PUBLIC DISCLOSURE

July 10, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Washington Savings Bank
RSSD # 654300

30 Middlesex Street
Lowell, MA 01852

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 OUTSTANDING.

Washington Savings Bank (WSB or the bank) demonstrates an excellent responsiveness to the credit needs of its assessment area based on the following findings:

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

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

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

- The bank demonstrates an excellent geographic distribution of loans given its assessment area.

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

- Qualified community development loans, investments, and services were also reviewed at the bank’s request. These activities enhanced credit availability in the assessment area and support the overall rating.

SCOPE OF EXAMINATION

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

The evaluation period for the CRA performance review is March 26, 2018 through July 10, 2023. The lending test focused on residential mortgage lending from January 1, 2021 to December 31, 2022; this information is included in the tables. The bank's average LTD ratio was calculated from FFIEC Call Reports from March 31, 2018 through March 31, 2023. The bank elected to have its performance in making qualified community development loans, investments, and services reviewed. This activity was evaluated from the date of the previous CRA examination through the date of this examination.

Due to the composition of the bank's portfolio, the lending test considered residential mortgage lending. Residential mortgage lending data was obtained from the Loan Application Register (LAR) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LAR records data for home purchase loans, home improvement loans and refinance loans for one-to-four-family and multifamily (five or more unit) properties. Demographic data was derived from the 2020 United States Census Bureau's American Community Survey (ACS), unless otherwise noted. The residential lending data is shown compared to 2021 and 2022 aggregate data, which was obtained from data reported to the Consumer Financial Protection Bureau (CFPB). Aggregate data consists of lending information from all HMDA reporters that originated or purchased home mortgage loans in the assessment area.

Small business lending was not considered in this evaluation. As a small bank, WSB is not required to collect and report small business data. Further, commercial lending is not a major product line, comprising only 15.6 percent of total loans. The universe of commercial loans made during the review period that meet the regulatory definition of a small business loan would not be sufficient to draw meaningful conclusions. Consumer loans are negligible, comprising 0.2 percent of the total loan portfolio. These business lines are not considered in this analysis.

One community contact interview was conducted to obtain additional insight into the credit needs of the assessment area. The contact represents a nonprofit community development organization focused on providing affordable housing and community services within the City of Lowell and the greater Merrimack Valley.

WSB was last examined for compliance with CRA by the Federal Reserve Bank of Boston, on March 26, 2018, in accordance with the FFIEC Examination Procedures for Small Institutions. The examination resulted in an "Outstanding" rating.

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

DESCRIPTION OF INSTITUTION

Founded in 1892, WSB is a state-chartered mutual savings bank that provides traditional community banking services through its main branch, located at 30 Middlesex Street in Lowell, MA, and a full-service branch and loan center located at 100 Broadway Road in Dracut, MA. Both locations are open Monday through Saturday, with extended evening hours on Thursday and Friday, and limited hours on Saturday. The bank operates a 24-hour, full-service ATM at each location. The bank has one securities subsidiary, Washington Securities Corp., and no holding company.

As of the March 31, 2023 FFIEC Call Report, the bank's assets totaled $280.3 million. Total loans and leases were $230.6 million and total deposits were $245.4 million. WSB's total assets increased 27.9 percent from $219.2 million, as of December 31, 2017.

Table 1 shows the bank's loan portfolio distribution as of March 31, 2023. WSB is primarily a home mortgage lender, with home mortgage real estate loans, including multifamily loans and revolving loans, totaling $193.4 million, or 83.9 percent, of the loan portfolio. Home mortgage loans mainly consist of 1-4 family closed-end loans secured by first liens. Commercial lending is the bank's second largest business line with commercial real estate, construction and land development, and commercial and industrial loans together totaling $35.9 million, or 15.6 percent, of the loan portfolio.

Table 1
Loan Distribution as of March 31, 2023

Loan Type	Dollar Amount $(000s)	Percent of Total Loans (%)
Construction and Land Development	5,271	2.3
Farmland	717	0.3
Revolving 1-4 Family Residential	8,618	3.7
1-4 Family Residential	143,798	62.4
Multifamily (5 or more) Residential	41,024	17.8
Commercial RE	30,493	13.2
Total Real Estate Loans	**229,921**	**99.7**
Commercial and Industrial	143	0.1
Consumer	496	0.2
Total Loans	230,560	100.0

Call Report as of March 31, 2023
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank offers a fairly traditional suite of deposit and loan products for consumer and business customers. Deposit products include personal and business checking accounts, savings accounts, certificates of deposit, and money market accounts. Residential loan products include fixed- and adjustable-rate mortgages and home equity loans and lines of credit. The bank also offers a first-time homebuyer program. In addition to residential loans, the bank offers a variety of commercial products to serve the local community, including construction and commercial real estate loans. The bank's website, www.washingtonsavings.com, provides a listing and description of its deposit and loan services. Loan applications can be requested by phone, by mail, or by visiting a branch. Along with other traditional delivery methods, the bank receives residential mortgage loan applications through its website.

