 percent) and home improvement loans (92.7 percent) comprising the largest percentages by number. By year, the bank had similar levels of lending by number with 90.7 percent of HMDA-reportable loans in the assessment area in 2014, 89.6 percent in 2015, 89.3 percent in 2016, and 91.7 percent in 2017.

The number of HMDA-reportable loans made in the assessment area has varied from a low of 156 in 2014, to a high of 232 in 2015. The bank made 209 HMDA-reportable loans in the assessment area in 2016, and 176 in 2017, with the refinance and home purchase loans being the largest loan types both by number and percentage.

The bank's percentage of HMDA-reportable loans originated inside the assessment area increased significantly from the prior CRA evaluation, which focused on 2012 and 2013 lending activity. At that time, 59.6 percent of the bank's HMDA-reportable loans were in the assessment area. The increase is attributable to the bank expanding its assessment area to include all of Worcester County, MA, and a portion of Windham County, CT. At the time of the prior CRA evaluation the assessment area contained a portion of Worcester County, MA, and did not include any portion of Windham County, CT.

Small Business Lending

Hometown originated a substantial majority of its small business loans in its assessment area. During the evaluation period, the bank originated a total of 331 small business loans. As shown in Table 3 above, 302 small business loans, or 91.2 percent, were originated in the assessment area during the evaluation period. The bank's small business lending in its assessment area increased from 87.2 percent in 2016 to 95.7 percent in 2017.

The number of loans originated in the bank's assessment area slightly decreased from a high of 85 in 2015, to 67 in 2017; however, this was in line with the overall number of small business loans each year of the evaluation period. Similar to the HMDA-mortgage loans discussed above, the percentage of small business loans in the bank's assessment area significantly increased from the prior CRA evaluation due to the expanded assessment area. At that time, the bank originated 64.6 percent of its small business loans in the assessment area.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of borrowers reflects reasonable penetration among individuals of different income levels including low- and moderate-income individuals and businesses of different sizes when compared to area demographics and aggregate performance.

Residential Mortgage Lending

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income individuals). 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

