

# **PUBLIC DISCLOSURE**

February 29, 2016

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Avon Co-operative Bank  
Certificate Number: 26617

One East Main Street  
Avon, Massachusetts 02322

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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 Division of Banks concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following summarizes the bank's performance.

- The loan-to-deposit (LTD) ratio is good given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans in the assessment area.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- The distribution of borrowers reflects adequate penetration of loans among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the CRA rating.

## SCOPE OF EVALUATION

### ***General Information***

This performance evaluation, conducted by the Massachusetts Division of Banks, covers the period from the prior evaluation, dated January 17, 2012, to the current evaluation dated February 29, 2016. Examiners used Small Bank Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC).

The bank's performance was evaluated according to criteria:

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints.

The bank was last examined by the Division for compliance with the Community Reinvestment Act on January 17, 2012. The examination resulted in a CRA rating of Satisfactory.

### ***Loan Products Reviewed***

This evaluation focused on home mortgage and consumer lending activity from January 17, 2012 to December 31, 2015. The bank's most recent Call Report as of December 31, 2015, shows that 98.9 percent of the bank's loan portfolio is real estate loans. Consumer loans made up 0.9 percent of the portfolio.

Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily properties (five or more units). The evaluation emphasized the bank's home mortgage lending performance in 2014, as this is the most recent year for which aggregate lending data is available.

The bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the bank's designated assessment area. The bank's home mortgage lending performance was also compared with demographic data.

Consumer lending data was also analyzed. For the purposes of this evaluation, consumer loans are defined as new and used vehicle loans, unsecured personal loans, and open end loans including home equity lines of credit (HELOCs). The bank's consumer loan data was derived from a sample of consumer loans originated from January 17, 2012 through December 31, 2015 and was compared to demographic data from the 2010 U.S. Census.

Examiners considered both the number and dollar volume of home mortgage and consumer loan originations; however, an emphasis is placed on the number of loans. Examiners emphasized the number of loans because it is not influenced by factors including applicant income, or housing value, and provides a better overall indicator of the number of individuals served by the institution. Financial data was derived from the December 31, 2015 Call Report.

## DESCRIPTION OF INSTITUTION

### ***Background***

Avon Co-operative Bank is a mutually owned, state-chartered bank incorporated under the laws of the Commonwealth of Massachusetts in 1914.

### ***Operations***

All of the bank's operations are headquartered in its main office located at One East Main Street, Avon MA. The main office is in a middle-income census tract. The bank does not have any branch offices or subsidiaries.

The bank's business hours are readily accessible to all of its depositors, with extended hours on Thursday and limited hours on Saturday. The bank's drive-up window is open one hour later than the lobby on weekdays except Thursday. The bank operates an automated teller machine (ATM) at its main office.

The bank offers a variety of loan products to its members. These include new/used auto loans, collateral loans, fixed- and adjustable-rate mortgage loans, MassHousing loans, first-time homebuyer loans, home equity loans, home equity lines of credit and overdraft lines of credit. Deposit products offered include various checking and savings accounts, certificates of deposit, and individual retirement accounts. Other services include online banking with eStatements and bill pay, debit cards, and check imaging.

### ***Ability and Capacity***

As of December 31, 2015, the bank had total assets of \$94.7 million and total deposits of \$78.7 million. Total loans were \$75.7 million and represented 79.9 percent of total assets. The bank's net loan-to-deposit ratio as of the same date was 95.9 percent. Since the last CRA evaluation, the bank's assets have increased 42.0 percent, deposits have increased 36.4 percent and total loans have increased 97.7 percent. The increase in assets from the previous evaluation is driven by growth in the loan portfolio.

The following table provides additional details regarding the composition of the bank's loan portfolio.

<b>Loan Portfolio Distribution as of December 31, 2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	3,461	4.6
Secured by Farmland	0	0.0
1-4 Family Residential	69,056	91.2
Multi-family (5 or more) Residential	0	0.0
Commercial Real Estate	2,354	3.1
<b>Total Real Estate Loans</b>	<b>74,871</b>	<b>98.9</b>
Commercial and Industrial	152	0.2
Agricultural	0	0.0
Consumer	693	0.9
Other	0	0.0
Less: Unearned Income	12	0.0
<b>Total Loans</b>	<b>75,704</b>	<b>100.0</b>
<i>Source: Consolidated Reports of Condition and Income as of December 31, 2015</i>		

There are no apparent financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The bank's assessment area, as currently defined, meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

### *Economic and Demographic Data*

The bank's assessment area contains 86 tracts located in Plymouth and Norfolk Counties. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 7 low-income tracts
- 18 moderate-income tracts
- 50 middle-income tracts
- 10 upper-income tracts
- 1 NA income tract

The following towns and cities make up the bank's assessment area: Avon, Stoughton, Holbrook, Randolph, Quincy, Braintree, Abington, Brockton, Whitman, West Bridgewater, East Bridgewater, Bridgewater, and Middleborough.

