

PUBLIC DISCLOSURE

May 17, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Easthampton Savings Bank
RSSD # 859002

36 Main Street
Easthampton, Massachusetts 01027

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

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

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

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

	<u>EASTHAMPTON SAVINGS BANK</u>		
	PERFORMANCE TESTS		
PERFORMANCE LEVELS	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

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

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

Lending Test

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

Investment Test

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

Service Test

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

DESCRIPTION OF INSTITUTION

bankESB is a state-chartered member bank of the Federal Reserve System (FRS) headquartered at 36 Main Street in Easthampton, Massachusetts. bankESB is wholly owned by Hometown Financial Group (HFG), under its top tier holding company Hometown Financial Group MHC. HFG holds two additional wholly owned subsidiaries: Hometown Bank and Abington Bank, both of which are state-chartered banks of the FRS. In June 2017, Abington Bank was acquired by HFG and was merged with Pilgrim Bank, an existing HFG subsidiary, in May 2019. In October 2019, Millbury Savings Bank was merged into Hometown Bank. Acquisition and merger activities by HFG since the last examination have not impacted the structure of bankESB.

In addition to the main office, the bank has 11 full-service branches in the Springfield, MA Metropolitan Statistical Area (MSA), with 8 in Hampshire County and 3 in Hampden County. In Hampshire County, there are two branches in Northampton and one each in Amherst, Belchertown, Easthampton, Hadley, Southampton, and South Hadley. In Hampden County, the branches are in Agawam, Holyoke, and Westfield. The Holyoke and Amherst branches were opened since the last examination, in November 2018 and August 2020, respectively. The bank offers 17 automated teller machines (ATMs) with 2 at the main office, 1 at each branch, and 4 non-depository standalone ATMs. Three standalone ATMs are in Hampshire County with one each in Easthampton, Northampton, and Leeds, and one standalone ATM in Hampden County in Westfield.

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

As of March 31, 2021, assets total \$1.6 billion, loans total \$1.2 billion, and deposits total \$1.4 billion. Since the last examination, assets increased by \$274.6 million, or 20.6 percent. The increase in assets is attributed to a \$252.7 million increase in deposits and a \$138.9 million increase in loans.

There has been significant growth in commercial lending as a percentage of the bank's loan portfolio since the last examination. As of March 31, 2017, commercial loans accounted for 27.4 percent of the bank's portfolio, and as of March 31, 2021, commercial loans account for 52.7 percent. The significant growth is primarily attributed to a \$234.7 million increase in other nonfarm, nonresidential lending, and a \$96.0 million increase in commercial and industrial lending. During the same period, residential lending, as a percentage of the bank's loan portfolio, decreased from 65.5 percent to 43.7 percent. The decrease is primarily attributed to a \$145.7 million decrease in closed-end one to four family loans and a \$25.0 million decrease in multifamily loans.

Table 1 illustrates that the bank is primarily a real estate lender with 83.3 percent of loans secured by real estate. Commercial real estate, which includes nonfarm nonresidential owner-

occupied properties and other nonfarm nonresidential properties accounts for the largest portion of the portfolio, at 37.6 percent. One-to-four residential secured loans, which include first and junior lien closed-end loans, account for the next largest share, at 34.4 percent.

Table 1		
Loan Distribution as of March 31, 2021		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	23,350	1.9
Revolving 1-4 Family Residential	25,051	2.1
1-4 Family Residential	413,174	34.4
Multi-Family (5 or more) Residential	86,302	7.2
Farmland	972	0.1
Commercial Real Estate	451,779	37.6
Total Real Estate Loans	1,000,628	83.3
Commercial and Industrial	180,783	15.1
Agricultural production and other loans to farmers	932	0.1
Consumer	4,449	0.4
Obligations of states and political subdivisions	14,112	1.2
Other revolving	187	0.0
Total Loans	1,201,091	100.0

Call Report as of March 31, 2021.

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

There is notable competition for both residential and small business loans in the assessment area. In 2019, bankESB was ranked 8th of 274 lenders (97th percentile) for originating or purchasing residential loans captured in Home Mortgage Disclosure Act (HMDA) data within the assessment area. For the same year, bankESB was ranked 18th of 88 (78th percentile) small business reporters. PeoplesBank ranked 1st for HMDA lending and Polish National Credit Union ranked 2nd. Local banks ranked ahead of bankESB for HMDA lending included Westfield Bank and Florence Bank, at 3rd and 4th, respectively. American Express N.B. was ranked 1st for small business lending followed by several significantly larger national banks such as CitiBank, N.A., Bank of America, N.A., Ally Bank, and Citizens Bank, N.A.

There is also strong competition for deposits in the assessment area. According to the June 30, 2020 FDIC Summary of Deposits Report, bankESB ranked 6th of 16 institutions with a deposit market share of 10.2 percent in the assessment area. KeyBank N.A. ranked 1st with 14.6 percent and Bank of America, N.A. ranked 2nd with 12.6 percent. It is notable that of the 16 institutions with branches in the assessment area, 6 institutions, including bankESB, had deposit market shares over 10.0 percent.

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

bankESB was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on June 19, 2017. The bank received an overall rating of Satisfactory with High Satisfactory component ratings for the Lending Test, Investment Test, and Service Test.

The CRA requires a financial institution to define an assessment area within which its CRA performance will be evaluated. bankESB has one assessment area that is comprised of 79 of the 157 tracts in the Springfield, MA MSA. The assessment area includes all of Hampshire County and a portion of Hampden County. Franklin County, which is a part of the Springfield, MA MSA, is not included in the assessment area. The portion of Hampden County in the assessment area accounts for 43 of the 103 tracts in the county and includes the cities and towns of Agawam, Chicopee, Holyoke, West Springfield, and Westfield. There have been no changes to the assessment area since the last examination; however, as of May 2020, the bank committed to include the entirety of Hampden County in its assessment area moving forward given loan trends in 2020 and expected growth.

Table 2 provides relevant demographic data for the bank’s assessment area.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	10.1	6,048	7.4	2,297	38.0	17,476	21.3
Moderate-income	9	11.4	9,234	11.3	1,391	15.1	12,569	15.3
Middle-income	28	35.4	32,795	40.0	2,454	7.5	15,392	18.8
Upper-income	30	38.0	33,829	41.3	1,429	4.2	36,529	44.6
Unknown-income	4	5.1	60	0.1	12	20.0	0	0.0
Total Assessment Area	79	100.0	0	100.0	7,583	9.3	81,966	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	10,995	2,242	2.7	20.4	7,653	69.6	1,100	10.0
Moderate-income	18,229	6,755	8.1	37.1	9,538	52.3	1,936	10.6
Middle-income	60,580	34,727	41.6	57.3	22,216	36.7	3,637	6.0
Upper-income	54,444	39,774	47.6	73.1	11,674	21.4	2,996	5.5
Unknown-income	343	15	0.0	4.4	246	71.7	82	23.9
Total Assessment Area	144,591	83,513	100.0	57.8	51,327	35.5	9,751	6.7
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	918	6.1	780	5.7	132	10.1	6	6.6
Moderate-income	1,800	12.0	1,577	11.6	217	16.5	6	6.6
Middle-income	5,876	39.1	5,345	39.3	496	37.8	35	38.5
Upper-income	6,277	41.8	5,781	42.5	453	34.5	43	47.3
Unknown-income	138	0.9	123	0.9	14	1.1	1	1.1
Total Assessment Area	15,009	100.0	13,606	100.0	1,312	100.0	91	100.0
	Percentage of Total Businesses		90.7		8.7		0.6	