In response to the COVID-19 pandemic, the bank was an active originator of Payment Protection Program (PPP) loans during the review period. PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act and are designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic. In general, PPP loans may be considered particularly responsive to small businesses with annual revenues of $1 million or less or to businesses located in low- or moderate-income geographies. Additionally, such loans generally help retain jobs for low- or moderate-income individuals, or in low- or moderate-income geographies, and may help revitalize or stabilize low- or moderate-income geographies. Each of the bank's originated PPP loans were made in original amounts under $1 million and are captured within the "Lending Related Activities" section.

WSB operates in a highly competitive banking environment. According to the June 30, 2022 FDIC Deposit Market Share Report, 13 FDIC-insured depository institutions maintain a branch within the assessment area. The top institution is Enterprise Bank and Trust Company, which operates 10 branches within the assessment area and has a deposit market share of 26.9 percent. Bank of America, N.A. has the next largest deposit market share, at 17.7 percent. The next three institutions are TD Bank, N.A., The Lowell Five Cent Savings Bank, and Santander Bank, N.A., respectively. WSB ranked 9th with a deposit market share of 3.3 percent.

The bank also faces strong competition for loans. Despite this competition, the bank's market rank has risen. According to 2022 HMDA data, there were 355 HMDA reporters that originated or purchased 7,802 home mortgage loans within the bank's assessment area. WSB ranked 28th among these HMDA reporters. The top three lenders were Jeanne D'Arc Credit Union, Citizens Bank, N.A., and Rocket Mortgage, LLC, respectively. In 2021, there were 374 HMDA reporters that originated or purchased 16,097 home mortgage loans within the bank's assessment area. WSB ranked 32nd among these HMDA reporters. The top lenders were Rocket Mortgage, LLC, Jeanne D'Arc Credit Union, and Guaranteed Rate, Inc., respectively.

DESCRIPTION OF ASSESSMENT AREA

The bank has delineated one assessment area that consists of eight contiguous cities and towns in a portion of Middlesex County in northeastern Massachusetts, and a portion of Hillsborough County in southern New Hampshire. Middlesex County is located in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). Hillsborough County is located in the Manchester-Nashua, NH Metropolitan Statistical Area (MSA). The seven Middlesex County cities and towns include the city of Lowell and the towns of Chelmsford, Dracut, Dunstable, Tewksbury, Tyngsboro, and Westford. The town within Hillsborough County is the town of Pelham. The assessment area has not changed since the previous examination.

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 its assessment area. There are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area. Table 2 provides a summary of the demographic information for the bank's assessment area in 2022.

Table 2 Assessment Area Demographics								
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty Level as % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	10	17.9	6,170	9.4	1,598	25.9	16,668	25.4
Moderate	14	25.0	17,397	26.5	1,438	8.3	12,084	18.4
Middle	20	35.7	25,388	38.7	785	3.1	15,003	22.9
Upper	12	21.4	16,663	25.4	395	2.4	21,863	33.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**56**	**100.0**	**65,618**	**100.0**	**4,216**	**6.4**	**65,618**	**100.0**
	Housing Units by Tract	**Housing Type by Tract**						
		Owner-occupied			**Rental**		**Vacant**	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	12,955	2,658	4.1	20.5	9,576	73.9	721	5.6
Moderate	27,715	14,234	22.1	51.4	12,439	44.9	1,042	3.8
Middle	37,694	29,625	46.0	78.6	7,149	19.0	920	2.4
Upper	20,731	17,907	27.8	86.4	2,199	10.6	625	3.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**99,095**	**64,424**	**100.0**	**65.0**	**31,363**	**31.6**	**3,308**	**3.3**

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.

The assessment area contains 56 census tracts of which 10 tracts, or 17.9 percent, are low-income; 14 tracts, or 25.0 percent, are moderate-income; 20 tracts, or 35.7 percent, are middle-income; and 12 tracts, or 21.4 percent, are upper-income. All of the low-income tracts are concentrated within Middlesex County, specifically in the city of Lowell, where the bank is headquartered. Of the 14 moderate-income census tracts, 13 are located in Lowell and one is located within the Dracut, where the bank maintains its additional branch and loan center.