The assessment area has changed from the previous CRA evaluation. During the previous evaluation, the bank's assessment area included Avon, Holbrook, Brockton, and Randolph. For the current evaluation, the bank has added the following towns and cities; Stoughton, Quincy, Braintree, Abington, Whitman, West Bridgewater, East Bridgewater, Bridgewater, and Middleborough.

Refer to the following table for pertinent demographic information about the assessment area.

<b>Assessment Area Demographic Information</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	86	8.2	20.9	58.1	11.6	1.2
Population by Geography	396,909	6.7	20.1	62.5	10.2	0.5
Owner-Occupied Housing by Geography	96,829	2.8	17.6	67.4	12.2	0.0
Family Distribution by Income Level	96,586	22.8	19.4	24.0	33.8	0.0
Household Distribution by Income Level	149,283	25.6	15.9	19.1	39.4	0.0
Median Family Income (MFI)		\$78,463	Median Housing Value	\$334,003		
HUD Adjusted MFI Boston MSA/MD for 2014		\$87,200	Unemployment Rate (2010 US Census)	8.9%		
HUD Adjusted MFI Boston MSA/MD for 2015		\$90,000				
Families Below Poverty Level		6.8%				

*Source: 2010 U.S. Census, 2015 D&B Data, and FFIEC Estimated Median Family Income; (\*) The NA category consists of geographies that have not been assigned an income classification.*

The FFIEC Estimated Median Family Income (MFI), as illustrated in the following table, was used to determine low, moderate, middle, and upper-income designations for individuals and geographies within the assessment area.

<b>Median Family Income Ranges</b>				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Boston MSA/MD Median Family Income</b>				
2014 (\$87,200)	<\$43,600	\$43,600 to <\$69,760	\$69,760 to <\$104,640	≥\$104,640
2015 (\$90,000)	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000

*Source: FFIEC Median Family Incomes*

The assessment area has a total of 96,586 family households. Of all family households in the area, 22.8 percent are low-income, 19.4 percent are moderate-income, 24.0 percent are middle-income, 33.8 percent are upper-income and 6.8 percent are families below the poverty level. Of the 149,283 households, 25.6 percent are low-income, 15.9 percent are moderate-income and 9.8 percent are households that are below the poverty level. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products.

The assessment area consists of 157,950 total housing units, of which 96,829 or 61.3 percent are owner-occupied, 52,454 or 33.2 percent are rental units and 8,667 or 5.5 percent are vacant units. Of the 96,829 owner-occupied housing units, 2.8 percent are in low-income census tracts and 17.6 percent are in moderate-income census tracts.

The assessment area median housing value is \$334,003. Additional information obtained from The Warren Group show that the average median sales price in Plymouth County was \$285,250 in

2014 and \$290,000 in 2015. The average median sales price in Norfolk County was \$385,950 in 2014 and \$398,000 in 2015.

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 8.9 percent. Recent data obtained from the U.S. Bureau of Labor and Statistics indicates that the unemployment rate for Plymouth County was 4.8 percent and the unemployment rate for Norfolk County was 4.0 percent as of December 2015. As of the same date, the statewide unemployment rate was 4.9 percent.

### ***Competition***

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2014, 358 lenders reported a total of 10,212 residential mortgage loans originated or purchased in the bank's assessment area. Avon Co-operative Bank ranked 79th with a market share of 0.3 percent.

The bank competes with several local institutions including HarborOne Bank, Randolph Savings Bank, Rockland Trust Company, Canton Co-operative Bank, Holbrook Co-operative Bank, Bank of Easton, and Crescent Credit Union.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted an organization that develops and manages affordable housing for low-income individuals in the Greater Boston area. The contact identified affordable housing as the greatest need currently in the area. The clients that this organization serves cannot afford the high rents in the Boston and South Shore area. Additionally, home prices are increasing every year making home-ownership difficult for many low- and moderate-income families. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs.