2019 FFIEC Census data and 2019 Dun & Bradstreet (D&B) data
Total percentages shown may vary by 0.1 percent due to automated rounding differences

Composition

The assessment area contains 79 census tracts, of which 8 tracts, or 10.1 percent, are low-income, 9 tracts, or 11.4 percent, are moderate-income, 28 tracts, or 35.4 percent, are middle-income, 30 tracts, or 38.0 percent, are upper-income, and 4 tracts, or 5.1 percent, have unknown incomes. All eight low-income tracts are in Holyoke, six of the moderate-income tracts are in Chicopee, and there is one moderate-income tract each in Ware, Westfield, and West Springfield. All the low- and moderate-income tracts, excluding the one moderate-income tract in Ware, are in the Hampden County portion of the assessment area. The four unknown-income tracts are comprised of the campuses of The University of Massachusetts Amherst, Hampshire College, and Smith College.

Population

The population of the assessment area is 356,055 individuals comprised of 134,840 households and 81,966 families. Although much smaller in size compared to all of Hampshire county, the Hampden County portion of the assessment area accounts for 54.8 percent of the population, 56.5 percent of households, and 58.2 percent of families in the assessment area. Also, of note is that nearly a third of the population of the entire assessment area resides in the cities of Chicopee and Holyoke. The population density of these cities relative to the assessment area may suggest increased opportunities to originate loans while other areas in Hampshire County may be more challenging to penetrate as the population is more dispersed.

Income

The Federal Financial Institutions Examination Council (FFIEC) adjusts the median family income (MFI) of metropolitan and non-metropolitan areas annually, based on estimates. MFI is used to classify the income level of a borrower within each area. 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			
Median Family Income			
MSA	2017	2018	2019
Springfield, MA MSA	\$66,600	\$73,900	\$76,700
Commonwealth of Massachusetts	\$80,000	\$80,700	\$102,600

FFIEC median family incomes

Table 3 shows the MFI for the Springfield MSA and the Commonwealth of Massachusetts (the Commonwealth) from 2017 to 2019. The MFI for both the Springfield, MA MSA, and the Commonwealth increased year over year. From 2017 to 2019 the MFI in the Springfield, MA MSA increased from \$66,600 to \$76,700, or 15.2 percent, and the MFI for the Commonwealth increased from \$80,000 to \$102,600, or 28.3 percent. During the evaluation period, the MFI for the Springfield, MA MSA trailed the Commonwealth by an average of 16.8 percent. Although MFI increased for the Springfield, MA MSA during the evaluation period, the increase was not as substantial as that for the rest of the Commonwealth.

At 44.6 percent, upper-income families account for the largest portion of families by income in the assessment area. Low-income families account for 21.3 percent, middle-income families account for 18.8 percent, and moderate-income families account for 15.3 percent. Out of the all the low-income families in the assessment area, 44.3 percent are in Chicopee and Holyoke combined.

Housing

The assessment area contains 144,591 housing units, of which 57.8 percent are owner-occupied, 35.5 percent are rental units, and 6.7 percent are vacant. Of the housing units, 41.9 percent are in middle-income tracts, 37.7 percent are in upper-income tracts, 12.6 percent are in moderate-

income tracts, and 7.6 percent are in low-income tracts. Of all housing units, 56.5 percent are in the Hampden County portion of the assessment area.

As Holyoke is the only municipality in the assessment area with low-income tracts, the bank's performance for home mortgage lending is subject to demographic and competitive factors within this city. In the low-income tracts in Holyoke, only 20.4 percent of housing units are owner-occupied, 69.6 percent are rental units, and 10.0 percent are vacant. The high percentage of rental and vacant units may suggest challenges in originating home mortgage loans in the low-income tracts in the city.

According to recent data from the Warren Group, Peabody, MA, median home sale prices in Hampshire and Hampden counties have been far below that of the Commonwealth. From 2017 to 2019, combined median sales prices of single-family homes and condominiums in the Commonwealth increased from \$360,000 to \$396,000. During the same period in Hampshire County, the median sales price increased from \$244,000 to \$266,000 and in Hampden County the median sales prices increased from \$175,000 to \$199,900. As of 2019, median home sale prices in Chicopee and Holyoke remain very low compared to the Commonwealth, at \$182,000 and \$200,000, respectively. The 2019 median home sale prices in Chicopee and Holyoke suggest low- and moderate-income borrowers may be well-qualified buyers based on their income for homes in these cities, which suggests opportunity for lenders to originate home mortgage loans in these areas during the evaluation period.

Business Characteristics

According to Dun and Bradstreet, Short Hills, NJ (D&B) data, there are 15,009 businesses operating in the assessment area. Of the businesses, 90.7 percent have gross annual revenues (GARs) of \$1 million or less. Most businesses are in upper- and middle-income tracts, at 41.8 percent and 39.1 percent, respectively. Only 12.0 percent of businesses are in moderate-income tracts and 6.1 percent are in low-income tracts. The lower percentages of businesses in low- and moderate-income tracts suggest limited opportunity to originate small business loans in these areas.

The largest employers in Hampshire County include C&S Wholesale Grocers, Inc., Amherst College, Cooley Dickinson Hospital, Delivery Express, and Northampton VA Medical Center. Other major employers in the county include Hampshire College, and supermarkets such as Stop & Stop, Whole Foods, and Big Y. The largest employers in Hampden County include Baystate Health, the City of Holyoke, General Dynamics, Hampden County Correctional, and Massachusetts Mutual Life. Other notable employers in the county include Smith & Wesson Brands and MGM Springfield. According to a community contact, the most prevalent types of jobs for low- and moderate-income individuals in Holyoke and Chicopee are retail jobs, for which it has become increasingly rare for employers to offer full-time positions.

Employment Statistics

In 2020, the COVID-19 pandemic resulted in significant increases in the unemployment rate across the United States in a very short period. According to the Bureau of Labor Statistics, the 2020 monthly average unemployment rate in the Springfield, MA MSA was 9.3 percent, with an increase from 3.7 percent in March to 16.5 percent in April. However, since the last examination

and prior to April 2020, the unemployment rate in the assessment area was low. The 2019 average monthly unemployment rate in the assessment area was 3.8 percent, which was higher than the Commonwealth at 3.0 percent, but in line with the Springfield, MA MSA, at 3.7 percent.

SCOPE OF EXAMINATION

bankESB's performance review was based on CRA activities conducted using FFIEC Examination Procedures for Large Institutions¹. These procedures evaluate banks under three tests: The Lending Test, the Investment Test, and the Service Test.

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

The Lending Test was based on residential mortgage loans and small business loans originated from January 1, 2017 to December 31, 2019. More emphasis was placed on residential mortgage loans compared to small business loans for each performance criterion, based on the number of originations during the evaluation period. While both the number and dollar volume of the bank's residential mortgage and small business loans were reviewed, the number of originations was weighted more heavily as the number of loans is more indicative of loan demand. The evaluation period for community development loans was June 20, 2017 through May 17, 2021.

