

# **PUBLIC DISCLOSURE**

May 16, 2016

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bristol County Savings Bank  
Certificate Number: 23622

35 Broadway  
Taunton, MA 02780

Division of Banks  
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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 or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION’S CRA RATING:**

This institution is rated **High Satisfactory** by the Division of Banks.

This institution is rated **Satisfactory** by the Federal Deposit Insurance Corporation (FDIC).

While both agencies agreed on the overall findings of the evaluation, Part 345 of FDIC Rules and Regulations – CRA, does not provide an overall rating of “High Satisfactory.” An institution in this group has a good 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 table indicates the performance level of Bristol County Savings Bank (BCSB) with respect to the Lending, Investment and Service Tests.

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

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

\*\* FDIC rules and regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” for the three tests. For purposes of this jointly issued public evaluation, the term “Satisfactory” will be used in lieu of the “Low Satisfactory” rating for the Lending, Investment, and Service Test ratings, as the Division of Banks does not have a “Low Satisfactory” rating.

**The Lending Test is rated High Satisfactory.**

- Lending levels reflects adequate responsiveness to assessment area credit needs.
- An adequate percentage of loans are made in the bank’s assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among borrowers of different income levels and businesses of different sizes.

- The bank is a leader in making community development loans.
- The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

**The Investment Test is rated High Satisfactory.**

- The bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are readily accessible to all portions of the assessment area.
- To the extent changes have been made, the bank's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Business hours and services are tailored to the convenience and needs of the assessment area, particularly low- and moderate-income geographies and individuals.
- The bank is a leader in providing community development services.

## SCOPE OF EVALUATION

### **General Information**

Large Institution CRA Examination Procedures were used to evaluate BCBS's CRA performance. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investment and Service. The CRA evaluation considered activity from April 2, 2013 through May 16, 2016.

The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area by considering an institution's home mortgage, small business, small farm (where applicable), and community development lending. The institution's lending performance is evaluated pursuant to the following criteria:

- the volume of lending activity
- the proportion of lending within the assessment area
- the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area
- the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes
- the number and dollar amount of community development loans
- the use of innovative and/or flexible lending practices

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The investment performance is evaluated pursuant to the following criteria:

- the dollar amount of qualified investments
- the innovativeness or complexity of qualified investments
- the responsiveness of qualified investments to credit and community developments needs
- the degree to which the qualified investments are not routinely provided by private investors

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services pursuant to the following criteria:

- the distribution of the bank's branches among geographies of different income levels
- the record of opening and closing branches, particularly branches in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals
- the availability and effectiveness of alternate systems for delivering retail banking services
- the extent and innovativeness of the bank's community development services

The bank does not have any affiliates that make retail loans; therefore, this evaluation does not include lending activity performed by affiliates.

Market share reports and aggregate data presented in this evaluation include originated and purchased loans, as this represents the market for residential mortgage loans for financial institutions that are subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). This excludes financial institutions that do not have an office in a Metropolitan Statistical Area (MSA) and financial institutions that do not meet the minimum asset size threshold for HMDA reporting.

### **Loan Products Reviewed**

The analysis of loans includes residential mortgages and small business loans originated between January 1, 2014, and December 31, 2015 within the assessment area. As reflected in the March 31, 2016 Call Report, residential lending, including all loans secured by one-to-four family and multifamily residential properties, represents 41.3 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represents 35.7 percent of the loan portfolio. Based on management's stated business focus and comparable loan distribution, equal weight was given to home mortgage and small business loans.

Residential mortgage loan data was derived from the bank's HMDA Loan Application Registers (LARs). Within the assessment area, the bank originated 234 loans totaling \$75.5 million in 2014 and 282 loans totaling \$89.3 million in 2015. The evaluation focused on 2014 performance, the most recent year for which aggregate data is available. Aggregate data includes lending activity in the assessment area from all HMDA-reporting institutions.

Information concerning small business and small farm loans was derived from the CRA Loan Registers (LRs) submitted annually by the bank to the Federal Reserve Bank. Small business loans include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less, while small farm loans include farm loans with original balances of \$500,000 or less. Since the bank did not originate any small farm loans, and consumer loans represent a small product line, these types of lending were not included in the Lending Test.

The bank originated 337 small business loans totaling \$69.2 million in 2014 and 312 small business loans totaling \$64.7 million in 2015. The bank's performance was compared to 2014 aggregate data, which includes all small business loans reported in the assessment area. The aggregate data excludes activity of many institutions not required to report such data. For 2014 and 2015, small business loans were compared to the business demographic data obtained from D&B.