### ***Credit and Community Development Needs and Opportunities***

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing, home improvement, and down payment assistance represent the greatest credit needs for the assessment area. The City of Brockton has a high number of foreclosure properties, many of which are vacant and in need of improvements. However, many low- to moderate-income families do not have the financial means to make the required down payments to purchase these properties. These properties also require purchasers to have additional funds to invest in the necessary home improvements to bring properties back into compliance with local building codes.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The LTD ratio is good given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 83.1 percent over the past 17 calendar quarters from December 31, 2011, to December 31, 2015. The ratio ranged from a low of 64.7 percent as of March 31, 2012, to a high of 95.9 percent as of December 31, 2015. The LTD ratio increased during the evaluation period due to the bank purchasing mortgage and consumer loans to increase the size of the loan portfolio relative to deposits.

The bank sells loans to the secondary market. From January 1, 2014 to December 31, 2015, the bank sold 9 loans totaling \$2.0 million.

As of the December 31, 2015 Call Report, Avon Co-operative Bank maintained a higher LTD ratio than those of comparable institutions. This is shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank Name</b>	<b>Total Assets \$(000s)</b>	<b>Net LTD Ratio (%)</b>
<i>Avon Co-operative Bank</i>	<i>94,650</i>	<i>95.9</i>
Canton Co-operative Bank	105,439	62.8
Holbrook Co-operative Bank	104,139	83.3
Stoughton Co-operative Bank	108,356	80.5
<i>Source: December 31, 2015 Call Report Data</i>		

## Assessment Area Concentration

The bank made a majority of loans, by number and dollar volume, inside its assessment area as shown in the following table.

The bank's low volume of home mortgage loans inside the assessment area is due to the bank's practice of purchasing home mortgage loans from other financial institutions. In 2014, the bank purchased 32 loans for \$6.0 million outside the assessment area. In 2015, the bank purchased 34 loans for \$10.8 million outside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2012	48	55.8	38	44.2	86	7,167	37.2	12,089	62.8	19,256
2013	30	41.1	43	58.9	73	5,508	33.2	11,104	66.8	16,612
2014	30	42.3	41	57.7	71	5,435	37.1	9,226	62.9	14,661
2015	31	37.3	52	62.7	83	5,284	25.6	15,364	74.4	20,648
<b>Total Home</b>	<b>139</b>	<b>44.4</b>	<b>174</b>	<b>55.6</b>	<b>313</b>	<b>23,394</b>	<b>32.9</b>	<b>47,783</b>	<b>67.1</b>	<b>71,177</b>
Consumer										
2012	23	56.1	18	43.9	41	485	35.3	890	64.7	1,375
2013	27	79.4	7	20.6	34	674	64.6	369	35.4	1,043
2014	21	58.3	15	41.7	36	617	48.1	667	51.9	1,284
2015	19	65.5	10	34.5	29	1,113	63.4	643	36.6	1,756
Total Consumer	90	64.3	50	35.7	140	2,889	52.9	2,569	47.1	5,458
<b>Total</b>	<b>229</b>	<b>50.6</b>	<b>224</b>	<b>49.4</b>	<b>453</b>	<b>26,283</b>	<b>34.3</b>	<b>50,352</b>	<b>65.7</b>	<b>76,635</b>
<i>Source: 2012, 2013, and 2014 &amp; 2015 HMDA and bank records</i>										

## Geographic Distribution

The geographic distribution of home mortgage and consumer loans reflects adequate dispersion throughout the assessment area.

### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2012	2.8	2.7	1	2.1	50	0.7
2013	2.8	3.0	1	3.3	166	3.0
2014	2.8	3.3	0	0.0	0	0.0
2015	2.8	N/A	1	3.2	157	3.0
<b>Moderate</b>						
2012	17.6	12.7	10	20.8	1,130	15.8
2013	17.6	14.6	5	16.7	919	16.7
2014	17.6	17.4	3	10.0	462	8.5
2015	17.6	N/A	5	16.1	792	15.0
<b>Middle</b>						
2012	67.4	68.1	35	72.9	5,589	78.0
2013	67.4	66.8	22	73.3	3,940	71.5
2014	67.4	65.4	25	83.3	4,539	83.5
2015	67.4	N/A	22	71.0	3,857	73.0
<b>Upper</b>						
2012	12.2	16.5	2	4.2	398	5.5
2013	12.2	15.6	2	6.7	483	8.8
2014	12.2	13.9	2	6.7	434	8.0
2015	12.2	N/A	3	9.7	478	9.0
<b>Totals</b>						
<b>2012</b>	<b>100.0</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>7,167</b>	<b>100.0</b>
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,508</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,435</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>N/A</b>	<b>31</b>	<b>100.0</b>	<b>5,284</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2012, 2013, and 2014 and 2015, HMDA Reported Data; 2012-2014 HMDA Aggregate Data.</i>						