Home mortgage lending data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to HMDA. HMDA reporting requirements changed in 2018; therefore, this evaluation does not compare the bank's 2017 HMDA lending performance to its 2018 and 2019 HMDA lending performance. Additionally, closed-end other purpose loans for 2018 and 2019 were not included in the evaluation. The bank's residential loan performance was compared to applicable aggregate data; the 2017 aggregate data was obtained from the FFIEC's HMDA data, and the 2018 and 2019 aggregate data was obtained from the Consumer Finance Protection Bureau (CFPB). Aggregate data consists of lending information from all HMDA reporters that originated or purchased residential mortgage loans in the bank's assessment area. Closed-end other purpose loans for 2018 and 2019 were excluded from the aggregate data. The bank's home mortgage lending performance for all years was also compared to demographics from the 2015 American Community Survey (ACS).

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

¹ "Large institutions" are banks or savings associations with assets of at least \$1.322 billion as of December 31 of both of the prior two calendar years.

The evaluation period for the Investment Test and the Service Test was June 20, 2017 through May 17, 2021. Qualified investments and community development services were evaluated in the context of community needs and the capacity of the bank.

Community Contacts

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

The first community contact was conducted with the executive director of an organization that primarily serves the rural towns in Hampshire County by addressing economic, housing, education, social, and community needs. The contact indicated several needs and opportunities in this portion of Hampshire County, including affordable home improvement loans for maintaining the aging housing stock, which is primarily occupied by a large senior population; the acquisition and redevelopment of vacant schools and mill buildings; and broadband internet connection for residents and businesses. The contact stated there is a significant need for technical assistance for small businesses now that many need to create websites and enter the virtual commerce environment quickly due to COVID-19. The contact also stated that the region needs to think about ways to address population loss and how to attract new families into the area; however, the effort would need to be supported with new infrastructure projects and support services for the small municipalities who operate on a part-time or even volunteer basis.

A second contact was conducted with the executive director of a community action agency whose mission is to help individuals advance economically. The agency offers numerous programs targeted to the cities of Holyoke and Chicopee including energy assistance, food and nutrition, early education, youth and adult programs, housing, and community outreach. The contact stated that low-skill jobs in the two cities are almost exclusively retail and due to the influence of the online retail industry, it has become rare for retail employers to offer full-time hours. The lack of full-time work results in many low-skill workers holding multiple part-time jobs. The contact stated that primary needs and opportunities in these cities have shifted due to COVID-19. Prior to the pandemic, the primary needs were fuel assistance, rental assistance, and improving the aging housing stock, but now the high priority needs include food insecurity and mental health services, particularly for children. The contact suggested that an educational series on mobile banking, with a particular emphasis on building trust on the reliability of banking products and services, could be particularly beneficial for low- and moderate-income individuals.

A third contact was conducted with the president and chief operating officer of an organization focused on performing critical repairs, modifications, and rehabilitation on homes and non-profit facilities for low-income individuals. The organization's mission is to help reduce energy use, save money, and create a safe, healthy, and sustainable living environment for residents in Springfield and Holyoke. The organization's strategy is to focus on stabilizing entire neighborhoods instead of individual properties and to preserve existing affordable housing in the community. The contact indicated the biggest issue in the area is the age of homes and a lack of critical investment by landlords and homeowners. The contact stated that banks help make a positive impact in Springfield and Holyoke, but it seems that non-profits are only supported by

banks if members are on their board of directors. The contact foresees a need for ongoing and substantial financial support by a collaborative and dedicated group of stakeholders to have a real impact on the revitalization efforts of these cities.

Lastly, examiners leveraged a community contact conducted during a CRA examination for a different institution that serves the same communities as bankESB. The contact was conducted with the president of a community development financial institution (CDFI) located in Springfield. The service area of the CDFI includes Hampden, Hampshire, Franklin, and Berkshire counties. The mission of the CDFI is to support a thriving local economy to create positive social and community impacts by aligning capital and other resources to community needs and opportunities. The CDFI provides financing and business assistance to small businesses and high-impact community projects that invest in job creation, providing opportunities for low-income people, essentially community services, and neighborhood revitalization. The contact stated that small businesses in the downtown of Holyoke often struggle, due to a lack of general foot traffic and office buildings, to support an influx of business individuals. The contact also stated that there is a general lack of focus by regional lenders in originating commercial and residential loans to communities of color and impoverished areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

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

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

Lending Activity

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

During the evaluation period, the bank originated 1,254 residential and small business loans, of which 976 were in the assessment area. Of the loans in the assessment area, 811 were residential and 165 were small business loans. The bank's level of residential loan originations in the assessment area remained consistent through the evaluation period. The bank originated 265 residential loans in 2017, 267 residential loans in 2018, and 279 loans in 2019. Small business lending in the assessment area increased during the evaluation period from 37 in 2017 to 53 in 2018 and 75 in 2019.

During the evaluation period, bankESB was a top residential lender in the assessment area. For each year, the bank was in the 97th percentile for HMDA originations and/or purchases; the bank ranked 8th of 263 lenders in 2017, ranked 6th of 263 lenders in 2018, and ranked 8th of 274 lenders in 2019. For small business lending, the bank ranked 26th of 74 lenders (65th percentile) in 2017, ranked 24th of 81 lenders (68th percentile) in 2018, and ranked 18th of 88 lenders (78th percentile) in 2019.

In 2020, bankESB was a top lender in the assessment area for originating Payment Protection Program (PPP) loans. The bank ranked 1st of 97 lenders and originated 384 PPP loans in Hampshire County. In Hampden County, the bank originated 161 PPP loans and ranked 12th of 127 lenders. In Hampshire and Hampden counties combined, the bank originated 545 PPP loans and was ranked 4th of 160 lenders.

PPP loans are administered by the Small Business Administration (SBA) as part of the Coronavirus Aid, Relief, and Economic Security Act. PPP loans are designed to help businesses retain workers and staff during the economic hardship resulting from the COVID-19 pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criteria. As a large bank, bankESB was required to report PPP loans as small business loans if they were in amounts of \$1 million or less and therefore such loans will be evaluated in the bank's next CRA evaluation. PPP loans in amounts greater than \$1 million were considered in this evaluation as community development loans if they had a primary purpose of community development as defined under the CRA.

Distribution of Lending within the Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 4 illustrates the bank's levels of lending inside and outside the assessment area for the entire evaluation period. The bank made an adequate percentage of loans inside the assessment area.