The Lending Test also considered community development loans and innovative and flexible lending from April 2, 2013 through May 16, 2016. The Investment and Service Tests considered qualified investments and community development services from the same period.

## **Interstate Banking and Branching Efficiency Act of 1994 (IBBEA)**

The IBBEA requires the FDIC to evaluate the bank's overall performance within its assessment area and to reach separate conclusions on the bank's activities in each state or multistate MSA in which the bank has a branch office. As BCSB's assessment area includes portions of a state and a multistate MSA and the bank operates full-service branches in each, the IBBEA requires separate conclusions regarding performance in each area.

The bank has 15 full-service branches; 14 branches are located in the Providence-Warwick, RI-MA MSA and 1 branch is located in the Boston, MA Metropolitan Division (MD). The bank's assessment area consists of all the cities and towns in Bristol County: Acushnet, Attleboro, Berkley, Dartmouth, Dighton, Easton, Fairhaven, Fall River, Freetown, Mansfield, New Bedford, North Attleboro, Norton, Raynham, Rehoboth, Seekonk, Somerset, Swansea, Taunton, and Westport, all located in Massachusetts. The assessment area also includes the city of Pawtucket, located in Providence County, Rhode Island. Both Bristol County in Massachusetts and Providence County in Rhode Island are part of the Providence-Warwick, RI-MA MSA. The assessment are also includes three cities and towns in Norfolk County (Franklin, Plainville and Wrentham), which is part of the Boston, MA MD.

A full-scope review and substantial weight was given to the Providence-Warwick, RI-MA MSA since a majority of the bank's lending activity occurred in this assessment area. A full-scope review and little weight was given to the Boston, MA MD since it contains only nine census tracts (CT) and a small percentage of the bank's lending activity.

The following table represents the area breakdown of loans, deposits, and branches.

<b>Area Breakdown of Loans, Deposits, and Branches</b>								
<b>Area</b>	<b>Home Mortgage Loans</b>		<b>Small Business Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Providence-Warwick, RI-MA MSA	492	95.3	613	94.5	1,136	96.5	14	93.3
Boston, MA MD	24	4.7	36	5.5	41	3.5	1	6.7
<b>Total</b>	<b>516</b>	<b>100.0</b>	<b>649</b>	<b>100.0</b>	<b>1,177</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

*Source: Bank Records from 01/01/2014 through 12/31/2015; FDIC Summary of Deposits (06/30/2014)*

## DESCRIPTION OF INSTITUTION

### **Background**

BCSB is a Massachusetts-chartered, mutual savings bank headquartered in Taunton, Massachusetts. BCSB is a wholly-owned subsidiary of Beacon Bancorp, a one bank mutual holding company. BCSB has the following subsidiaries: Brisbank Corporation (real estate corporation); BCSB Securities Corporation, Inc. (security corporation); and Beacon Securities Corporation (security corporation). Additionally, the bank owns a majority interest in Farrell Backlund Insurance Agency, LLC.

The bank's CRA performance was last evaluated by the Division of Banks and the FDIC on April 1, 2013, and was rated "High Satisfactory" by the Division of Banks and "Satisfactory" by the FDIC.

### **Operations**

The bank's corporate headquarters is located in a low-income CT at 29 Broadway in Taunton, Massachusetts. The bank offers products and services through its main office in Taunton and 14 full-service branch offices located in the following cities and towns: Attleboro, Dartmouth, East Freetown, Fall River, Franklin, New Bedford (2), North Attleboro, Raynham (3), Rehoboth, Taunton, all located in Massachusetts, and one branch located in Pawtucket, Rhode Island. BCSB also operates limited-service branches at Attleboro High School and Taunton High School. These offices serve as training facilities for students in the schools' business programs and provide limited banking services for students, faculty, and staff. Neither office is open to the general public. The bank also operates six loan production offices located in Attleboro, Dartmouth, Fall River, Franklin, Taunton, Massachusetts, and Pawtucket, Rhode Island.

In April 2013, the bank acquired four branches from Admirals Bank; these branches are located in Fall River, New Bedford (2), and Raynham. Additionally, the bank opened the branch in East Freetown on April 8, 2013. The bank's offices are located in low-income (2); moderate-income (2); middle-income (7) and upper-income (4) CTs. Each full-service branch has 24-hour automated teller machines (ATM). The bank maintains four remote ATMs located at Capron Park Zoo in Attleboro; Buttonwood Park Zoo and the New Bedford Airport, both in New Bedford; and McCoy Stadium in Pawtucket, Rhode Island. The Buttonwood Park Zoo and the McCoy Stadium are both located in moderate-income CTs. The New Bedford Airport and the Capron Park Zoo are located in middle- and upper-income CTs, respectively.