Over the review period, there were several census tract changes that impacted the demographics of the bank's assessment area. Specifically, the number of low-income census tracts decreased from 12 to 10, while the number of moderate-income census tracts increased from 11 to 14. Middle-income census tracts decreased from 21 to 20, while upper-income census tracts increased from 10 to 12. The census tract in which the bank's Lowell branch is located changed from a low-income census tract to a moderate-income tract. The bank's Dracut branch is in a middle-income tract, which has remained unchanged since the previous examination.

Population

The assessment area has a total population of 270,508 individuals, of which 12.9 percent reside in low-income tracts, 28.2 percent reside in moderate-income tracts, 37.3 percent reside in middle-income tracts, and 21.6 percent reside in upper-income tracts. Of the 65,618 families in the assessment area, 9.4 percent reside in low-income tracts, 26.5 percent reside in moderate-income tracts, 38.7 percent reside in middle-income tracts, and 25.4 percent reside in upper-income tracts. The percentages of individuals and families residing in low- and moderate-income tracts suggests limited opportunity for the bank to originate home mortgage loans in these tracts.

Though not reflected in Table 2, the percentage of families by census tract income level and the percentage of owner-occupied units by census tract income level have generally shifted proportionally to the shifts in number of census tracts. The data indicates a nominal decrease in the percentage of low-income families between the 2015 and 2020 Census, moving from 25.5 percent to 25.4 percent. The percent of moderate-income families increased nominally from 18.2 percent to 18.4 percent; middle-income families increased from 21.4 percent to 22.9 percent; and upper-income families decreased from 35.0 percent to 33.3 percent. Families residing below the poverty level decreased from 7.8 percent to 6.4 percent. The percentage of owner-occupied housing within the assessment area increased from 64.2 percent to 65.0 percent; rentals increased from 30.8 percent to 31.6; and vacant properties decreased from 5.0 percent to 3.3 percent. Overall, these changes suggest that while some of the population in the assessment area may be slightly increasing in wealth, economic barriers still exist.

Housing

Of the 99,095 housing units in the assessment area, the majority, 77.2 percent, are 1-4 family housing, 22.4 percent are multifamily (five or more units), and 0.4 percent are mobile homes. Within the assessment area, owner-occupied units account for 65.0 percent of the housing stock, while rental units account for 31.7 percent, and vacant units account for 3.3 percent. Within the low-income census tracts in the assessment area, only 20.5 percent of housing units are owner-occupied, while 73.9 percent are rentals, and 5.6 percent are vacant, indicating limited lending opportunity for home loan origination in those tracts. Owner-occupancy rates increase with census tract income levels. For example, in moderate-income census tracts, 51.4 percent of the housing units are owner-occupied. In the middle- and upper-income census tracts, owner occupancy rates increase to 78.6 percent and 86.4 percent, respectively. In Lowell, 15.2 percent of housing units are located in low-income census tracts and 67.1 percent are in moderate-income tracts. Owner occupancy is lower than the assessment area, at 41.5 percent. Rental occupancy and vacancy in Lowell is higher than the assessment area, at 54.3 percent and 4.2 percent, respectively. The rental occupancy rate in Lowell indicates limited opportunity for home loan origination.

According to 2020 U.S. Census data, the median housing value in the assessment area was $375,092, which is below Middlesex County, at $540,300, and above both Hillsborough County, at $287,900, and the City of Lowell, at $285,170. The median housing value in the assessment area is also slightly below the Commonwealth, at $398,800, and above New Hampshire, at $272,300. Recent data obtained from The Warren Group, Boston, MA, indicates that housing prices continue to rise. For calendar year 2022, the average median home sales price in the Commonwealth was $530,000. Middlesex County was at $705,000, and Lowell was at $430,000.

These elevated home prices may present a barrier to home ownership for many low- and moderate-income borrowers.

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 3 displays the MFIs for the assessment area.

Table 3
Median Family Income

MSA/MD/State	2022	2021
Assessment Area	107,190	89,348
Cambridge-Newton- Framingham, MA (MD)	138,700	120,200
Manchester-Nashua, NH (MSA)	114,500	101,900
Commonwealth of Massachusetts MFI*	119,400	111,700
State of New Hampshire MFI*	94,500	85,300

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

The MFI for the assessment area is below the Cambridge-Newton- Framingham, MA MD, Manchester-Nashua, NH MSA, and the Commonwealth of Massachusetts. The MFI in Lowell, within Middlesex County, is below the assessment area, all counties therein, and the Commonwealth of Massachusetts. The poverty level in Lowell exceeded that of the assessment area, all counties therein, the State of New Hampshire, and the Commonwealth of Massachusetts. This suggests that many residents in the assessment area may experience economic insecurity. While MFIs increased year over year, elevated home prices continue to present a barrier to home purchasing.