2017 Loan Type	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
Home Purchase	115	71.0	23,802	72.0	47	29.0	9,249	28.0	162	33,051
Refinancing	94	85.5	15,507	83.2	16	14.5	3,127	16.8	110	18,634
Home Improvement	50	90.9	4,963	91.9	5	9.1	438	8.1	55	5,401
Multifamily	6	100.0	9,203	100.0	0	0.0	0	0.0	6	9,203
Residential Total	265	79.6	53,475	80.7	68	20.4	12,814	19.3	333	66,289
Small Business Total	37	74.0	7,041	58.1	13	26.0	5,068	41.9	50	12,109
Total	302	78.9	60,516	77.2	81	21.1	17,882	22.8	383	78,398
2018 & 2019 Loan Type	Inside				Outside				Total	
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	\$(000s)
Home Purchase	236	75.4	52,208	72.6	77	24.6	19,661	27.4	313	71,869
Refinancing	228	82.3	34,988	77.4	49	17.7	10,204	22.6	277	45,192
Home Improvement	69	89.6	3,453	81.6	8	10.4	777	18.4	77	4,230
Multifamily	13	86.7	41,035	73.6	2	13.3	14,700	26.4	15	55,735
Residential Total	546	80.1	131,684	74.4	136	19.9	45,342	25.6	682	177,026
Small Business Total	128	67.7	25,598	55.9	61	32.3	20,224	44.1	189	45,822
Total	674	77.4	157,282	70.6	197	22.6	65,566	29.4	871	222,848

HMDA and small business data for 2017, 2018, & 2019

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

Residential Lending

In 2017, the bank originated 333 loans, of which 265 loans, or 79.6 percent, were inside the assessment area. In 2018 and 2019 combined, the bank originated a total of 682 residential loans, of which 546 loans, or 80.1 percent were inside the assessment area. Home purchase loans

accounted for the highest share of residential loans in the assessment area for each year.

Small Business Lending

In 2017, the bank originated 50 small business loans, of which 37 loans, or 74.0 percent, were inside the assessment area. In 2018 and 2019 combined, the bank originated 189 small business loans, of which 128 loans, or 67.7 percent, were inside the assessment area. The bank’s small business loan originations increased each year during the evaluation period; the bank originated 50 small business loans in 2017, 83 loans in 2018, and 106 in 2019.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of loans to census tracts of all income levels. The bank demonstrates an adequate geographic distribution of loans in its assessment area as examiners weighed the banks performance for residential loans more than small business loans.

Residential Lending

Table 5 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 reflects adequate penetration throughout the assessment area.

Product Type	Census Tract Income Levels	Owner Occupied Units %	Bank & Aggregate Lending Comparison											
			2018						2019					
			Count			Dollar			Count			Dollar		
			#	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	#	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %
HOME PURCHASE	Low	2.7	3	2.7	3.3	357	1.4	2.2	4	3.3	2.6	536	2.0	2.2
	Moderate	8.1	7	6.2	10.4	995	3.9	8.0	3	2.4	10.9	282	1.1	8.2
	Middle	41.6	39	34.5	43.7	7,750	30.1	41.0	50	40.7	44.0	10,077	38.1	41.0
	Upper	47.6	64	56.6	42.6	16,679	64.7	48.7	66	53.7	42.5	15,532	58.8	48.6
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>113</i>	<i>100.0</i>	<i>100.0</i>	<i>25,781</i>	<i>100.0</i>	<i>100.0</i>	<i>123</i>	<i>100.0</i>	<i>100.0</i>	<i>26,427</i>	<i>100.0</i>	<i>100.0</i>
REFINANCE	Low	2.7	0	0.0	2.7	0	0.0	2.1	1	0.8	2.6	125	0.6	1.9
	Moderate	8.1	2	1.9	8.4	240	1.6	6.4	0	0.0	7.5	0	0.0	5.6
	Middle	41.6	32	29.9	41.6	4,923	32.8	38.8	53	43.8	41.0	8,192	41.0	38.4
	Upper	47.6	73	68.2	47.2	9,827	65.6	52.6	67	55.4	48.9	11,681	58.4	54.0
	Unknown	0.0	0	0.0	0.0	0	0.0	0.1	0	0.0	0.1	0	0.0	0.1
	<i>Total</i>	<i>100.0</i>	<i>107</i>	<i>100.0</i>	<i>100.0</i>	<i>14,990</i>	<i>100.0</i>	<i>100.0</i>	<i>121</i>	<i>100.0</i>	<i>100.0</i>	<i>19,998</i>	<i>100.0</i>	<i>100.0</i>
HOME IMPROVEMENT	Low	2.7	1	2.6	2.2	10	0.5	2.6	3	10.0	3.7	19	1.3	3.0
	Moderate	8.1	1	2.6	8.0	25	1.2	5.8	0	0.0	8.6	0	0.0	8.4
	Middle	41.6	15	38.5	38.8	818	40.5	38.7	13	43.3	42.7	548	38.3	37.9
	Upper	47.6	22	56.4	50.9	1,168	57.8	52.9	14	46.7	45.0	865	60.4	50.7
	Unknown	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	<i>Total</i>	<i>100.0</i>	<i>39</i>	<i>100.0</i>	<i>100.0</i>	<i>2,021</i>	<i>100.0</i>	<i>100.0</i>	<i>30</i>	<i>100.0</i>	<i>100.0</i>	<i>1,432</i>	<i>100.0</i>	<i>100.0</i>
MULTIFAMILY*	Low	19.3	1	12.5	23.5	460	1.6	16.0	0	0.0	15.6	0	0.0	4.6
	Moderate	14.5	1	12.5	36.8	25,500	87.8	25.1	0	0.0	24.7	0	0.0	25.6
	Middle	43.0	5	62.5	29.4	2,897	10.0	32.8	2	40.0	40.3	2,568	21.4	22.1
	Upper	22.5	1	12.5	10.3	200	0.7	26.2	2	40.0	19.5	8,260	69.0	47.7
	Unknown	0.8	0	0.0	0.0	0	0.0	0.0	1	20.0	0.0	1,150	9.6	0.0
	<i>Total</i>	<i>100.0</i>	<i>8</i>	<i>100.0</i>	<i>100.0</i>	<i>29,057</i>	<i>100.0</i>	<i>100.0</i>	<i>5</i>	<i>100.0</i>	<i>100.0</i>	<i>11,978</i>	<i>100.0</i>	<i>100.0</i>
HMDA TOTALS**	Low	2.7	5	1.9	3.3	827	1.2	2.9	8	2.9	2.8	680	1.1	2.3
	Moderate	8.1	11	4.1	9.9	26,760	37.2	8.4	3	1.1	9.7	282	0.5	8.6
	Middle	41.6	91	34.1	42.5	16,388	22.8	40.0	118	42.3	42.8	21,385	35.7	38.8
	Upper	47.6	160	59.9	44.3	27,874	38.8	48.7	149	53.4	44.7	36,338	60.7	50.3
	Unknown	0.0	0	0.0	0.0	0	0.0	0.1	1	0.4	0.0	1,150	1.9	0.0
	<i>Total</i>	<i>100.0</i>	<i>267</i>	<i>100.0</i>	<i>100.0</i>	<i>71,849</i>	<i>100.0</i>	<i>100.0</i>	<i>279</i>	<i>100.0</i>	<i>100.0</i>	<i>59,835</i>	<i>100.0</i>	<i>100.0</i>

2015 ACS, 2018 & 2019 Aggregate HMDA Data, and 2018 & 2019 HMDA LARs.

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

*Distribution of multifamily units by census tract income.

**Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

In 2018, the bank originated 5 loans, or 1.9 percent, in low-income tracts and 11 loans, or 4.1 percent, in moderate-income tracts. The bank's lending in both low- and moderate-income tracts trailed the aggregate at 3.3 percent and 9.9 percent, respectively, and trailed the percentage of owner-occupied housing units in low- and moderate-income tracts. Although the bank trailed the aggregate for lending in both low- and moderate-income tracts, it ranked in the 83rd percentile for the low- and moderate-income categories for the year.