### **Ability and Capacity**

As of March 31, 2016, the bank had total assets of \$1.8 billion and total deposits of \$1.4 billion. Total loans were \$1.3 billion and represented 77.2 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 96.2 percent.

BCSB is primarily a residential lender with a large portion of its loan portfolio secured by residential properties; however, the bank offers a wide variety of loan products. As noted in the

table below, approximately 38.6 percent of BCSB’s loans are secured by one-to-four family properties, followed by commercial real estate at 28.3 percent and construction loans at 4.6 percent. The following table illustrates the current distribution of the bank’s loan portfolio.

<b>Loan Portfolio Distribution as of March 31, 2016</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	64,944	4.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	540,017	38.6
Secured by Multifamily (5 or more) Residential Properties	37,067	2.7
Secured by Non-farm Non-Residential Properties	396,473	28.3
<b>Total Real Estate Loans</b>	<b>1,038,501</b>	<b>74.2</b>
Commercial and Industrial Loans	104,035	7.4
Consumer Loans	252,406	18.1
Other Loans	3,760	0.3
<b>Total Loans</b>	<b>1,398,702</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

There were no significant financial or legal impediments identified that would limit the bank’s ability to help meet the credit or community development needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. BCSB has designated one assessment area that includes portions of the Providence-Warwick, RI-MA MSA and the Boston, MA MD. The assessment area has not changed since the previous evaluation.

BCSB's assessment area includes 24 cities and towns located in Bristol and Norfolk Counties in Massachusetts and Providence County in Rhode Island. Listed below are the cities and towns that comprise the assessment area, grouped by the MSA and MD in which they are located:

- ***Providence-Warwick, RI-MA MSA (21 towns) – Bristol County:*** Acushnet, Attleboro, Berkley, Dartmouth, Dighton, Easton, Fairhaven, Fall River, Freetown, Mansfield, New Bedford, North Attleboro, Norton, Raynham, Rehoboth, Seekonk, Somerset, Swansea, Taunton, and Westport; *Providence County:* Pawtucket.
- ***Boston, MA MD (3 towns) – Norfolk County:*** Franklin, Plainville, and Wrentham.

The following sections discuss the demographic and economic information for the assessment area.

### **Economic and Demographic Data**

The bank's assessment area consists of 155 CTs that reflect the following income designations according to the 2010 U.S. Census Data:

- 28 low-income tracts
- 34 moderate-income tracts
- 53 middle-income tracts
- 40 upper-income tracts

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	155	18.1	21.9	34.2	25.8	0.0
Population by Geography	670,287	13.4	17.4	36.7	32.5	0.0
Housing Units by Geography	280,313	15.8	18.8	37.0	28.4	0.0
Owner-Occupied Units by Geography	163,145	5.4	13.0	42.5	39.1	0.0
Occupied Rental Units by Geography	94,632	30.7	28.1	28.5	12.7	0.0
Vacant Units by Geography	22,536	28.7	21.9	32.2	17.2	0.0
Businesses by Geography	41,275	13.6	12.7	38.3	35.4	0.0
Farms by Geography	1,141	6.2	8.8	34.6	50.4	0.0
Family Distribution by Income Level	172,825	23.6	16.8	20.2	39.4	0.0
Household Distribution by Income Level	257,777	26.8	14.5	17.0	41.7	0.0
Median Family Income MSA - 14454 Boston, MA MD	\$83,664	Median Housing Value		\$298,805		
		Median Gross Rent		\$793		
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA	\$70,496	Families Below Poverty Level		8.9%		
<p><i>Source: 2010 U.S. Census and 2015 D&amp;B Data</i>  <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i></p>						

The assessment area includes businesses of various sizes, with a high percentage of smaller businesses, according to business survey data provided by D&B. According to 2015 D&B business demographic information, there are 41,275 non-farm businesses in the assessment area, of which approximately 76.9 percent reported gross annual revenues (GAR) of \$1 million or less, 5.7 percent reported gross revenues greater than \$1 million, and 17.4 percent did not report revenues.

According to 2015 D&B data, there is a variety of employers within the assessment area, with the service industry representing the largest portion at 46 percent, followed by retail trade at 15 percent. The major employers in the assessment area operate in Bristol County and include St. Luke's Hospital, Bristol Community College, Covidien, De Puy Synthes Companies, Paramount, General Dynamics Mission Systems, and Hormel Foods.