PRODUCT TYPE	Borrower Income Levels	Bank & Aggregate Lending Comparison													
		2016							2017						
		Families by Family Income	Count			Dollar			Families by Family Income	Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
		%	#	%	%	$(000s)	$ %	$ %	%	#	%	%	$(000s)	$ %	$ %
HOME PURCHASE	Low	20.7%	10	10.5%	6.3%	$1,330	7.8%	3.5%	22.2%	9	11.1%	6.5%	$811	4.6%	3.6%
	Moderate	16.7%	13	13.7%	20.5%	$1,374	8.0%	15.7%	16.5%	11	13.6%	23.9%	$2,170	12.3%	18.7%
	Middle	22.2%	11	11.6%	23.7%	$1,362	7.9%	22.4%	20.3%	6	7.4%	22.6%	$1,173	6.7%	21.9%
	Upper	40.4%	24	25.3%	32.8%	$6,268	36.6%	42.8%	41.0%	30	37.0%	31.6%	$8,963	50.9%	41.7%
	Unknown	0.0%	37	38.9%	16.7%	$6,807	39.7%	15.5%	0.0%	25	30.9%	15.3%	$4,477	25.4%	14.1%
	Total	*100.0%*	*95*	*100.0%*	*100.0%*	*$17,141*	*100.0%*	*100.0%*	*100.0%*	*81*	*100.0%*	*100.0%*	*$17,594*	*100.0%*	*100.0%*
REFINANCE	Low	20.7%	4	6.6%	4.0%	$448	3.5%	2.1%	22.2%	2	3.6%	6.0%	$152	1.7%	3.4%
	Moderate	16.7%	16	26.2%	12.1%	$3,501	27.4%	8.1%	16.5%	18	32.1%	18.5%	$2,366	25.9%	14.3%
	Middle	22.2%	16	26.2%	20.8%	$2,520	19.7%	17.4%	20.3%	15	26.8%	23.7%	$2,057	22.5%	21.7%
	Upper	40.4%	18	29.5%	46.1%	$4,707	36.8%	54.9%	41.0%	20	35.7%	38.8%	$4,404	48.2%	47.0%
	Unknown	0.0%	7	11.5%	17.0%	$1,621	12.7%	17.4%	0.0%	1	1.8%	12.9%	$160	1.8%	13.6%
	Total	*100.0%*	*61*	*100.0%*	*100.0%*	*$12,797*	*100.0%*	*100.0%*	*100.0%*	*56*	*100.0%*	*100.0%*	*$9,139*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	20.7%	5	12.8%	5.8%	$330	6.5%	2.6%	22.2%	3	9.4%	6.2%	$377	9.7%	3.8%
	Moderate	16.7%	5	12.8%	13.7%	$340	6.7%	9.5%	16.5%	9	28.1%	17.3%	$998	25.7%	13.9%
	Middle	22.2%	5	12.8%	23.1%	$399	7.9%	21.4%	20.3%	9	28.1%	25.3%	$904	23.3%	23.4%
	Upper	40.4%	14	35.9%	53.0%	$2,137	42.1%	61.7%	41.0%	3	9.4%	46.7%	$678	17.5%	53.2%
	Unknown	0.0%	10	25.6%	4.4%	$1,872	36.9%	4.8%	0.0%	8	25.0%	4.5%	$919	23.7%	5.7%
	Total	*100.0%*	*39*	*100.0%*	*100.0%*	*$5,078*	*100.0%*	*100.0%*	*100.0%*	*32*	*100.0%*	*100.0%*	*$3,876*	*100.0%*	*100.0%*
MULTI FAMILY	Low	20.7%	0	0.0%	0.0%	$0	0.0%	0.0%	22.2%	0	0.0%	0.0%	$0	0.0%	0.0%
	Moderate	16.7%	0	0.0%	0.0%	$0	0.0%	0.0%	16.5%	0	0.0%	0.0%	$0	0.0%	0.0%
	Middle	22.2%	0	0.0%	0.0%	$0	0.0%	0.0%	20.3%	0	0.0%	0.0%	$0	0.0%	0.0%
	Upper	40.4%	0	0.0%	0.0%	$0	0.0%	0.0%	41.0%	0	0.0%	0.0%	$0	0.0%	0.0%
	Unknown	0.0%	14	100.0%	100.0%	$18,353	100.0%	100.0%	0.0%	7	100.0%	100.0%	$3,586	100.0%	100.0%
	Total	*100.0%*	*14*	*100.0%*	*100.0%*	*$18,353*	*100.0%*	*100.0%*	*100.0%*	*7*	*100.0%*	*100.0%*	*$3,586*	*100.0%*	*100.0%*
HMDA TOTALS	Low	20.7%	19	9.1%	5.3%	$2,108	3.9%	2.8%	22.2%	14	8.0%	6.3%	$1,340	3.9%	3.4%
	Moderate	16.7%	34	16.3%	16.4%	$5,215	9.8%	11.9%	16.5%	38	21.6%	21.4%	$5,534	16.2%	16.7%
	Middle	22.2%	32	15.3%	22.4%	$4,281	8.0%	19.5%	20.3%	30	17.0%	23.1%	$4,134	12.1%	21.2%
	Upper	40.4%	56	26.8%	39.8%	$13,112	24.6%	46.7%	41.0%	53	30.1%	35.2%	$14,045	41.1%	42.4%
	Unknown	0.0%	68	32.5%	16.1%	$28,653	53.7%	19.2%	0.0%	41	23.3%	14.1%	$9,142	26.7%	16.3%
	Total	*100.0%*	*209*	*100.0%*	*100.0%*	*$53,369*	*100.0%*	*100.0%*	*100.0%*	*176*	*100.0%*	*100.0%*	*$34,195*	*100.0%*	*100.0%*

2010 U.S. Census, 2016 and 2017 Aggregate HMDA Data, 2016 and 2017 HMDA LARs.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The percentage of residential mortgage loans the bank made to low-income borrowers by number was 9.1 percent in 2016, and 8.0 percent in 2017. Hometown made a total of 19 loans to low-income borrowers in 2016, and 14 loans to low-income borrowers in 2017. The majority of these loans were for home purchases (10 in 2016, and 9 in 2017). The bank's performance exceeded the aggregate's 2016 and 2017 performance, which was 5.3 percent and 6.3 percent respectively. Furthermore, the bank made a higher percentage of loans by product to low-income borrowers than the aggregate for each year with the exception of refinance loans in 2017.

Both Hometown and the aggregate's lending percentage to low-income borrowers were below the percentage of low-income families in the assessment area, which was 20.7 percent in 2016, and 22.2 percent in 2017. However, it is not expected that the bank meet the demographic indicator for low-income families because not all families with that income level will qualify for a home mortgage given the demographics of the market. A low-income family in the assessment area earns less than

$40,460, which coupled with the median home value of $247,725, may put home ownership out of reach for many of these families. As discussed below, this challenge was also noted by the community contacts, who identified the costs of home mortgage loans as well as credit history requirements as barriers to home ownership. Hometown's lending to low-income borrowers in 2015 (13.4 percent) was higher than the aggregate's performance, while its 2014 performance (10.9 percent) was also higher but more in line with its recent performance in 2016 and 2017.