In 2019, the bank originated 8 loans, or 2.9 percent, in low-income tracts and 3 loans, or 1.1 percent, in moderate-income tracts. With 2.9 percent of loans in low-income tracts, the bank was aligned with the aggregate, at 2.8 percent, and the percentage of owner-occupied housing units, at 2.7 percent; however, the bank's 1.1 percent in moderate-income tracts trailed the aggregate by 8.6 percentage points. The bank's rank for lending in moderate-income tracts dropped to the 48th percentile in 2019.

The bank's lending in low- and moderate-income tracts in 2017 is reflective of its performance in 2019. In 2017, the bank originated 7 loans, or 2.6 percent, in low-income tracts and 3 loans, or 1.1 percent, in moderate-income tracts. Although the lending percentages were similar in 2017 compared to 2019, the bank trailed the aggregate for lending in both low- and moderate-income tracts.

During the evaluation period, the bank penetrated five of the eight low-income tracts in the assessment area, all of which are in the city of Holyoke. The three low-income tracts not penetrated all had a high percentage of rental units and low percentages of owner-occupied housing units. Of the nine moderate-income tracts in the assessment area, the bank penetrated seven during the evaluation period. The bank became a MassHousing lender in 2021 to better compete for home mortgage loans in the low- and moderate-income tracts in the assessment area.

Small Business Lending

Table 6 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loans is poor.

Census Tract Income Level	2018								2019							
	Total Business by Census Tract		Bank		Aggregate	Total Business by Census Tract		Bank		Aggregate						
	%	#	%	%	%	%	#	%	%							
Low	6.1	5	9.4	6.5	6.1	8	10.7	6.1								
Moderate	12.0	1	1.9	14.2	12.0	1	1.3	14.5								
Middle	39.7	16	30.2	38.9	39.1	36	48.0	37.5								
Upper	41.2	31	58.5	39.5	41.8	30	40.0	41.1								
Unknown	0.9	0	0.0	0.4	0.9	0	0.0	0.4								
Tract Unknown	0.0	0	0.0	0.6	0.0	0	0.0	0.4								
Total	100.0	53	100.0	100.0	100.0	75	100.0	100.0								

D&B 2018 & 2019. Small business data for 2018 and 2019.

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

In 2017, the bank originated 2 loans, or 5.4 percent, in low-income tracts, which was slightly below the aggregate at 6.8 percent. With 2 loans, the bank was in the 16th percentile for originating small business loans in low-income tracts. For the same year, the bank did not originate a small business loan in a moderate-income tract.

In 2018, the bank originated 5 small business loans, or 9.4 percent, in low-income tracts, which exceeded the aggregate by 2.9 percentage points. The bank ranked in the 57th percentile for originating small business loans in low-income tracts. For the same year, the bank originated only 1 loan, or 1.9 percent, in moderate-income tracts, trailing the aggregate by a margin of 12.3 percentage points. Of note is that in 2018 the bank opened a branch in Holyoke, which is the city that contains all the low-income tracts in the assessment area.

In 2019, the bank increased its overall small business lending in the assessment area and within the low-income tracts. The bank originated 8 small business loans, or 10.7 percent, in low-income tracts, which exceeded the aggregate by 4.6 percentage points. With 8 small business loans in low-income tracts, the bank ranked in the 69th percentile. For the same year, the bank only originated 1 loan, or 1.3 percent, in moderate-income tracts. The bank again trailed the aggregate by a wide margin of 13.2 percentage points.

bankESB generally performed well in originating small business loans in low-income tracts. During the evaluation period, the bank penetrated four of the eight low-income tracts in Holyoke and exceeded the aggregate in two of the three years of the evaluation on period. The bank's performance can be partially attributed to the branch in Holyoke.

Despite penetration of low-income tracts buoyed by the addition of the Holyoke branch, small business lending performance in moderate-income tracts is quite low, particularly in light of apparent loan demand in these tracts. During the three-year evaluation period, the bank only originated two small business loans in moderate-income tracts and penetrated only two of the nine tracts in the assessment area. The low level of lending resulted in lending percentages substantially lower compared to the aggregate. In terms of opportunity and loan demand, about 14.0 percent of all small business lending activity in the assessment area was concentrated in moderate-income tracts, which is slightly higher than the percentage of businesses within these tracts, at 12.0 percent. In addition to having one more moderate-income tract in the assessment area compared to low-income tracts, the percentage of businesses in moderate-income tracts was nearly double that of low-income tracts, which suggests increased opportunity to penetrate these tracts with small business loans. Furthermore, on an aggregate basis, there was nearly double the volume of small business originations in moderate-income tracts compared to low-income tracts during the evaluation period, which also suggests increased opportunity for small business lending in moderate-income tracts.

Bank management explained there is significant competition for small business loans in Chicopee, which contains six of the nine moderate-income tracts in the assessment area, and several lenders have a major market presence. According to D&B data, banks with branches in Chicopee are some of the top lenders in the city and account for sizeable share of small business loans originated to businesses with GARs of \$1 million or less. Although the bank's lending performance relative to the aggregate and demographic is considered poor, the gap in small

business originations in moderate-income tracts is not considered conspicuous given the performance context.

Borrowers' Profile

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

Residential Lending

Table 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. The bank's performance in lending to individuals of different income levels is adequate.

Product Type	Borrower Income Levels	Families by Family Income %	Bank & Aggregate Lending Comparison						Bank & Aggregate Lending Comparison					
			2018						2019					
			Count			Dollar			Count			Dollar		
			Bank	Agg	%	Bank	Agg	%	Bank	Agg	%	Bank	Agg	%
HOME PURCHASE	Low	21.3	2	1.8	5.3	168	0.7	3.1	7	5.7	5.5	734	2.8	3.2
	Moderate	15.3	13	11.5	23.6	2,082	8.1	18.6	18	14.6	24.1	3,243	12.3	19.0
	Middle	18.8	29	25.7	24.6	4,895	19.0	23.6	37	30.1	25.2	7,114	26.9	24.0
	Upper	44.6	63	55.8	31.0	17,829	69.2	38.9	55	44.7	30.7	14,095	53.3	39.0
	Unknown	0.0	6	5.3	15.6	807	3.1	15.7	6	4.9	14.5	1,241	4.7	14.8
	Total	100.0	113	100.0	100.0	25,781	100.0	100.0	123	100.0	100.0	26,427	100.0	100.0
REFINANCE	Low	21.3	8	7.5	8.0	618	4.1	5.1	3	2.5	7.0	330	1.7	4.0
	Moderate	15.3	26	24.3	21.0	2,926	19.5	16.8	27	22.3	17.8	3,126	15.6	13.3
	Middle	18.8	20	18.7	25.2	2,608	17.4	23.3	32	26.4	23.9	5,067	25.3	21.8
	Upper	44.6	52	48.6	35.4	8,654	57.7	42.0	57	47.1	34.5	11,216	56.1	39.9
	Unknown	0.0	1	0.9	10.5	184	1.2	12.7	2	1.7	16.8	259	1.3	21.0
	Total	100.0	107	100.0	100.0	14,990	100.0	100.0	121	100.0	100.0	19,998	100.0	100.0
HOME IMPROVEMENT	Low	21.3	1	2.6	7.2	30	1.5	5.7	3	10.0	9.0	18	1.3	8.5
	Moderate	15.3	4	10.3	15.6	47	2.3	16.3	8	26.7	19.5	277	19.3	17.7
	Middle	18.8	11	28.2	25.3	343	17.0	19.4	7	23.3	27.5	263	18.4	22.8
	Upper	44.6	23	59.0	45.5	1,601	79.2	48.5	12	40.0	40.5	874	61.0	45.5
	Unknown	0.0	0	0.0	6.3	0	0.0	10.1	0	0.0	3.5	0	0.0	5.5
	Total	100.0	39	100.0	100.0	2,021	100.0	100.0	30	100.0	100.0	1,432	100.0	100.0
MULTIFAMILY	Low	21.3	0	0.0	1.5	0	0.0	0.4	0	0.0	0.0	0	0.0	0.0
	Moderate	15.3	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
	Middle	18.8	0	0.0	0.0	0	0.0	0.0	0	0.0	1.3	0	0.0	0.3
	Upper	44.6	2	25.0	5.9	525	1.8	2.0	0	0.0	7.8	0	0.0	2.1
	Unknown	0.0	6	75.0	92.6	28,532	98.2	97.5	5	100.0	90.9	11,978	100.0	97.5
	Total	100.0	8	100.0	100.0	29,057	100.0	100.0	5	100.0	100.0	11,978	100.0	100.0
HMDA TOTALS*	Low	21.3	11	4.1	6.2	816	1.1	3.6	13	4.7	6.2	1,082	1.8	3.3
	Moderate	15.3	43	16.1	22.0	5,055	7.0	17.1	53	19.0	21.4	6,646	11.1	15.9
	Middle	18.8	60	22.5	24.6	7,846	10.9	22.2	76	27.2	24.7	12,444	20.8	21.7
	Upper	44.6	140	52.4	33.2	28,609	39.8	38.2	124	44.4	32.4	26,185	43.8	37.0
	Unknown	0.0	13	4.9	14.0	29,523	41.1	18.9	13	4.7	15.3	13,478	22.5	22.1
	Total	100.0	267	100.0	100.0	71,849	100.0	100.0	279	100.0	100.0	59,835	100.0	100.0