The FFIEC median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the Boston, MA MD and the Providence-Warwick, RI-MA MSA are presented in the following tables.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454)</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
<b>Providence-Warwick, RI-MA MSA Median Family Income (39300)</b>				
2014 (\$72,200)	<\$36,100	\$36,100 to <\$57,760	\$57,760 to <\$86,640	≥\$86,640
2015 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
<i>Source: FFIEC</i>				

Low-income families comprise 23.6 percent; moderate-income families comprise 16.8 percent; middle-income families comprise 20.2 percent; and upper-income families comprise 39.4 percent of all families in the assessment area. The 2010 U.S. Census indicates that 8.9 percent of families in the assessment area are below the poverty level.

There are 280,313 housing units in the assessment area, of which 58 percent are owner-occupied, 34 percent are occupied rental units, and 8 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The following table presents the average annual and current unemployment rates since the previous evaluation for Bristol and Norfolk County in Massachusetts, Providence County in Rhode Island, Massachusetts and Rhode Island, and the U.S., according to the U.S. Department of Labor.

<b>Unemployment Rates</b>				
<b>Area</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>March 2016</b>
	%	%	%	%
Bristol County	8.6	7.3	6.3	6.1
Norfolk County	5.8	5.0	4.3	3.9
Providence County	9.8	8.2	6.4	6.3
State of Massachusetts	6.7	5.7	5.0	4.6
State of Rhode Island	9.3	7.7	6.0	6.0
National Average	7.4	6.2	5.3	5.1
<i>Source: Bureau of Labor Statistics</i>				

Overall, besides Norfolk County, the unemployment rates for the assessment area are generally higher than the statewide and national figures. Furthermore, unemployment rates for the assessment area are lower now than they were in previous years. The downward trend in unemployment also occurred for the state and nation. The higher unemployment rates in Bristol County, which encompasses the majority of the assessment area, are an indication of the needs in the assessment area.

## **Competition**

BCSB faces competition from both financial institutions and non-bank entities in the assessment area. Competition primarily includes large national banks; however, competition also exists from community banks and credit unions. According to the Reports of Condition filed by FDIC-insured depository institutions, the bank faces competition from 48 other institutions for deposits within the assessment area. These institutions operate 192 banking offices and hold \$13.76 billion in deposits inside the assessment area. BCSB is the 4<sup>th</sup> largest financial institution by deposits, holding approximately 8.5 percent of total deposits in the area.

## **Community Contact**

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. This information allows examiners to determine whether local financial institutions are responsive to identified needs. The contacts may also help identify what credit and community development opportunities are available.

Examiners contacted two community development organizations. The first contact was a local nonprofit housing agency that offers affordable housing and Section Eight assistance to individuals and families in Taunton. The contact indicated that Taunton was moving in the right direction in terms of the quality and availability of housing and economic opportunity in the area, with local financial institutions serving as key catalysts for improvement. The contact stated the continued revitalization of the downtown area will help spur economic growth by attracting new businesses and providing job opportunities. The contact also noted that outside of the downtown area, there are several dilapidated buildings scattered across the city that could be repurposed to create affordable housing or serve as commercial properties.

The second contact was an economic development corporation. This contact provided information regarding the economic needs of small businesses, including those in the bank's local area and the broader region served by the bank. The contact stated the biggest inhibitor to creating more economic opportunity in the region is an under-educated workforce that is not prepared to handle the demands of a modern economy. The contact stated many individuals do not have the necessary math or literacy skills to competently perform in a service-based economy.

Furthermore, the contact stated the manufacturing jobs that sustained the area in years past are unlikely to return. The contact shared that an overhaul of the local public education system would be critical in driving future demand for business opportunities. According to the contact, local financial institutions play a key role in financing small businesses, offering useful loan products to provide short-term solutions and help avoid businesses from taking on credit card debt. The contact stated there is an opportunity for better coordination between financial institutions, borrowers, and economic development agencies, citing the importance of businesses being aware of all financing options available to them.

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

Considering information from the community contacts and bank management, as well as demographic and economic data, examiners determined that affordable housing loans represent a primary credit need for the assessment area. Opportunity exists for originating such loans in the bank's assessment area. Small business lending opportunities and demand are also a significant need throughout the assessment area. Furthermore, as indicated by community contact information and demographic and economic data, the assessment area has community development needs for charitable donations to community development service agencies and for access to financial educational programs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank is rated High Satisfactory in the Lending Test. The following sections address the bank's performance under the Lending Test component throughout the assessment area.