Hometown originated 16.3 percent and 21.6 percent of its residential mortgage loans to moderate-income borrowers in 2016 and 2017, respectively. The bank made a total of 34 loans to moderate-income borrowers in 2016, and 38 loans to moderate-income borrows in 2017. The largest numbers of these were refinance loans (16 in 2016, and 18 in 2017). The bank's performance in 2016 and 2017 was in line with the aggregate's performance, which was 16.4 percent and 21.4 percent respectively. The bank exceeded the aggregate's performance in 2016 and 2017 refinance loans and 2017 home improvement loans, and the aggregate exceeded the bank's performance in 2016 and 2017 home purchases and 2016 home improvement loans.

In 2016, Hometown and the aggregate's lending percentages to moderate-income borrowers were in line with the percentage of moderate-income families in the assessment area, which was 16.7 percent. In 2017, both Hometown and the aggregate's lending percentages to moderate-income borrowers exceeded the percentage of moderate-income families in the assessment area, which was 16.5 percent. Hometown's performance in 2014 (15.4 percent) was similar to its performance in 2016 and 2017; while its performance in 2015 was significantly lower (11.6 percent).

In 2016, the bank originated 15.3 percent of its residential mortgage loans to middle-income borrowers, which was below the demographic indicators for this group (22.2 percent) and below the aggregate's performance (22.4 percent). Similarly, in 2017 the bank's percentage of home mortgage loans to middle-income borrowers, which was 17.0 percent, was below the percentage of middle-income borrowers in the assessment area (20.3 percent) and below the aggregate's performance (23.1 percent). The bank's performance lending to middle-income borrowers was similar in 2014 and 2015 when it made 15.4 percent and 19.0 percent, respectively, of its home mortgage loans to these borrowers.

In both 2016 and 2017, the bank's percentages of home mortgage loans to upper-income borrowers, which were 26.8 percent and 30.1 percent, respectively, were below the percentage of upper-income borrowers in the assessment area (40.4 percent and 41.0 percent, respectively) and below the aggregate's performance (39.8 percent and 35.2 percent, respectively). The percent of the bank's lending to upper-income borrowers was lower in 2014 and 2015, when it was 16.0 percent and 21.1 percent, respectively.

To help explain gaps between the bank's origination activity and aggregate performance and the demographic indicators, it is notable that the bank originated a number of home mortgage loans to borrowers with unknown income, the majority of which were home purchase loans. Under HMDA rules, income reporting is not required if the applicant is not a natural person. These loans are typically made to investors in housing with multiple units, which is a somewhat common feature in Worcester County, MA. In this county, 2-4 unit housing comprises 20.6 percent of the housing stock, and an additional 16.4 percent of the housing stock is comprised of five or more unit housing. In 2016, 32.5 percent of home mortgage loans were originated to these unknown-income borrowers, while in 2017, 23.3 percent were to these borrowers. This was the largest percentage of loans by borrower income in 2016 and the second largest percentage in 2017. In 2014 and 2015, a high percentage of home mortgage loans (42.3 percent and 34.9 percent) were made to borrowers with unknown income.

The first community contact noted that homeownership is a struggle for low-income individuals. Within the assessment area, 11.5 percent of households are below the poverty line and 46.5 percent of renters spend more than 30 percent of their income on rent. This creates barriers for low-income individuals to build the savings necessary to afford a home purchase. The second community contact identified a need for banking products that offer flexibility to borrowers with no credit history or recognizes good payment history of rent and utility bills. Hometown offers assistance to low-income individuals through its Equity Builder Program, which is sponsored by the Federal Home Loan Bank of Boston. Eligible homebuyers can receive up to $11,000 in down-payment and closing cost assistance. This assistance is offered only to households with incomes at or below 80 percent of the median income for the area.

Small Business Lending

The distribution of small business loans to businesses of different sizes is reasonable. The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. A small business loan is defined as an originated commercial real estate or commercial and industrial loan with an original loan amount of $1 million or less. Table 8 details the bank's lending to small businesses according to revenue size.