2015 ACS, 2018 & 2019 Aggregate HMDA Data, and 2018 & 2019 HMDA LARs.

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

*Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publicly available data. Aggregate percentages may include loan types not required to be reported by the bank.

In 2018, the bank originated 11 home mortgage loans, or 4.1 percent, to low-income borrowers

and 43 loans, or 16.1 percent, to moderate-income borrowers. The bank's performance trailed the aggregate for lending to low- and moderate-income borrowers at 6.2 percent and 22.0 percent, respectively. In 2019, the bank's performance improved slightly compared to the aggregate. The bank originated 13 home mortgage loans, or 4.7 percent, to low-income borrowers compared to the aggregate, at 6.2 percent. For the same year, the bank originated 53 loans, or 19.0 percent, to moderate-income borrowers compared to the aggregate, at 21.4 percent.

From 2017 to 2019, the bank increased its lending percentage to both low- and moderate-income borrowers each year, although it never aligned with or exceeded the aggregate. In 2017, the bank originated 7 home mortgage loans, or 2.6 percent, to low-income borrowers and 36 loans, or 13.6 percent, to moderate-income borrowers. For the same year, the aggregate lending percentage was 3.8 percent to low-income borrowers and 18.3 percent to moderate-income borrowers.

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

- **Affordable Housing Program** – The bank offers an in-house affordable loan program featuring a 7/3 adjustable-rate mortgage with an initial low rate and requires as little as 3.0 percent down. From 2017 to 2019, the bank originated 107 loans, totaling \$21.4 million, under this program. These loans are included as HMDA loans in this evaluation.
- **First Time Homebuyer Program** – The bank offers an in-house loan program targeted to first time homebuyers looking to purchase 1-4 family homes or condominiums and offers reduced costing costs, low down payment, and flexible qualifying guidelines. From 2017 to 2019, the bank originated 74 loans, totaling \$14.2 million, under this program. These loans are included as HMDA loans in this evaluation.
- **Equity Builder Program (EBP)** – As a member of the Federal Home Loan Bank of Boston (FHLBB), bankESB participates in the EBP, which provides low- and moderate-income borrowers with down payment, closing cost, home-buyer counseling, and rehabilitation assistance. During the evaluation period, the bank provided 5 grants, totaling \$71,000, under this program.
- **Neighborhood Improvement Loan Program** – The bank offers home improvement loans for the borrower's share of home improvement costs not covered by U.S. Department of Housing and Urban Development's Community Development Block Grant Program as administered by OneHolyoke Community Development Corporation. This program provides an additional affordable financing option for homeowners in Holyoke to make critical repairs to their homes. From 2017 to 2019, the bank originated 6 loans, totaling \$29,410, in support of this program. As of 2018, these loans would be included as HMDA loans in this evaluation. Of note is that multiple community contacts mentioned the aging housing stock in the assessment area and the need for affordable home improvement loan products for improvement and maintenance of these properties.
- **Double Down Loan Program** – The bank introduced this program in February 2020 as a way for borrowers to establish or repair their credit. The bank funds a certificate of deposit (CD) and provides the borrower a secured loan up to \$950 for 12 months with no

fees or interest. Once the customer pays the loan in full, they receive the funds in the CD plus interest and have their credit report reflect a year of timely payments. During the evaluation period, the bank provided 19 loans, totaling \$18,050.

- **MassHousing Loans** – The bank began offering MassHousing loans in 2021. These loans are targeted to qualifying low- and moderate-income borrowers obtaining a fixed-rate mortgage. This loan program offers down payment assistance, financing for both purchase and renovation costs, and discounted mortgage insurance premiums that includes protection against job loss. First time homebuyers also receive low and no-down payment options along with educational resources. As mentioned, per community contacts, renovation for the aging housing stock is a significant need within the assessment area.

Small Business Lending

The bank’s small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 8 details the bank’s lending to small businesses according to revenue size. The bank’s performance in lending to businesses of different sizes is adequate.

Gross Annual Revenues	2018			2019				
	Total Businesses	Bank		Aggregate	Total Businesses	Bank		Aggregate
	%	#	%	%	%	#	%	%
< \$1MM	90.3	19	35.8	39.8	90.7	44	58.7	39.9
> \$1MM	8.8	33	62.3		8.7	28	37.3	
N/A	0.9	1	1.9		0.6	3	4.0	
Total	100.0	53	100.0		100.0	75	100.0	

D&B 2018 & 2019. Small business data for 2018 and 2019.

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

In 2018, the bank originated 19 small business loans, or 35.8 percent, to businesses with GARs of \$1 million or less. At 35.8 percent, the bank trailed the aggregate, at 39.8 percent, and the bank was in the 54th percentile in lending to businesses with GARs of \$1 million or less. The bank’s performance in 2017 was reflective of its performance in 2018. In 2019, the bank substantially increased its small business lending to businesses with GARs of \$1 million or less with 44 loans, or 58.7 percent. At 58.7 percent, the bank exceeded the aggregate, at 39.9 percent, and was in the 72nd percentile.

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

- **Small Business Banking Partnership** – bankESB is a participating bank in the Massachusetts Office of the State Treasurer’s Small Business Banking Partnership. This

program was created to help banks expand their small business loan programs by moving state deposits into qualified community banks for loans to small, creditworthy businesses. The capital is intended for small business to expand and create new jobs. From 2017 to 2019, the bank originated 109 loans, totaling \$18.4 million. These loans are included as small business loans in this evaluation.