Employment Statistics

According to data released by the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area have decreased since the previous examination. The unemployment rate for Middlesex and Hillsborough counties rose sharply due to the COVID-19 pandemic, peaking at 13.0 percent and 16.1 percent, respectively, in April 2020. In 2022, the average annual unemployment rates for Middlesex County and Hillsborough County, were 3.1 percent and 2.6 percent, respectively. These averages were below the Commonwealth, at 3.8 percent, and above New Hampshire, at 2.5 percent. More recently, the unemployment rates in New Hampshire, the Commonwealth, and these counties have decreased, indicating that economic conditions have improved.

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 a representative of a nonprofit community development organization focused on affordable housing and community services within the city of Lowell and all of the Merrimack Valley. The contact noted the opportunity for more lending programs in the community that would support affordable housing and provide micro lending for those who cannot qualify for traditional small business loans. The contact further noted that affordable housing, small business technical assistance (particularly for non-banked, non-English speaking business owners), and financial literacy, are the major areas of need in the community. The contact cited that during the COVID-19 pandemic, many small business owners in the city of Lowell did not have the business acumen or sufficient staff to obtain and/or qualify for a PPP loan. The contact further noted that lack of affordable housing is an ongoing issue in the area, particularly given increasing housing prices relative to the median family income in the City of Lowell. The contact specifically cited WSB as a financial institution with a strong presence and relationship with the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is rated Outstanding.

A small bank's lending performance is evaluated pursuant to the following criteria: the bank's LTD ratio; assessment area concentration; lending to borrowers of different income levels; geographic distribution of loans; and record of acting in response to consumer complaints.

At the bank's option, examiners considered community development activities; therefore, "lending-related activities" (i.e., community development loans and lending-related investments) are included in the criteria of the Lending Test.

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

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans and evaluates its appropriateness. The bank demonstrates a more than reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments.

The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 4 provides a comparison of the bank's average LTD ratio over the past 21 quarters under evaluation to similarly sized institutions based on asset size and lending focus. The bank's average LTD ratio of 96.9 percent is more than reasonable given the bank's size, financial condition, and assessment area credit needs. During the review period, the bank's quarterly LTD ratio ranged from a low of 90.4 percent, as of March 31, 2022, to a high of 106.6 percent, as of December 31, 2018. In comparison, the quarterly LTD ratios for the regional peers in Table 4 ranged from a low of 64.7 percent to a high of 104.5 percent. WSB's LTD reflects that it is reinvesting its deposit base in the form of loans.

Table 4
Loan-to-Deposit Ratio Comparison

Institutions	Total Assets* $(000's)	Average LTD Ratio** (%)
Washington Savings Bank	***280,346***	***96.9***
BankGloucester	385,870	94.8
Marblehead Bank	271,136	85.3
Wakefield Co-operative Bank	307,971	87.3

**Call Report as of March 31, 2023*
***Call Reports from March 31, 2018 to March 31, 2023*

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area for 2021 and 2022 combined.

Table 5
Lending Inside and Outside the Assessment Area

Loan Types	Inside				Outside			
	#	%	$(000s)	%	#	%	$(000s)	%
Home Improvement	7	63.6	$304	30.2	4	36.4	$704	69.8
Home Purchase - Conventional	55	71.4	$19,856	63.8	22	28.6	$11,258	36.2
Multi-Family Housing	17	73.9	$16,129	73.7	6	26.1	$5,759	26.3
Refinancing	111	78.7	$28,362	71.5	30	21.3	$11,316	28.5
Residential Total	**190**	**75.4**	**$64,651**	**69**	**62**	**24.6**	**$29,037**	**31**

HMDA data for 2021 and 2022.
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank made a majority of its HMDA loans in the assessment area over the review period. During 2021 and 2022, the bank made a total of 190 HMDA loans. Of these loans, 75.4 percent by number and 69 percent by dollar volume were made inside the assessment area. Refinancing loans comprised the largest portion of the bank's total HMDA loans. Of the refinances made in 2021 and 2022, 78.7 percent were made inside the assessment area. This percentage was higher than for home purchase loans, of which 71.4 percent were made inside the assessment area. The bank made a majority of total HMDA loans inside the assessment area in each year of the review period. Loans were consistently concentrated in the assessment area by product type.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels. The bank demonstrates a distribution of loans to individuals of different income levels (including low- and moderate-income individuals) that is excellent given the demographics of the bank's assessment area.

Although both the number and the dollar volume of the bank's loans were reviewed, the number of loans originated was given more weight than the dollar volume of loans originated as the number of loans has a more direct correlation to the number of borrowers served.