Table 8
Distribution of Small Business Loans By Gross Annual Revenue of Business

Gross Annual Revenues	**2016 Total Businesses**	**2016 Bank**		**2017 Total Businesses**	**2017 Bank**	
	%	**#**	**%**	**%**	**#**	**%**
≤ $1MM	90.5	56	74.7	89.7	48	71.6
> $1MM	8.8	19	25.3	9.5	16	23.9
N/A	0.8	0	0.0	0.8	3	4.5
Total	**100.0**	**75**	**100.0**	**100.0**	**67**	**100.0**

D&B 2016&2017 CRA Data, 2016 and 2017 Small Business Loan Registers
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As illustrated in Table 8, in 2016 Hometown originated 75 small business loans, a significant percentage of which, 74.7 percent, were to businesses with revenues less than $1 million. In 2017, the number of small business loans slightly decreased to 67, and Hometown originated a similar percentage, 71.6 percent, of loans to businesses with gross annual revenues less than $1 million. While the 2016 and 2017 percentages of businesses in the assessment area with gross annual revenues less than $1 million were 90.5 percent and 89.7 percent, respectively, this does not necessarily indicate greater loan demand. Lending to small businesses was similar in 2014 and 2015, when the bank originated 84.0 percent and 71.8 percent, respectively, of its small business loans to businesses with gross annual revenues less than $1 million. In light of this, the bank demonstrated consistent ability to lend to small businesses.

Hometown provides additional financing options to its small business customers by participating in the SBA's 7(a) and 504 programs. The 7(a) program offers financing for small businesses to establish a new business or to assist in the acquisition, operation, or expansion of an existing business. The 504 program provides financing for major fixed assets such as equipment and real estate. During the evaluation period, the bank originated 48 loans under these programs for approximately $8.4 million, all of which were incorporated into the bank's small business lending analysis. For the SBA's 2017 fiscal year, Hometown was named the Top Lender in Connecticut for the 504 Loan Program category.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.

There were no conspicuous gaps in lending in the low- and moderate-income census tracts. While not all census tracts were penetrated, there were no patterns or groupings of census tracts with no penetration that were considered unreasonable. Within the assessment area, there are 19 low-income census tracts and 38 moderate-income census tracts based on the 2015 ACS data. Previously, according to the 2010 Census data, there were 15 low-income census tracts and 42 moderate-income census tracts. Through review of full-year residential mortgage and small business data for 2014 through 2017, the bank made loans in the majority of the low- and moderate-income census tracts. Only six low- or moderate-income census tracts were not penetrated during the evaluation period: one moderate-income census tract in Milford, MA; one moderate-income census tract in Clinton, MA that had previously been a middle-income census tract per the 2010 Census data; two low-income census tracts in Worcester, MA; one low-income census tract in Gardner, MA that had previously been a moderate-income census tract per the 2010 Census data; and one low-income census tract in Fitchburg, MA that had previously been a moderate-income census tract per the 2010 Census data.

<u>Residential Mortgage Lending</u>

The geographic distribution of residential mortgage loans reflects excellent dispersion throughout the assessment area. Table 9 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 9
Geographic Distribution of HMDA Loans