- **SBA Loans** – The bank offers SBA 7(a) loans and 504 loans. The 7(a) program is targeted to small businesses for short- and long-term working capital, refinance of current business debt, and the purchase of furniture, fixtures, and supplies. The maximum loan amount is \$5 million. The 504 program is a long-term financing tool for small businesses that promotes economic development through the acquisition of major fixed assets for business expansion and job creation. Under this program, the bank partners with a certified development company (CDC) to finance the small businesses. In 2018 the bank originated 1 loan under the 7(a) program for \$250,000 and in 2019 originated 6 loans totaling \$1,251,000 under the 504 program. These loans are included as small business loans in this evaluation.

Community Development Lending Activities

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

The bank demonstrated it was a leader in making community development loans during the evaluation period. The bank originated 69 community development loans, totaling \$67.1 million. Of these, 51 loans, totaling \$13.2 million, were PPP loans. A sampling of the bank's community development lending activity is provided below.

- Forty-five PPP loans, totaling \$6.1 million, to non-profit organizations in the assessment area and the Commonwealth. These unsecured loans to non-profits helped keep employees on payroll and supported the organizations' missions of helping low- and moderate-income communities.
- A \$25.5 million construction loan for a revitalization and stabilization project in a moderate-income tract in Chicopee. The loan supported the restoration of a blighted mill complex into 570 residential units and retail and commercial space. The project was also supported by state and federal historic rehabilitation tax credits.
- Two commercial loans, totaling \$9.6 million, for the construction of a grocery store in Easthampton. The project was partially financed through the U.S. Treasury's New Market Tax Credit Program. The grocery store was built in a "food desert" census tract, which according to the Economic Research Service of the United States Department of Agriculture, tend to have smaller populations, higher rates of abandoned or vacant homes, and residents who have lower levels of education, lower incomes, and higher

unemployment.

- A \$4.5 million construction loan for the acquisition and renovation of 15-unit single-room occupancy dwelling into a 31-unit affordable subsidized property in Northampton. The project was supported by low-income housing tax credits.
- A \$7.9 million commercial real estate loan made in conjunction with funding from the SBA 504 loan program, which is qualified as economic development. The project was for the construction of a 96-room extended stay hotel in Hadley.

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

In March 2020, a Joint Statement on CRA Consideration for Activities in Response to COVID-19 was published by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency (the Agencies). In this guidance, the Agencies emphasized that prudent efforts to modify the terms on new or existing loans for affected small businesses will receive CRA consideration as such efforts can ease cash flow pressures, improve capacity to service debt, and help recover financial capacity. Based on additional interagency guidance from May 2020, activities such as loan forbearances are deemed particularly responsive as they promote stability for low- or moderate-income homeowners who are experiencing financial hardship due to COVID-19. In response to the COVID-19 pandemic, the bank provided mortgage relief for 106 customers in a variety of forms, including payment deferral, waiving late payment fees, and payment of interest and/or escrow only. Examiners consider the bank's actions in granting loan forbearances during the COVID-19 pandemic as particularly responsive to credit needs.

INVESTMENT TEST

bankESB's performance under the Investment Test is rated Low Satisfactory. The Investment Test evaluates the institution's record of meeting the credit needs of its assessment area through its use of qualified investments² that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The institution's investment performance is evaluated pursuant to the following criteria: 1) the number and dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; 4) the degree to which the qualified investments are not routinely provided by private investors.

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

The bank demonstrated an adequate level of qualified investments, particularly those that are not routinely provided by private investors, although rarely in a leadership position. During the evaluation period, the bank made a total of \$2,826,559 in qualified investments. Of the total, \$2,383,969 included tax credit investments, a CD in a minority-owned financial institution, and investments in a loan pool and a mutual fund that support affordable housing. The remainder of the qualified investments were donations.

The bank demonstrated occasional use of innovative or complex qualified investments. Although the bank maintains a variety of qualified investments, including investments in a mutual fund, a loan pool, community investment tax credit (CITC) investments, and a CD in a minority-owned financial institution, most of these were also held during the last examination.

Equity Investments

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

- **Access Capital Community Investment Fund (the Fund)** – The Fund seeks to invest in debt securities specifically designed to support economic activities such as affordable housing, education, small business lending, and job creation. The bank’s investment in the Fund supports affordable housing as the loans underlying the bank’s investment were originated to low- and moderate-income borrowers in Agawam, Chicopee, Westfield, Belchertown, Northampton, and South Hadley. As of the examination, the book value of the bank’s 2011 investment was \$1,100,000.
- **Freddie Mac Loan Pool** – This loan pool is comprised of seven loans secured by properties purchased by low- and moderate-income borrowers. Of the seven loans, only three are in the bank’s assessment area. As this investment supports affordable housing within a broader statewide or regional area that includes the bank’s assessment area, credit was given for the full amount. This investment was new during the evaluation period and is valued at \$1,011,469.
- **Community Investment Tax Credit (CITC)** – The CITC program is designed to enable local residents and stakeholders to work with and through community development corporations (CDCs) to partner with nonprofit, public, and private entities to improve economic opportunities for low- and moderate-income households and other residents in urban, rural, and suburban communities across the Commonwealth. The bank maintains a total of \$27,500 in CITCs purchased from three CDCs in the assessment area, of which \$2,500 was purchased during the evaluation period.
- **Certificate of Deposit** – Deposits in minority-owned financial institutions is an example of a qualified investment. During the evaluation period, the bank renewed a CD for \$245,000 in a minority-owned institution.

The bank demonstrates adequate responsiveness to credit and community development needs. Although the bank has made new qualified investments since the last examination, there is limited potential impact on the assessment area. For example, the minority-owned financial institution in which the bank invested in a CD operates branches in Boston, Massachusetts, and

has locations in Florida and California. Additionally, most properties for the loans securing the investment in the affordable housing loan pool are outside the assessment area.

Grants and Donations

Table 9 displays the bank’s qualified grants and donations by year and community development purpose.

Table 9 Qualified Donations by Purpose												
Community Development Category	2017 (as of June 20)		2018		2019		2020		2021 YTD		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Affordable Housing	0	0	2	5,500	0	0	2	3,000	0	0	4	8,500
Community Services	10	24,150	30	150,350	46	87,440	36	102,100	13	33,350	135	397,390
Economic Development	1	5,000	2	3,500	1	2,500	4	23,500	0	0	8	34,500
Revitalization/Stabilization	0	0	1	1,000	2	1,200	0	0	0	0	3	2,200
Total	11	29,150	35	160,350	49	91,140	42	128,600	13	33,350	150	442,590

Bank provided qualified investment data.

During the evaluation period, the bank provided 150 donations, totaling \$442,590, to 73 organizations. Donations qualified as community services accounted for the largest share, at \$397,390, and supported organizations providing social services, financial education, childcare, and employment services to low- and moderate-income individuals and families. Donations supporting organizations focusing on economic development for small businesses accounted for the second largest share, at \$34,500.