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

Table 6
Distribution of 2021 and 2022 Home Mortgage Lending By Borrower Income Level

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)	$%	$%	
Home Purchase Loans													
Low	7	18.9	10.6	1,391	11.6	6.4	3	16.7	9.7	1,005	12.7	5.4	25.4
Moderate	10	27.0	26.6	2,851	23.8	23.0	1	5.6	25.4	370	4.7	21.1	18.4
Middle	5	13.5	23.8	1,713	14.3	25.4	1	5.6	25.3	352	4.5	25.9	22.9
Upper	5	13.5	24.5	2,300	19.2	29.8	5	27.8	25.0	2,700	34.2	31.8	33.3
Unknown	10	27.0	14.5	3,703	31.0	15.3	8	44.4	14.6	3,471	43.9	15.8	0.0
Total	37	100.0	100.0	11,958	100.0	100.0	18	100.0	100.0	7,898	100.0	100.0	100.0
Refinance Loans													
Low	15	20.5	9.4	3,028	16.1	6.1	14	36.8	14.8	3,409	35.5	10.0	25.4
Moderate	22	30.1	22.7	5,036	26.8	19.4	13	34.2	29.4	3,382	35.2	27.0	18.4
Middle	18	24.7	24.6	5,040	26.9	24.7	5	13.2	23.9	1,478	15.4	24.6	22.9
Upper	14	19.2	28.9	3,974	21.2	33.9	3	7.9	22.5	670	7.0	26.9	33.3
Unknown	4	5.5	14.4	1,687	9.0	15.9	3	7.9	9.4	658	6.9	11.5	0.0
Total	73	100.0	100.0	18,765	100.0	100.0	38	100.0	100.0	9,597	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	4.3	0	0.0	3.2	1	20.0	7.3	49	19.7	5.5	25.4
Moderate	0	0.0	16.5	0	0.0	13.6	1	20.0	20.0	25	10.0	14.4	18.4
Middle	1	50.0	29.6	40	72.7	28.7	0	0.0	32.9	0	0.0	30.0	22.9
Upper	1	50.0	47.8	15	27.3	51.0	3	60.0	36.7	175	70.3	45.8	33.3
Unknown	0	0.0	1.8	0	0.0	3.5	0	0.0	3.1	0	0.0	4.3	0.0
Total	2	100.0	100.0	55	100.0	100.0	5	100.0	100.0	249	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	22	19.6	9.5	4,419	14.4	6.2	18	29.5	11.1	4,463	25.2	6.8	25.4
Moderate	32	28.6	23.5	7,887	25.6	20.5	15	24.6	26.1	3,777	21.3	22.4	18.4
Middle	24	21.4	24.5	6,793	22.1	25.0	6	9.8	25.7	1,830	10.3	25.6	22.9
Upper	20	17.9	28.6	6,289	20.4	32.8	11	18.0	25.9	3,545	20.0	31.3	33.3
Unknown	14	12.5	13.9	5,390	17.5	15.5	11	18.0	11.2	4,129	23.3	13.9	0.0
Total	112	100.0	100.0	30,778	100.0	100.0	61	100.0	100.0	17,744	100.0	100.0	100.0

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.

Under this criterion, the bank's lending activity is compared to an aggregate group of lenders operating inside the assessment area and to the percentage of families in the assessment area within each income level. Overall, the bank's level of lending to low-income and moderate-income borrowers has largely exceeded aggregate data, reflecting excellent penetration among these individuals.

The bank extended 22 loans, or 19.6 percent, to low-income borrowers in 2021, and 18 loans, or 29.5 percent in 2022, which exceeded the aggregate, at 9.5 percent and 11.1 percent, respectively. It is noteworthy that in 2022, at 29.5 percent, the bank was above both the aggregate of 11.1 percent and the demographic indicator of 25.4 percent, for low-income borrowers. Further, the bank's HMDA loans decreased overall from 112 in 2021, to 61 in 2022; however, lending to low-income borrowers improved from 19.6 percent in 2021 to 29.5 percent in 2022. Of note, a majority, or 58 percent, of the low-and-moderate-income families in the bank's assessment area are low income.

Regarding moderate-income borrowers, the bank made 32 loans, or 28.6 percent, and 15 loans, or 24.6 percent, of its HMDA loans by number to these borrowers in 2021 and 2022, respectively. The bank was above the aggregate's percentage of 23.5 percent in 2021, and in line with the aggregate of 26.1 percent in 2022. The bank exceeded the percentage of moderate-income borrowers in the assessment area in both 2021 and 2022.