PRODUCT TYPE	Tract Income Levels	Bank & Aggregate Lending Comparison													
		2016							2017						
		Owner Occupied Units	Count			Dollar			Owner Occupied Units	Count			Dollar		
			Bank		Agg	Bank		Agg		Bank		Agg	Bank		Agg
		%	#	%	%	$ (000s)	$ %	$ %	%	#	%	%	$ (000s)	$ %	$ %
HOME PURCHASE	Low	1.9%	5	5.3%	1.8%	$472	2.8%	1.3%	2.6%	5	6.2%	4.0%	$1,108	6.3%	3.1%
	Moderate	14.4%	26	27.4%	15.0%	$3,834	22.4%	10.9%	14.0%	23	28.4%	16.3%	$3,214	18.3%	11.5%
	Middle	48.7%	48	50.5%	47.6%	$9,367	54.6%	42.7%	45.8%	35	43.2%	44.4%	$7,900	44.9%	40.3%
	Upper	35.0%	16	16.8%	35.6%	$3,468	20.2%	45.1%	37.6%	18	22.2%	35.2%	$5,372	30.5%	45.0%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.1%	0	0.0%	0.1%	$0	0.0%	0.1%
	Total	*100.0%*	*95*	*100.0%*	*100.0%*	*$17,141*	*100.0%*	*100.0%*	*100.0%*	*81*	*100.0%*	*100.0%*	*$17,594*	*100.0%*	*100.0%*
REFINANCE	Low	1.9%	6	9.8%	1.3%	$2,314	18.1%	0.9%	2.6%	1	1.8%	2.9%	$160	1.8%	2.4%
	Moderate	14.4%	23	37.7%	9.9%	$3,462	27.1%	7.2%	14.0%	12	21.4%	12.2%	$1,559	17.1%	8.9%
	Middle	48.7%	23	37.7%	44.1%	$5,003	39.1%	37.7%	45.8%	32	57.1%	45.4%	$4,660	51.0%	40.2%
	Upper	35.0%	9	14.8%	44.7%	$2,018	15.8%	54.2%	37.6%	11	19.6%	39.5%	$2,760	30.2%	48.5%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.1%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*61*	*100.0%*	*100.0%*	*$12,797*	*100.0%*	*100.0%*	*100.0%*	*56*	*100.0%*	*100.0%*	*$9,139*	*100.0%*	*100.0%*
HOME IMPROVEMENT	Low	1.9%	0	0.0%	1.0%	$0	0.0%	1.0%	2.6%	3	9.4%	2.7%	$546	14.1%	2.6%
	Moderate	14.4%	7	17.9%	10.8%	$688	13.5%	8.2%	14.0%	8	25.0%	11.2%	$878	22.7%	10.2%
	Middle	48.7%	25	64.1%	47.6%	$3,383	66.6%	40.9%	45.8%	17	53.1%	42.7%	$1,844	47.6%	37.5%
	Upper	35.0%	7	17.9%	40.6%	$1,007	19.8%	49.9%	37.6%	4	12.5%	43.4%	$608	15.7%	49.7%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.1%	0	0.0%	0.0%	$0	0.0%	0.0%
	Total	*100.0%*	*39*	*100.0%*	*100.0%*	*$5,078*	*100.0%*	*100.0%*	*100.0%*	*32*	*100.0%*	*100.0%*	*$3,876*	*100.0%*	*100.0%*
MULTI FAMILY	Low	18.7%	4	28.6%	21.2%	$4,370	23.8%	21.6%	20.7%	1	14.3%	23.6%	$450	12.5%	13.0%
	Moderate	31.3%	5	35.7%	41.2%	$963	5.2%	12.0%	26.7%	3	42.9%	34.1%	$993	27.7%	14.5%
	Middle	33.1%	4	28.6%	23.5%	$2,520	13.7%	55.9%	32.5%	3	42.9%	33.2%	$2,143	59.8%	21.4%
	Upper	17.0%	1	7.1%	14.1%	$10,500	57.2%	10.5%	17.6%	0	0.0%	7.3%	$0	0.0%	30.7%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	2.5%	0	0.0%	1.8%	$0	0.0%	20.4%
	Total	*100.0%*	*14*	*100.0%*	*100.0%*	*$18,353*	*100.0%*	*100.0%*	*100.0%*	*7*	*100.0%*	*100.0%*	*$3,586*	*100.0%*	*100.0%*
HMDA TOTALS	Low	1.9%	15	7.2%	1.6%	$7,156	13.4%	1.9%	2.6%	10	5.7%	3.7%	$2,264	6.6%	3.2%
	Moderate	14.4%	61	29.2%	12.7%	$8,947	16.8%	9.4%	14.0%	46	26.1%	14.6%	$6,644	19.4%	10.8%
	Middle	48.7%	100	47.8%	46.1%	$20,273	38.0%	41.1%	45.8%	87	49.4%	44.5%	$16,547	48.4%	39.5%
	Upper	35.0%	33	15.8%	39.5%	$16,993	31.8%	47.5%	37.6%	33	18.8%	37.2%	$8,740	25.6%	45.7%
	Unknown	0.0%	0	0.0%	0.0%	$0	0.0%	0.0%	0.1%	0	0.0%	0.1%	$0	0.0%	0.7%
	Total	*100.0%*	*209*	*100.0%*	*100.0%*	*$53,369*	*100.0%*	*100.0%*	*100.0%*	*176*	*100.0%*	*100.0%*	*$34,195*	*100.0%*	*100.0%*

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

Hometown originated 7.2 percent of its home mortgage loans in low-income census tracts in 2016 and originated 5.7 percent in 2017. This is above the aggregate performance for both years, which was 1.6 percent and 3.7 percent, respectively. Hometown's home mortgage lending in low-income census tracts also exceeded the percentage of owner-occupied units in these tracts. The bank's percentages in 2014 (7.7 percent) and 2015 (9.9 percent) were slightly higher but generally in line with the 2016 and 2017 performance. The bank's lending in low-income census tracts is notable as there are limited lending opportunities for originating home mortgage loans in these tracts within the assessment area. According to the 2015 ACS data, only 2.6 percent of the owner-occupied units are in low-income census tracts. Within the assessment area, just 17.6 percent of units in low-income census tracts are owner-occupied, while 70.7 percent are rental units, and 11.8 percent are vacant. In addition, while only 10.1 percent of the total households in the assessment area are in low-income census tracts, 24.2 percent of the assessment area's households earning below the poverty level are in these census tracts. This further demonstrates the difficulty banks encounter to originate loans to eligible borrowers in low-income census tracts. Finally, with over 479 different lenders originating or purchasing a residential mortgage loan in the assessment area in 2017, the limited number of available loans is spread out over the large number of financial institutions operating within the bank's assessment area.