Examiners focused on the comparison to aggregate data for 2014. The bank did not originate any loans in low-income tracts in 2014. In 2015, the bank increased its lending to borrowers in low-income census tracts to one loan, or 3.2 percent.

In moderate-income areas, the bank was below the aggregate level by 7.6 percent for 2014, but increased its lending to borrowers in those census tracts by 6.1 percent in 2015.

Market share data for 2014 shows that the bank's assessment area is heavily banked, and there is a large degree of competition amongst lenders for home mortgage loans. In 2014, the bank ranked 43<sup>rd</sup> in lending in low-income census tracts with a 0.7 percent market share.

## Consumer Loans

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low					
2012	5.5	2	8.7	30	6.2
2013	5.5	0	0.0	0	0.0
2014	5.5	0	0.0	0	0.0
2015	5.5	1	5.3	3	0.3
Moderate					
2012	20.2	3	13.0	103	21.2
2013	20.2	6	22.2	92	13.6
2014	20.2	3	14.3	11	1.8
2015	20.2	3	15.8	22	2.0
Middle					
2012	63.9	18	78.3	352	72.6
2013	63.9	21	77.8	582	86.4
2014	63.9	18	85.7	606	98.2
2015	63.9	15	78.9	1,088	97.7
Upper					
2012	10.4	0	0.0	0	0.0
2013	10.4	0	0.0	0	0.0
2014	10.4	0	0.0	0	0.0
2015	10.4	0	0.0	0	0.0
<b>Totals</b>					
<b>2012</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>485</b>	<b>100.0</b>
<b>2013</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>674</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>617</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,113</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2012, 2013, 2014, and 2015 Bank Data</i>					

The geographic distribution of consumer loans reflects adequate dispersion throughout the assessment area. Over the evaluation period, the majority of the bank's consumer loans were originated in middle-income census tracts.

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels in the assessment area.

### **Home Mortgage Loans**

Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and comparisons to 2014 aggregate data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2012	22.9	8.0	5	10.4	368	5.1
2013	22.9	7.9	3	10.0	373	6.8
2014	22.9	7.2	4	13.3	404	7.4
2015	22.9	NA	3	9.7	279	5.3
<b>Moderate</b>						
2012	19.3	21.9	10	20.8	1,338	18.7
2013	19.3	23.4	10	33.3	1,610	29.2
2014	19.3	23.5	6	20.0	784	14.4
2015	19.3	NA	8	25.7	1,426	27.0
<b>Middle</b>						
2012	24.0	26.1	13	27.1	1,932	27.0
2013	24.0	27.1	10	33.3	1,958	35.5
2014	24.0	25.7	6	20.0	1,087	20.0
2015	24.0	NA	10	32.3	2,045	38.7
<b>Upper</b>						
2012	33.8	27.6	15	31.3	3,086	43.1
2013	33.8	27.2	5	16.7	1,097	19.9
2014	33.8	26.3	13	43.3	2,868	52.8
2015	33.8	NA	10	32.3	1,534	29.0
<b>Income Not Available</b>						
2012	0.0	16.3	5	10.4	443	6.2
2013	0.0	14.5	2	6.7	470	8.5
2014	0.0	17.3	1	3.4	292	5.4
2015	0.0	NA	0	0.0	0	0.0
<b>Total</b>						
<b>2012</b>	<b>100.0</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>7,167</b>	<b>100.0</b>
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,508</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,435</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>NA</b>	<b>31</b>	<b>100.0</b>	<b>5,284</b>	<b>100.0</b>

Source: 2010 U.S. Census; 2012, 2013, 2014 and 2015 HMDA Reported Data; 2012-2014 HMDA Aggregate Data, "2015" data not available

In 2014, the bank's performance was higher than aggregate by 6.1 percent for low-income borrowers. For the same year, the bank's performance was slightly lower than aggregate for moderate-income borrowers, reflecting adequate performance.