#### **Lending Activity**

BCSB's lending activity reflects adequate responsiveness to the assessment area's credit needs. In 2014, the bank originated a total of 234 home mortgage loans for approximately \$72.5 million and 337 small business loans for approximately \$69.2 million in its assessment area. In 2015, BCSB originated 282 home mortgage loans for approximately \$89.3 million and 312 small business loans for approximately \$64.7 million in its assessment area. Home mortgage loans increased by 20.5 percent by number, and 23.2 percent by dollar volume from 2014 to 2015. From 2014 to 2015, small business lending decreased by 7.4 percent by number and 6.5 percent by dollar volume.

With a 1.5 percent market share in 2014, BCSB ranked 17<sup>th</sup> out of 396 HMDA-reporting institutions that originated 15,302 home mortgage loans in the assessment area. Primarily large national and regional lenders ranked higher than BCSB.

For small business lending, BCSB ranked 17<sup>th</sup> out of 95 CRA-reporting institutions that originated 31,828 small business loans in the assessment area in 2014. Again, primarily large national and regional lenders ranked higher than BCSB. In 2014, BCSB had a 1.2 percent market share of loans by number. This further indicates the competition and BCSB's commitment to small business loans.

#### **Assessment Area Concentration**

The bank originated a majority of its loans within the assessment area during the evaluation period. The following table shows that BCSB continues to concentrate lending efforts towards individuals and small businesses residing or operating in the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	234	60.8	151	39.2	385	72,525	57.0	54,731	43.0	127,256
2015	282	55.7	224	44.3	506	89,329	52.2	81,820	47.8	171,149
<b>Subtotal</b>	<b>516</b>	<b>57.9</b>	<b>375</b>	<b>42.1</b>	<b>891</b>	<b>161,854</b>	<b>54.2</b>	<b>136,551</b>	<b>45.8</b>	<b>298,405</b>
Small Business										
2014	337	77.7	97	22.3	434	69,214	77.5	20,079	22.5	89,293
2015	312	77.2	92	22.8	404	64,713	74.5	22,123	25.5	86,836
<b>Subtotal</b>	<b>649</b>	<b>77.4</b>	<b>189</b>	<b>22.6</b>	<b>838</b>	<b>133,927</b>	<b>76.0</b>	<b>42,202</b>	<b>24.0</b>	<b>176,129</b>
<b>Total</b>	<b>1,165</b>	<b>67.4</b>	<b>564</b>	<b>32.6</b>	<b>1,729</b>	<b>295,781</b>	<b>62.3</b>	<b>178,753</b>	<b>37.7</b>	<b>474,534</b>
<i>Source: 1/1/2014 - 12/31/2015 Bank Data</i>										

Of the 891 home mortgage loans originated during the review period, 57.9 percent by number and 54.2 percent by dollar volume were extended within the assessment area. Discussions with management indicated that the online application system, as well as the presence of BCSB's mortgage loan originators throughout Massachusetts and Rhode Island were reasons for the adequate performance. Of the 838 small business loans originated during the review period, 77.4 percent by number and 76.0 percent by dollar volume were extended within the assessment area.

Overall, the bank's lending performance reflects 67.4 percent by number and 62.3 percent by dollar amount inside the assessment area and indicates adequate performance.

### **Geographic Distribution**

Examiners reviewed the geographic distribution of home mortgage and small business loans to assess the degree to which the bank is meeting the credit needs of all geographic segments of the assessment area, including low- and moderate-income CTs. Based on a review of HMDA-reportable and CRA small business loan data, the geographic distribution of loans reflects adequate penetration throughout the overall assessment area. As detailed in the tables below, BCSB's reasonable performance of home mortgage and small business lending supports this conclusion.

#### ***Home Mortgage Loans***

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

The following table shows the geographic distribution of the bank's home mortgage loans among the different CT income levels in the assessment area. Bank performance is compared against applicable aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	5.4	5.3	12	5.1	2,632	3.6
2015	5.4	--	7	2.5	13,801	15.5
Moderate						
2014	13.0	11.7	17	7.3	15,916	22.0
2015	13.0	--	27	9.6	4,147	4.6
Middle						
2014	42.5	41.8	91	38.9	19,883	27.4
2015	42.5	--	116	41.1	34,131	38.2
Upper						
2014	39.1	41.2	114	48.7	34,094	47.0
2015	39.1	--	132	46.8	37,250	41.7
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>72,525</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>282</b>	<b>100.0</b>	<b>89,329</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						

BCSB originated 5.1 percent of home mortgage loans by number in 2014, and 2.5 percent by number in 2015 in low-income CTs. In comparison, 5.4 percent of owner-occupied housing was located in low-income CTs and 5.3 percent of aggregate lending was done in low-income CTs. BCSB's figures are comparable to aggregate and demographic performance in 2014, but lagged demographics in 2015.