With regard to additional income levels, the bank made 24 loans, or 21.4 percent, to middle income borrowers in 2021. In 2022, 6 loans, or 9.8 percent, were made to these borrowers. The bank made 20 loans, or 17.9 percent, to upper income borrowers in 2021 and 11 loans, or 18.0 percent, to these borrowers in 2022. Unknown income borrowers received 14 loans, or 12.5 percent, and 11 loans, 18.0 percent, in 2021 and 2022 respectively.

The bank extended a higher number of refinance loans to low-and moderate-income borrowers, which is reflective of housing costs and market conditions. However, a notable percentage of loans to low- and moderate-income borrowers were for home purchase; and affordable housing was a specific need identified by the community contact.

The bank provides multiple products aimed at meeting the credit needs of low-and moderate-income borrowers and first-time homebuyers. These offerings include the Federal Home Loan Bank of Boston's Equity Builder Program as well as a 7/1 adjustable-rate mortgage for first time homebuyers. While loans made under such programs have been captured in the table above, the bank's participation is noteworthy, as it allows low- and moderate-income individuals to qualify for a mortgage.

As illustrated previously, the MFI in the assessment area is approximately $107,190, indicating that low-income families earn under $53,595 annually, and moderate-income families earn between $53,595 and $85,752, annually. With the median home value of $375,092 and rising, home prices outpace family income, making home ownership difficult for many families, including low- or moderate-income borrowers. While the bank's lending is also compared to Families by Family Income, we acknowledge this metric may be challenging to meet given these demographics. Nevertheless, the bank's overall performance in lending to low- and moderate-income is noteworthy.

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 excellent geographic distribution of loans given its assessment area.

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 of loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

Table 7
Distribution of 2021 and 2022 Home Mortgage Lending By Income Level of Geography

Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	$(000)	$%	$%	#	#%	#%	$(000)	$%	$%	
Home Purchase Loans													
Low	8	21.6	11.6	2,823	23.6	9.6	5	27.8	7.0	1,997	25.3	5.9	4.1
Moderate	13	35.1	21.1	4,069	34.0	17.9	4	22.2	25.2	1,419	18.0	21.0	22.1
Middle	14	37.8	46.4	3,984	33.3	47.6	8	44.4	44.3	4,000	50.6	45.3	46.0
Upper	2	5.4	20.9	1,082	9.0	25.0	1	5.6	23.5	482	6.1	27.9	27.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	37	100.0	100.0	11,958	100.0	100.0	18	100.0	100.0	7,898	100.0	100.0	100.0
Refinance Loans													
Low	10	13.7	5.6	2,446	13.0	4.5	6	15.8	4.7	1,830	19.1	4.1	4.1
Moderate	21	28.8	16.4	5,140	27.4	13.3	14	36.8	23.9	3,417	35.6	21.0	22.1
Middle	32	43.8	52.8	7,880	42.0	53.2	18	47.4	44.3	4,350	45.3	44.3	46.0
Upper	10	13.7	25.2	3,299	17.6	29.1	0	0.0	27.1	0	0.0	30.6	27.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	73	100.0	100.0	18,765	100.0	100.0	38	100.0	100.0	9,597	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	3.0	0	0.0	2.7	0	0.0	2.4	0	0.0	2.1	4.1
Moderate	2	100.0	12.3	55	100.0	9.1	1	20.0	15.3	49	19.7	11.0	22.1
Middle	0	0.0	50.7	0	0.0	50.8	3	60.0	43.7	160	64.3	41.4	46.0
Upper	0	0.0	34.0	0	0.0	37.4	1	20.0	38.6	40	16.1	45.5	27.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	2	100.0	100.0	55	100.0	100.0	5	100.0	100.0	249	100.0	100.0	100.0
Multifamily Loans													**Multi-family Units %**
Low	5	62.5	60.0	4,350	66.5	24.0	4	44.4	41.4	5,459	57.0	19.2	26.5
Moderate	2	25.0	17.3	1,505	23.0	8.7	5	55.6	38.6	4,125	43.0	49.7	37.5
Middle	1	12.5	16.0	690	10.5	63.8	0	0.0	12.9	0	0.0	12.6	29.2
Upper	0	0.0	6.7	0	0.0	3.6	0	0.0	7.1	0	0.0	18.5	6.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	8	100.0	100.0	6,545	100.0	100.0	9	100.0	100.0	9,584	100.0	100.0	100.0
Total Home Mortgage Loans													**Owner Occupied Units %**
Low	23	19.2	7.5	9,619	25.8	7.0	15	21.4	5.7	9,286	34.0	6.8	4.1
Moderate	38	31.7	17.6	10,769	28.9	14.6	24	34.3	23.6	9,010	33.0	23.9	22.1
Middle	47	39.2	50.6	12,554	33.6	51.6	29	41.4	43.7	8,510	31.1	40.9	46.0
Upper	12	10.0	24.3	4,381	11.7	26.8	2	2.9	26.9	522	1.9	28.4	27.8
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	120	100.0	100.0	37,323	100.0	100.0	70	100.0	100.0	27,328	100.0	100.0	100.0