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

- **Riverside Industries, Inc. (Riverside)** – Riverside provides individualized services combining life skill development, rehabilitation, employment training, and job placement for adults living with developmental disabilities in the tri-county region. The bank provided 7 donations, totaling \$110,250.
- **United Way of Hampshire County (UWoHC)** – UWoHC helps distribute capital in the form of multi-year grants to local health and social service programs in Hampshire County. The grants are targeted to children, youth, and their families, health and safety, and economic security. Ninety percent of the grants distributed support basic needs for those in poverty or are low-income. The bank provided 10 donations, totaling \$89,500.
- **Valley Community Development (ValleyCDC)** – ValleyCDC seeks to empower low- and moderate-income people and underserved populations to manage and improve the quality of their lives through the development of affordable housing, providing economic development opportunities, and encouraging community leadership. The bank provided 3 donations, totaling \$30,000.
- **Downtown Amherst Foundation (DAF)** – The DAF Relief and Resiliency Microgrant Program supports Amherst businesses and workers from crisis to recovery resulting from the COVID-19 pandemic. In 2020, the bank provided 2 donations, totaling \$12,500, to support the economic development of Amherst.

SERVICE TEST

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

Retail Banking Services

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

The bank demonstrated its service-delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment area.

Table 10 displays the distribution of the bank’s current branch network compared to the percentage of census tracts within the assessment area as well as the percentage of the population that resides in those tracts.

Table 10				
Distribution of Branch Offices by Income Category				
Census Tract Income Category	Assessment Area Demographics		Bank Offices by Census Tract Location	
	Total Census Tracts	Total Population	#	%
	% of #	% of #		
Low	10.1	7.4	1	9.1%
Moderate	11.4	11.2	1	9.1%
Middle	35.4	38.2	4	36.4%
Upper	38.0	38.1	5	45.5%
Unknown	5.1	5.1	0	0.0%
Total	100.0	100.0	11	100.0%

2019 FFIEC Census Data

Of the 11 branches, the bank maintains a branch in a low-income tract in Holyoke and a branch in a moderate-income tract in Westfield. With each branch representing 9.1 percent of the total branches, the distribution of branches in those tracts aligns with the distribution of census tracts in the assessment area and the population distribution within those tracts.

To the extent changes have been made, the bank’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income

geographies or low- and moderate-income individuals. In November 2018, the bank opened the Holyoke branch in a low-income tract and in August 2020 the bank opened a branch in Amherst in an upper-income tract. The bank did not close any branches during the evaluation period.

The bank demonstrates its services (including where appropriate, business hours) do not vary in a way that inconveniences its assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals. Based on an analysis of the average hours per week that branch locations are accessible to the public, as of the examination date, the Westfield branch, which is in a moderate-income tract, is open an additional two hours compared to the average. The Holyoke branch, however, is open four less hours compared to the average. The Holyoke branch hours were established when the branch opened in August 2018 based on an area survey of comparable banks. Due to the COVID-19 pandemic and the temporary closure of branches, the bank has yet to establish a baseline to reassess branch hours based on transaction and customer traffic. In addition to branch locations, the bank offers consumer and business digital banking services online and via a mobile app.

bankESB's checking and savings accounts meet the standards for the Basic Banking for Massachusetts guidelines as administered by the Massachusetts Community & Banking Council. Basic Banking for Massachusetts is a voluntary program to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships.

The March 2020 Interagency Joint Statement on CRA Consideration for Activities in Response to COVID-19 states that the agencies will favorably consider retail banking services and retail lending activities in a financial institution's assessment area that are responsive to the needs of low- and moderate-income individual affected by COVID-19 and that are consistent with safe and sound banking practices. Activities may include, but are not limited to, waiving of early withdrawal penalties on time deposits. In response to the COVID-19 pandemic, the bank waived early withdrawal penalties on CDs up to \$10,000 to allow customers greater access to cash if impacted financially by COVID-19.

Community Development Services

Community development services are evaluated pursuant to the following criteria: 1) The extent to which the institution provides community development services; and 2) the innovativeness and responsiveness of community development services.

The bank provided a relatively high level of community development services. Although the bank's community development services are not particularly innovative, the relatively high level of community development services is reflected through the extent and degree to which they serve low- and moderate-income areas and their responsiveness to available opportunities.

Employee Services

During the evaluation period, 28 bank employees provided their expertise to 29 different community development organizations. Employee involvement consisted primarily of serving as board members for organizations focused on providing community development services to low- and moderate-income individuals. The following are examples of bank employee involvement in such organizations:

- **Easthampton Community Center (ECC)** – The mission of ECC is to provide services and assistance to the greater Easthampton area by providing a food pantry, free meals, clothing, and wellness programs for low- and moderate-income individuals and families. The bank had three employees serve on the organization’s board of directors, with a focus on fundraising.
- **Pioneer Valley Habitat for Humanity (PVHH)** – PVHH builds decent and affordable homes in Hampshire and Franklin counties with the intent of building stability and self-reliance through homeownership. The bank has had two employees on PVHH’s board of directors.
- **Holyoke Health Center (HHC)** – The mission of HHC is to improve the health of patients through affordable, quality health care and comprehensive community-based programs to create a healthy community. HHC is in a low-income tract in Holyoke and provides medical and dental treatments regardless of a patient’s ability to pay. A bank employee served as HCC’s treasurer.
- **Center for New Americans (CNA)** – CNA is a community-based, non-profit adult education center that provides the underserved immigrant, refugee, and migrant communities in Massachusetts’ Pioneer Valley with education and resources to learn English, become involved community members, and obtain tools necessary to maintain economic independence and stability. A bank employee was a board member.

Educational Programs and Seminars

- **Credit for Life** – In partnership with Junior Achievement of Western Massachusetts, Credit for Life provides financial literacy fairs and education for high school students in Springfield, Holyoke, Easthampton, Chicopee, West Springfield, and other communities in Western Massachusetts. Bank employees participated in several Credit for Life fairs in Holyoke.
- **Hampshire County House of Correction** – In 2018, a bank employee provided financial literacy education to incarcerated individuals to better equip them with money management skills upon release.
- **Holyoke Housing Authority** – In 2019, a bank employee provided a first-time homebuyer workshop in Spanish with the primary purpose of increasing housing choices for eligible low-income families in Holyoke.

Other Community Development Services

- **Community Action Pioneer Valley (Community Action)** – Community Action is a federally-designated antipoverty agency serving Franklin and Hampshire counties that offers 40 comprehensive programs to assist people who have low incomes to achieve economic stability and security. During the evaluation period, several bank employees have participated in the Volunteer Income Tax Assistance (VITA) program. The VITA

program is a free service that helps taxpayers with lower incomes maximize their tax refund with the assistance of IRS-certified volunteers.

- **Highland Valley Elder Services** – This organization provides a range of programs for older adults and their families to support them where they live. Throughout the evaluation period, several employees volunteered their time to the organization’s money management program, where they provided financial supervision for participants who are unable to manage their own financial affairs.
- **Interest on Lawyers Trust Accounts (IOLTA)** – The IOLTA program requires lawyers and law firms to establish interest-bearing accounts for client deposits. The pooled interest on IOLTA programs helps make improvements to the administration of justice and supports the delivery of legal services to low-income clients. During the evaluation period, the bank paid a total of \$19,224 in interest on such accounts.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX

GLOSSARY

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

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

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

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

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

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

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

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used specially 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