BCSB originated 7.3 percent of home mortgage loans by number in 2014, and 9.6 percent by number in 2015 in moderate -income CTs. In comparison, 13.0 percent of owner-occupied housing was located in moderate-income CTs. Additionally, 11.7 percent of aggregate lending in 2014 occurred in moderate-income CTs. BCSB's performance in moderate-income CTs was below aggregate performance and demographics in 2014. The bank's performance trended upwards in 2015, but still trailed demographic data.

Mitigating factors provide insight for BCSB's performance being slightly below aggregate performance and demographics. A majority of the low-and moderate income CTs in the assessment area are within the city limits of New Bedford, Massachusetts and Pawtucket, Rhode Island. Management indicated that these areas are tough to penetrate, but the bank continues to make headway with extensive outreach. Additionally, bank management and the community contact indicated that there are very few housing units within these low-and moderate-income CTs, as the existing housing stock in these areas is predominantly multifamily rental housing or dilapidated. Multifamily housing is not a major product focus of the bank. Furthermore, bank management indicated that substantial competition exists in these areas.

A market share analysis was performed for lending in the assessment area's low- and moderate-income CTs in 2014. BCSB ranked 17<sup>th</sup> out of 216 HMDA-reporting institutions in originating home mortgage loans within these tracts with 1.4 percent of the market share. As this rank is comparable to its overall assessment area rank, BCSB's home mortgage lending in low-and moderate-income CTs is adequate.

### ***Small Business Loans***

The geographic distribution of small business loans reflects good dispersion throughout the assessment area. The following table shows the geographic distribution of small business loans among the different CT income levels in the assessment area, compared to the percentage of businesses located in each tract income level and aggregate data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2014	13.5	12.0	45	13.3	9,082	13.0
2015	13.6	--	45	14.4	8,102	13.0
<b>Moderate</b>						
2014	12.5	11.7	58	17.2	11,725	17.0
2015	12.7	--	44	14.1	7,839	12.0
<b>Middle</b>						
2014	38.4	38.4	127	37.7	27,752	40.0
2015	38.3	--	118	37.8	25,493	39.0
<b>Upper</b>						
2014	35.6	37.9	107	31.8	20,655	30.0
2015	35.4	--	105	33.7	23,279	36.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>337</b>	<b>100.0</b>	<b>69,214</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>312</b>	<b>100.0</b>	<b>64,713</b>	<b>100.0</b>

*Source: 2014 & 2015 D&B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data, "--" data not available.*

BCSB's small business lending in low-income CTs exceeds aggregate data, is comparable to 2014 demographic data, and slightly exceeds 2015 demographic data. BCSB's small business lending in moderate-income CTs exceeds aggregate data and slightly exceeds demographic data in 2014 and 2015. Overall, the geographic distribution of small business loans exceeds demographic data and reflects good dispersion.

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of borrowers, given the demographics of the assessment area, reflects adequate penetration among borrowers of different income levels, including low- and moderate-income. Examiners considered competition for home mortgages in the area, opportunities to lend to low- and moderate-income borrowers, and families living below the poverty level. The following table presents BCSB's loan distribution by borrower income level during the evaluation period.

<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>						
2014	23.6	5.5	10	4.3	881	1.2
2015	23.6	--	6	2.1	722	0.8
<b>Moderate</b>						
2014	16.8	17.4	39	16.7	6,539	9.0
2015	16.8	--	45	16.0	6,748	7.6
<b>Middle</b>						
2014	20.2	24.1	67	28.6	13,127	18.1
2015	20.2	--	68	24.1	13,641	15.3
<b>Upper</b>						
2014	39.4	36.2	104	44.4	31,890	44.0
2015	39.4	--	136	48.2	42,185	47.2
<b>Not Available</b>						
2014	0.0	16.8	14	6.0	20,088	27.7
2015	0.0	--	27	9.6	26,033	29.1
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>	<b>72,525</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>282</b>	<b>100.0</b>	<b>89,329</b>	<b>100.0</b>

*Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.*

The lending performance for low-income borrowers is lower than demographic information, but comparable to aggregate lending data in 2014. Additionally, the bank's lending performance to moderate-income borrowers is similar to demographic information. Specifically, the bank extended 16.7 percent in 2014 and 16.0 percent in 2015, by number, of its loans to moderate-

income borrowers. In comparison, demographic data indicates 16.8 percent of families in the assessment area are moderate-income. Aggregate lending data indicates 17.4 percent of loans made in 2014 were to moderate-income borrowers.