In 2015, the bank decreased its lending by percentage to low-income borrowers and increased slightly by percentage to moderate-income borrowers as compared to 2014.

Market share data from 2014 indicate the bank ranked 53<sup>rd</sup> originating 4 loans with a market share of 0.6 percent for loans to low-income individuals.

## Consumer Loans

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low					
2012	25.6	10	43.5	127	26.2
2013	25.6	7	25.9	13	1.9
2014	25.6	7	33.3	27	4.4
2015	25.6	5	26.3	114	10.2
Moderate					
2012	15.9	3	13.0	38	7.8
2013	15.9	4	14.8	228	33.8
2014	15.9	2	9.5	4	0.6
2015	15.9	2	10.5	10	0.9
Middle					
2012	19.1	6	26.1	283	58.4
2013	19.1	5	18.5	97	14.4
2014	19.1	7	33.3	230	37.3
2015	19.1	4	21.1	34	3.1
Upper					
2012	39.4	0	0.0	0	0.0
2013	39.4	5	18.5	199	29.5
2014	39.4	2	9.5	300	48.6
2015	39.4	1	5.2	100	9.0
Income Not Available					
2012	0.0	4	17.4	37	7.6
2013	0.0	6	22.3	137	20.4
2014	0.0	3	14.4	56	9.1
2015	0.0	7	36.9	855	76.8
<b>Totals</b>					
<b>2012</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>485</b>	<b>100.0</b>
<b>2013</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>674</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>617</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,113</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2012, 2013, 2014, and 2015 Bank Data</i>					

The bank's lending to low-income borrowers was higher than the demographics over the evaluation period, while the bank's lending to moderate-income borrowers was slightly below the demographics.

The bank typically relies upon the income of only one borrower to make the credit decision. Comparing one borrower's income with the median family income of the Boston, MA MSA

potentially inflates the levels of lending to low- and moderate-income borrowers because the median family income typically includes the income of two individuals.

A large percentage of loans have an income designation of Income Not Available. These are loans that were secured by passbook savings or certificates of deposit accounts and for which the bank did not use the borrowers' incomes to make the credit decision.

## Response to CRA Complaints and Fair Lending Policies and Practices

A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no fair lending issues were noted.

### Minority Application Flow

The bank's HMDA LARs for 2014 and 2015 were reviewed to determine if the application flow from different minority groups was reflective of the assessment area demographics.

The bank's residential lending in 2014 was compared to the 2014 aggregate lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as a comparison to aggregate lending data within the assessment area.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>2014 Bank</b>		<b>2014 Aggregate Data</b>	<b>2015 Bank</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	3	6.4	8.6	3	7.9
Black/ African American	4	8.5	12.1	3	7.9
Hawaiian/Pacific Islander	0	0.0	0.3	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	1	2.1	1.2	0	0.0
<b>Total Minority</b>	<b>8</b>	<b>17.0</b>	<b>22.5</b>	<b>6</b>	<b>15.8</b>
White	36	76.6	54.8	32	84.2
Race Not Available	3	6.4	22.7	0	0.0
<b>Total</b>	<b>47</b>	<b>100.0</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	2	4.3	3.2	1	2.6
Not Hispanic or Latino	38	80.8	73.8	37	97.4
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.8	0	0.0
Ethnicity Not Available	7	14.9	22.2	0	0.0
<b>Total</b>	<b>47</b>	<b>100.0</b>	<b>100.0</b>	<b>38</b>	<b>100.0</b>
<i>Source: U.S. Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014</i>					

According to the 2010 U.S. Census data, the bank's assessment area had a population of 396,909 individuals, of which 31.9 percent are minorities. The assessment area's minority and ethnic population consists of 0.2 percent American Indian, 8.4 percent Asian/Pacific Islander, 12.9 percent Black, 4.8 percent Hispanic, and 5.6 percent other.

In 2014, the bank received 47 HMDA reportable loan applications within its assessment area. Of these applications, 17.0 percent were received from racial minority applicants. This is below the aggregate's performance of 22.5 percent of applications received from minorities. In 2014, the bank received 2 applications representing 4.3 percent of applications from the Hispanic or Latino ethnic group, which is higher than the aggregate at 3.2 percent.

In 2015, the bank received 15.8 percent of applications from minority applicants. For the same year, the bank received one application or 2.6 percent from Hispanic or Latino borrowers.

The bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 45 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at "One East Main Street, Avon MA 02322."

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.