By product type, the bank's residential mortgage lending in low-income tracts was above the aggregate for all product types except refinance loans in 2017, home improvement loans in 2016, and multifamily loans in 2017. Hometown only made three home improvement loans in 2016 and 2017 in low-income census tracts. As the median age of the housing stock in the assessment area is 59, and 37.9 percent of housing units were built prior to 1950, the first community contact discussed the difficulty in repairing homes in the area as the cost of the repair could trigger a requirement to bring the house up to code. The additional costs, which can be significant, can be prohibitive to individuals living in low-income census tracts to seek home improvement loans.

The bank made 29.2 percent and 26.1 percent of its residential mortgage loans, by number, in moderate-income census tracts in 2016 and 2017, respectively. Hometown's lending to borrowers in moderate-income census tracts was above the percentage of owner-occupied units in the assessment area's moderate-income census tracts, which was 14.4 percent in 2016 and 14.0 percent in 2017. As compared to the aggregate, the bank exceeded the aggregate in both 2016 and 2017 when the aggregate made 12.7 percent and 14.6 percent of its home mortgage loans, respectively, in moderate-income census tracts. By product type in moderate-income census tracts, the bank exceeded the aggregate by number in all product types except multifamily loans in 2016. By number, home purchase loans were the largest product type in moderate-income census tracts for the bank, as Hometown originated 26 home purchase loans in 2016 and 23 in 2017. The bank's percentages of home mortgage lending in moderate-income census tracts in 2014 (31.4 percent) and 2015 (38.4 percent) were higher but still in line with its recent performance in 2016 and 2017.

The bank was slightly above the demographic indicators and aggregate lender performance for middle-income census tracts in 2016 and 2017 where it originated 47.8 percent and 49.4 percent of its home mortgage loans for those years as compared to owner-occupancy rates of 48.7 percent and 45.8 percent, and aggregate lending rates of 46.1 percent and 44.5 percent, respectively. The bank's performance lending in middle-income census tracts was similar in 2014 and 2015 when it made 51.3 percent and 40.5 percent, respectively, of its home mortgage loans in these tracts. In upper-income census tracts, the bank originated 15.8 percent and 18.8 percent of its home mortgage loans in 2016 and 2017, respectively, which was below the owner-occupancy rate of 35.0 percent in 2016 and 37.6 percent in 2017. Hometown's performance in upper-income census tracts was also below that of the aggregate, which was 39.5 percent in 2016, and 37.2 percent in 2017. In 2014 and 2015, the bank originated 9.6 percent and 11.2 percent of its home mortgage loans in upper-income census tracts, which is lower, but in line with the bank's performance in 2016 and 2017.

Small Business Lending

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. Table 10 represents the distribution of small business loans by census tract income level.

Table 10
Geographic Distribution of Small Business Loans by Census Tract

Census Tract Income Level	2016 % Total Business by Tracts	2016 Bank		2017 % Total Business by Tracts	2017 Bank		Bank Total	
	%	#	%	%	#	%	#	%
Low	7.2	6	8.0	6.3	1	1.5	7	4.9
Moderate	17.8	18	24.0	16.8	12	17.9	30	21.1
Middle	41.0	42	56.0	37.0	42	62.7	84	59.2
Upper	34.0	9	12.0	37.7	12	17.9	21	14.8
N/A	0.0	0	0.0	2.3	0	0	0	0.0
Total	100.0	75	100.0	100.0	67	100.0	142	100.0

D&B 2016 and 2017; Bank-provided small business Data; 2016 and 2017 Small Business Loan Registers
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

In 2016, Hometown originated six small business loans, or 8.0 percent of total small business loans, in low-income census tracts. This was in line with the total number of businesses in low-income census tracts in the assessment area, which was 7.2 percent. In 2017, the bank only originated one small business loan, or 1.5 percent of total small business loans, in low-income census tracts where 6.3 percent of businesses are located. The bank had low levels of small business lending in low-income census tracts in 2014 and 2015, when the percent of total small business loans made in these tracts was 0.0 percent and 1.2 percent, respectively.

Hometown's small business lending in moderate-income tracts exceeded the percentage of total businesses in these tracts in both 2016 and 2017. In 2016, the bank originated 18 loans, or 24.0 percent of total small business loans, in moderate-income census tracts, and in 2017, the bank originated 12, or 17.9 percent of total small business loans, in moderate-income census tracts. This was above the total percent of businesses in moderate-income census tracts, which was 17.8 percent in 2016 and 16.8 percent in 2017. Hometown had a similar level of lending in moderate-income census tracts in 2014 and 2015 when the percent of total small business loans made in these tracts was 22.7 percent and 28.2 percent, respectively.