Discussions with bank management and the community contact indicated that there are very few affordable housing units within the assessment area. As stated previously, approximately 8.9 percent of the families in the assessment area fall below the poverty level, the median family income is \$70,496, and the assessment area faces high unemployment rates. These factors indicate a low- or moderate-income borrower may have difficulty qualifying for a loan considering the median housing value of \$298,805. Additionally, the existing affordable housing stock is older and mainly consists of multifamily rental housing, both of which further inhibits the ability for low- and moderate-income borrowers to afford mortgage loans. Considering the foregoing factors, BSCB's performance is considered adequate.

Market share data shows that BCSB ranked 17<sup>th</sup> with 1.4 percent of the market share for home mortgage loans to low- and moderate-income borrowers. This data further supports the bank's adequate lending to low- and moderate-income borrowers throughout the assessment area.

### ***Small Business Loans***

The distribution of borrowers, given the demographics of the assessment area, reflects adequate penetration of loans to businesses of different revenue sizes.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2014	72.0	41.6	120	35.6	15,232	22.0
2015	76.9	--	105	33.7	15,319	23.7
<b>&gt;1,000,000</b>						
2014	5.5	58.4	217	64.4	53,982	78.0
2015	5.7	--	207	66.3	49,394	76.3
<b>Revenue Not Available</b>						
2014	22.5	--	0	0.0	0	0.0
2015	17.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>337</b>	<b>100.0</b>	<b>69,214</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>312</b>	<b>100.0</b>	<b>64,713</b>	<b>100.0</b>
<i>Source: 2014 &amp; 2015 D&amp;B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data; "--" data not available.</i>						

The bank originated 35.6 percent by number in 2014 and 33.7 percent by number in 2015 of small business loans to businesses with GARs of \$1 million or less. This performance lags

demographic and aggregate lending data. Specifically, demographic data indicates 72.0 percent in 2014 and 76.9 percent in 2015 of assessment area businesses have GARs of \$1 million or less. Aggregate lending in 2014 indicates 41.6 percent of small business loans were made to businesses with GARs of \$1 million or less.

Discussions with management indicated that significant competition exists for small business loans, and smaller businesses continue to utilize alternative financing such as credit cards. Additionally, the bank hired a new Small Business Administration (SBA) lender since the previous evaluation in order to further penetrate the small business market. Discussions with management and the fact that BCSB’s performance is generally comparable to aggregate data indicates overall adequate performance.

**Community Development Lending**

BCSB is a leader in making community development loans. During the review period, the bank originated 62 community development loans totaling approximately \$39.4 million to various organizations throughout the assessment area. BCSB continues to be a leader by originating the most loans by number and dollar amount in relation to peers. Specifically, peer banks similar in asset size that operate in Massachusetts ranged from originating 6 to 25 community development loans for approximately \$3.4 to \$27.7 million. Community development lending represents 2.2 percent of total assets and 2.8 percent of total loans as of March 31, 2016.

These loans were primarily used to provide community services targeted to low- and moderate-income people. The majority of loans by number for community services are particularly responsive given that 8.9 percent of area families live below the poverty level and Bristol County has higher unemployment rates. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
*2013	2	225	11	3,427	0	0	2	50	0	0	15	3,702
2014	3	275	16	7,904	2	3,082	1	25	0	0	22	11,286
2015	4	13,422	13	4,974	1	1,240	3	100	0	0	21	19,736
**2016	2	4,428	1	200	0	0	1	25	0	0	4	4,653
<b>Total</b>	<b>11</b>	<b>18,350</b>	<b>41</b>	<b>16,505</b>	<b>3</b>	<b>4,322</b>	<b>7</b>	<b>200</b>	<b>0</b>	<b>0</b>	<b>62</b>	<b>39,377</b>

*Source: Bank Records \*From April 2, 2013 through December 31, 2013. \*\*From January 1, 2016 through May 16, 2016.*

The following are examples of BCSB’s community development loans originated during the evaluation period.

- In 2015, the bank refinanced a bond for \$12.8 million to a partnership operating an assisted living facility in New Bedford. This loan promotes affordable housing in the

assessment area as 96 of the 120 units are designated for qualified low-income individuals and households.