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 23 home mortgage loans, or 19.2 percent, in low-income census tracts, which was well above the aggregate of 7.5 percent. The bank's 2021 performance in low-income census tracts also exceeded the percentage of owner-occupied housing units in these census tracts, at 4.1 percent. Similarly, the bank outperformed the aggregate in lending within moderate-income census tracts in 2021, with 38 home mortgage loans, or 31.7 percent, which was higher than the aggregate of 17.6 percent. The bank's 2021 lending performance in moderate-income census tracts also exceeded the percentage of owner-occupied housing units in these census tracts, at 22.1 percent.

The bank continued this performance in 2022. The bank originated 15 home mortgage loans, or 21.4 percent, in low-income tracts, which was above the aggregate of 5.7 percent, and also above the percentage of owner-occupied housing units in these census tracts, at 4.1 percent. WSB originated 24 home mortgage loans, or 34.3 percent, in moderate-income tracts, which is above the aggregate, at 23.6 percent, and also above the percentage of owner-occupied housing units in these census tracts, at 22.1 percent.

The bank's home purchase, home improvement, multifamily, and refinance lending was consistent with the overall lending performance. The bank outperformed or was in line with the aggregate in lending within low- and moderate-income census tracts across these product categories, with the exception of home improvement loans extended in low-income income census tracts in 2021 and 2022. However, given the low volume of home improvement loans overall, little weight is placed on this variance.

In 2021, the bank made 23 loans in 11 separate low-income census tracts and 38 loans in 9 separate moderate-income census tracts. In 2022, the bank made 15 loans in 8 separate low-income census tracts and 26 loans in 10 separate moderate-income census tracts. This origination volume coincides with the shift in the bank's number of originated HMDA loans from 2021 to 2022 and reflects strong geographic dispersion.

With regard to lending in additional census tracts, the bank made 47 loans, or 39.2 percent, in middle income census tracts in 2021. In 2022, 29 loans, or 41.4 percent, were made in these tracts. The bank made 12 loans, or 10 percent, in upper income census tracts in 2021, and 2 loans, or 2.9 percent, in these tracts in 2022.

The bank's performance in this category demonstrates that as a number percentage, the bank's lending to low- and moderate-income geographies continues to improve. It is noted that WSB faces strong competition in these geographies; and the bank's performance does not reflect any conspicuous gaps in lending activity.

<u>Response to Complaints</u>

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

Lending Related Activities

As previously noted, the FFIEC Small Bank CRA examination procedures do not require the assessment of community development activities. However, the bank did elect to have these activities considered. Lending-related activities, including community development loans, may be reviewed in determining whether an institution meets or exceeds the standards for a satisfactory rating. Therefore, the bank's community development lending was considered when assessing performance in lending to borrowers of different incomes and businesses of different sizes. The bank's community development lending strengthens the bank's performance and supports the conclusion that the bank exceeded the standards for a satisfactory rating under this criterion.

The bank's community development lending activity supported the revitalization of a low-income census tract in Lowell and the provision of affordable housing within both the assessment area and the greater statewide area. Notably, affordable housing was identified by the community contact as a crucial need in the bank's market. The bank's participation in these projects demonstrates its commitment to meet the credit needs of the community. The following details the bank's community development lending activity during the evaluation period.

- In May of 2019, the bank participated in a construction to permanent loan with MassDevelopment. The entire 21-unit apartment building, located in a low-income census tract, will accept Section 8 tenants. The bank provided $1,412,700 in financing.
- In October of 2019, the bank originated two loans to develop a 23-unit 40B condominium complex consisting of six affordable units in Harvard, MA. One loan funded the cul-de-sac/roadways and driveways, and the other funded the construction of five spec units, one of which was affordable. The two loans qualify for $776,860 total.

In addition, the bank originated 76 PPP loans over the review period, totaling approximately $3.2 million dollars. Thirty-one PPP loans, totaling approximately $829,066, were located in low-or moderate-income census tracts. Fifty-nine PPP loans, totaling approximately $2.6 million, were originated in the bank's assessment area; and 27 PPP loans were originated in low-or-moderate-income census tracts within the bank's assessment area. Given the bank's size and capacity, these loans are particularly responsive. Further, each PPP loan originated by the bank was under $1 million, indicating that these loans were responsive to small businesses, particularly those located in low-and-moderate- income census tracts.