Hometown originated the largest percentage of its small business loans in middle-income census tracts in both 2016 and 2017. In 2016, the bank originated 56.0 percent of its small business loans in middle-income census tracts, which is above the total percentage of businesses in middle-income census tracts, at 41.0 percent. In 2017, the bank originated 62.7 percent of its small business loans in these tracts. This exceeded the total percentage of businesses in middle-income census tracts, which was 37.0 percent. The bank's small business lending in middle-income census tracts for these years is in line with the percentage of small business loans in these tracts in 2014 and 2015, which were 65.3 percent and 62.4 percent, respectively. In both 2016 and 2017, the bank's percentage of small business loans originated in upper-income census tracts, which was 12.0 percent and 17.9 percent, respectively, was below the demographic indicator for total percentage of businesses in upper-income census tracts, which was 34.0 percent for 2016, and 37.7 percent for 2017. The bank's performance in upper-income tracts increased from 2014 and 2015, when the percent of small business loans originated in these tracts was 12.0 percent and 8.2 percent, respectively.

Response to Complaints

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

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area is demonstrated by its record of extending residential and commercial loans to businesses and borrowers of different incomes, especially low- and moderate-income borrowers and small businesses. The bank has also met the credit needs in its assessment area by making a substantial majority of its loans within its assessment area. The bank exhibited an excellent distribution of loans across census tract income levels and has maintained a reasonable LTD ratio. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect a reasonable level of responsiveness overall and therefore is rated Satisfactory for the lending test.

COMMUNITY DEVELOPMENT TEST

The community development test measures the number and amount of community development loans; the number and amount of qualified investments; the extent to which the institution provides community development services, and the bank's responsiveness through such activities to community development lending, investment and service needs. The following examples highlight some of these community development activities.

Community Development Loans

For the period under review, the bank extended 27 community development loans, totaling $11.1 million, within the assessment area. These loans provided affordable housing, supported businesses that created jobs for low- and moderate-income individuals, and helped revitalize low- and moderate-income geographies. A sample of the types of community development loans provided by Hometown is provided below:

- The bank participated in a loan that would enable a community solar project in Fitchburg, MA, that would contribute power to the city's grid. Seven of the ten census tracts in Fitchburg are low- or moderate-income. The bank's participation in this loan is for $2,450,000.

- The bank originated a $320,000 loan to rebuild a multifamily apartment building with five one-bedroom units in a moderate-income census tract in Webster, MA. The rents for these units, which are $750 per month, are below the fair market rent of $823.

- In conjunction with a $226,500 SBA 504 loan, Hometown originated a $377,500 commercial construction loan for a small business in Charlton, MA. This business created job opportunities for low- and moderate-income individuals.

- Hometown originated a $375,000 loan for an organization to purchase commercial real estate containing its main office. The organization provides assisted services and rehabilitation to people who have had brain trauma in order to restore their independent living function. These individuals are receiving public assistance through state and federal programs.

- In conjunction with a $220,000 SBA 504 loan, Hometown originated a $275,000 commercial construction loan for a child-care education center in Gardner, MA. This business is located in a moderate-income census tract and created job opportunities for low- and moderate-income individuals.

Community Development Investments

Hometown's qualified community development investments include both equity investments and donations. Since the prior evaluation, Hometown made five equity investments, totaling $2,827,655. The bank plays an active role in supporting numerous community, affordable housing, educational, and social organizations in its assessment area through direct contributions and sponsorships. During the review period, the bank made a total of $428,712 in donations that were considered to be primarily for community development purposes.

The following provides additional information on the nature of the bank's equity investments.

- The bank purchased $2,475,155 in loans from FreddieMac's CRA Mortgage-Backed Security Pool that is restricted to low- and moderate-income borrowers or properties located in low- or moderate-income census tracts.
- The bank received two community investment tax credits by donating to a community service organization that provides affordable housing and economic development support in a low- and moderate-income area. The tax credits were generated through the Massachusetts Association of Community Development Corporations and are awarded when a donor invests in a community development organization. The donor receives a 50 percent tax credit for the donation amount. The bank's investment totaled $7,500.
- The bank invested in a minority-owned financial institution through a $245,000 certificate of deposit.
- The bank entered into a $100,000 note with a local not-for-profit organization whose mission is to create and preserve affordable housing opportunities for low- to moderate-income households.

Qualified donations by community development category and year are displayed in the Table 11.

Table 11
Hometown Qualified Donations

Community Development Category	May 12, 2014 - December 31, 2014		2015		2016		2017		January 1, 2018 - June 10, 2018		Review Period	
	#	$	#	$	#	$	#	$	#	$	#	$
Affordable Housing	1	100	2	450	2	10,100	4	25,250	0	0	9	35,900
Economic Development	1	500	0	0	0	0	3	6,500	1	5,000	5	12,000
Revitalize/Stabilize	2	650	1	600	2	1,150	1	700	0	0	6	3,100
Community Services	28	24,605	26	17,070	29	27,852	41	281,515	24	26,670	148	377,712
Totals	32	25,855	29	18,120	33	39,102	49	313,965	25	31,670	168	428,712

Bank-provided data 05/12/2014 – 06/10/2018

The bank's donations primarily provided needed community services to low- and moderate-income individuals. These activities are particularly vital in the socio-economic environment in which the bank is operating. The bank also made contributions to organizations that provide affordable housing, economic development, and revitalization efforts. The following are examples of recipients who engage in these activities for the betterment of the economically disadvantaged.

- Webster Public Library – In 2017, the bank made a $250,000 donation to support the construction of a new library to replace the former library, which had become too deteriorated to be salvaged. The new library will provide meeting space for community organizations; internet access for those who cannot afford to have service at home; job training and classes in résumé writing; and English as a Second Language courses. Webster, MA is located in a predominantly moderate-income area; three of its four census tracts are moderate-income tracts.

- Our Father's House, Inc. – The bank has made annual donations to this homeless shelter in Fitchburg, MA. The organization also provides essential services to the homeless to help them become self-sufficient and transition to permanent housing.

- Thompson Ecumenical Empowerment Group – This social service organization in Northeast Connecticut provides low-income individuals with youth services, summer lunch for children, fuel cost assistance, benefits counseling for senior citizens, and emergency food for those in need.

- Worcester Community Housing Resources, Inc. – This organization creates and preserves affordable housing opportunities for low- and moderate-income households. It also initiates and supports neighborhood revitalization throughout Worcester County.

- Auburn Youth & Family Services, Inc. – In addition to offering a food pantry and clothing for those in need, this community service organization provides counseling, tutoring, advocacy, after school and summer programs, and support groups to help prevent alcohol and drug abuse.

Community Development Services

Bank personnel are involved in a leadership capacity with organizations that promote one of the four community development criteria.[3] Bank representatives have led efforts for local economic development groups and expended several hours providing financial, technical, or leadership advice for several organizations that foster economic development, affordable housing, or social services to low- or moderate-income persons. Examples of notable community development services follow.

Employee Services

- City of Fitchburg's Community Development Block Grant Program – The Federal Community Development Block Grant (CDBG) program funds the administration of several housing, public works, economic development, and public service activities that help to

[3] 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, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation 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, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, 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.

further the city's overall community development objectives. The bank's CRA officer and a commercial lender both review programs funded by CDBG and other community development projects for the City of Fitchburg, which predominantly is comprised of low- and moderate-income census tracts.

- Thompson Ecumenical Empowerment Group – The vice president of branch administration and business development monitored finances, performed budget review, and developed investment strategies for this organization serving low-income individuals through youth services, summer lunch for children, fuel cost assistance, benefits counseling for senior citizens, and emergency food for those in need.

- Christopher Heights Assisted Living Community – The vice president of branch administration assisted senior citizen residents at this assisted living facility with questions on banking services and financial management. A majority of the units are reserved for low- and moderate-income seniors.

Educational Services

- Worcester Chamber of Commerce – In 2017, the vice president of commercial lending, the associate vice president branch manager, the lead teller, and a commercial lender all participated in the Worcester Chamber of Commerce's entrepreneurial program, Woostapreneurs. Through this program, they supplied information on loans to new businesses, immigrant entrepreneurs, and women-, minority-, and veteran-owned companies in the Worcester, MA region. Worcester is comprised predominantly of low- and middle-income census tracts, and 56.0 percent of families residing in the city are low- or moderate-income families.

- NewVue Communities – Through this organization, the bank's branch manager, assistant branch manager, and a residential loan officer participated in a first-time homebuyers' class in 2017. The branch manager also taught a program on saving money. NewVue Communities provides affordable housing and neighborhood improvement in the City of Fitchburg, where 7 of the 10 census tracts are low- or moderate-income tracts, and 55.1 percent of families in the city are low- or moderate-income families.

CONCLUSION: COMMUNITY DEVELOPMENT TEST

Given the community development opportunities and level of competition in the assessment area, as well as the level of community involvement displayed by the bank, Hometown demonstrates adequate responsiveness to the community development needs of this area and is rated Satisfactory. This is evidenced through satisfactory community development loans and loan programs, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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