QUALIFIED INVESTMENTS AND SERVICES

At the bank's request, its performance in making qualified investments and providing services that enhance credit availability in its assessment area was reviewed. Qualified investments and services were reviewed from the date of the prior evaluation, March 26, 2018, to the date of the current evaluation, July 10, 2023. In order to be considered, investments and services must meet the definition of community development[2]. The bank's community development investment and

2 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.

services activity is considered strong for a bank of its size and capacity. These efforts supported the overall “Outstanding” rating.

Investments

The bank's investment record shows strong recognition and support of the needs of low- and moderate-income individuals. Community development investment activity consists of charitable donations to organizations that provide affordable housing, promote economic development, revitalize or stabilize, and offer community services that benefit low- and moderate-income individuals. WSB has provided $226,115 in qualified community development donations since the previous examination. The following provides a brief synopsis of the bank’s activity.

- The bank made substantial donations, totaling $24,500, to support a non-profit organization that focuses on providing education, housing services and economic opportunities to help low- and moderate-income families and individuals improve their economic stability and wellbeing.
- The bank has made substantial donations, totaling $24,500 to support an organization that provides subsidized housing with support services to low- and moderate-income seniors.

Other organizations that have benefited from the bank’s donations include Merrimack Valley Food Bank; Girls, Inc.; Manolis Family Foundation, Inc; The Lowell Plan, Inc.; The Cambodian Mutual Assistance Association of Lowell, Inc. (CMAA); and the Merrimack Valley Housing Partnership**.**

Services

WSB’s record of providing branches, ATMs, loan production offices and other services and delivery systems enhances credit availability in its assessment area.

<u>Retail Services</u>

The bank’s branch lobby hours are from 9am to 4pm Monday through Wednesday at both locations. Extended hours are offered on Thursday and Friday evenings until 6 pm. On Saturdays, lobbies are open until 3 pm. Night drop boxes and 24 hour ATMs are located at each branch office. In addition, the bank is a member of the Allpoint® Network, which allows customers to use their debit card surcharge-free at over 55,000 locations nationwide. The bank also offers internet and mobile banking.

The bank has not closed any branch locations since the previous examination. As of 2022, the bank’s main office is located in a moderate-income census tract; this tract was previously low income.

<u>Community Development Services</u>

- In collaboration with the Merrimack Valley Housing Partnership, the bank presented two homebuyer education seminars over the review period. Notably, these presentations continued during the COVID-19 pandemic, as accommodations were made virtually.

- The bank offers FHLB homeownership assistance programs to assist eligible homebuyers with associated transaction costs. For instance, the bank offers an Equity Builder Program which assists eligible households with incomes at or below 80 percent of HUD Area Median Income, based on property location, with down payment and closing costs.
- The bank offers a credit builder program to help individuals, including low- and moderate-income individuals, establish or rebuild credit. The loans can be made in amounts of $250 or $500.
- The bank offers checking and savings accounts that meet the Basic Banking for Massachusetts guidelines. Basic Banking for Massachusetts was launched in 1994 to expand access to bank products and services and encourage those with modest incomes to establish banking relationships.

<u>Employee Services</u>

- A branch manager was treasurer, and on the board, of Alternative House, a domestic violence service that provides support to at-risk youth and families through counseling, shelter, crisis intervention and neighborhood outreach. The majority of the individuals and families served are low- and moderate-income.
- The bank's president and chief executive officer is an executive board member of The Lowell Plan, Inc., an economic development organization whose mission is to reinvigorate local businesses and renovate Lowell's downtown area.
- The bank's president and chief executive is a board member and treasurer of Community Teamwork. Community Teamwork drives change by providing vital services for low-income individuals including creating housing, education, and economic opportunities that reduce poverty and strengthen communities.
- The bank's business development officer serves as treasurer and is on the board of the CMAA. The CMAA improves the quality of life for Cambodian Americans and other minorities and economically disadvantaged persons in Lowell through educational, cultural, economic, and social programs.
- The assistant vice president and loan officer serves on the board for the Wish Project. This organization provides locals in need with basic furniture, home goods, and baby goods.

CONCLUSION

Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect "Outstanding" performance. The bank has met the credit needs in its assessment area by maintaining a more than reasonable LTD and making the majority of its loans within its assessment area. The bank also exhibited an excellent distribution of loans across census tract and borrower income levels; and there do not appear to be any conspicuous lending gaps. In addition, the bank's performance in making qualified loans, investments, and services in the assessment area further supplements its performance.

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