- From 2013 to 2016, BCSB originated or renewed 4 working capital loans for \$100,000 to a nonprofit organization focusing on improving the downtown area of Taunton. Specifically, the organization focuses on revitalizing and stabilizing the low- and moderate-income CTs by establishing a certified Business Improvement District to partner for the betterment of the community.
- From 2013 to 2015, BCSB originated or renewed 6 loans totaling approximately \$7.2 million to a nonprofit corporation that operates an array of programs for persons with autism and developmental disabilities. Services include 24-hour residential support, day and educational programs, consultative services, and individualized clinic support. A substantial portion of funding for the corporation comes from the Commonwealth of Massachusetts under unit-rate contracts and social security income. These loans benefit the assessment area by offering programs and services to low- and moderate-income individuals.
- From 2013 to 2015, BCSB originated or renewed 10 loans totaling approximately \$3.0 million to an organization that provides support to people with intellectual and developmental disabilities within Bristol County. Services offered include early intervention, health care, education, employment, independent living skills training, and any other support needed across their lifespan. These loans promote community services to low-and moderate-income individuals.
- In 2014, BCSB originated two SBA 504 loans totaling approximately \$3.1 million. These loans helped promote economic development by supporting the acquisition of a corporation and affiliated manufacturing facility within the assessment area.
- From 2013 to 2015, BCSB originated or renewed 3 working capital loans for \$75,000 to a nonprofit organization established for the production and protection of affordable housing. The organization serves the assessment area by producing and advocating for affordable housing, preventing loss or displacement from existing housing, eliminating discrimination in housing, and bringing together diverse groups and aggressively working towards solutions.

BCSB continues to address the community development lending needs throughout the assessment area by providing community services and affordable housing to organizations and individuals in areas of greatest need. BCSB's leadership position in making community development loans further indicates the bank's commitment to meeting its CRA obligations.

### **Innovative and Flexible Lending**

BCSB uses innovative and flexible lending practices to serve the credit needs of its assessment area. While continuing to offer the same successful flexible lending practices since the previous

evaluation, BCSB expanded its expertise and product offerings for SBA lending. The expansion into additional SBA products enhanced the bank’s innovative and flexible practices. The bank’s innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) The degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) The success of each product, including the number and dollar volume of loans originated during the review period. As illustrated in the following table, BCSB’s level of innovative or flexible loans has steadily increased throughout the evaluation period.

<b>Innovative or Flexible Lending Programs</b>								
<b>Type of Program</b>	<b>2013</b>		<b>2014</b>		<b>2015</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
BCSB First Time Homebuyer	29	4,990	54	12,500	46	10,133	129	27,623
Chase	1	180	2	399	3	796	6	1,375
MassHousing Mortgage	8	1,869	9	1,553	11	2,316	28	5,738
MassHousing-No MI	0	0	3	562	4	739	7	1,301
MassHousing LPMI	0	0	0	0	1	135	1	135
MassHousing Rate Right	0	0	1	122	5	781	6	903
MassHousing Rate Right-No MI	0	0	1	155	8	1,459	9	1,614
Rhode Island Housing	1	251	0	0	0	0	1	251
USDA	0	0	0	0	1	231	1	231
SBA 504	10	1,946	6	3,740	16	8,280	32	13,966
SBA 7A	1	100	9	2,248	21	4,694	31	7,042
*SBA Express	6	325	18	1,905	6	550	30	2,780
*SBA SLA	0	0	6	620	2	430	8	1,050
*Other SBA % Guarantee	0	0	0	0	3	500	3	500
<b>Totals</b>	<b>56</b>	<b>9,661</b>	<b>109</b>	<b>23,804</b>	<b>127</b>	<b>31,044</b>	<b>292</b>	<b>64,509</b>
<i>Source: Bank Records; *New program</i>								

BCSB offers its own First Time Homebuyer Program that helps low- and moderate-income borrowers become homeowners. The program provides flexibility by offering adjustable- and fixed-rate products at reduced interest rates. Additionally, financing is available up to 97 percent loan-to-value on single family homes. Furthermore, no private mortgage insurance is required with a 10 percent down payment and a 60-day rate lock with a one-time float down is available. This program is only available to first-time homebuyers and requires homebuyer education counseling. While not exclusively offered to low- and moderate-income borrowers, the program particularly benefitted this category of borrowers.

BCSB is a MassHousing (MH) approved lender. MH is a nonprofit, public agency that supports the creation, preservation, and long-term viability of affordable homeownership and rental housing opportunities for Massachusetts residents with modest incomes who are under-served by conventional housing markets. MH loans are not limited to just first-time homebuyers. MH loan programs allow for very low down payments and offer competitive rates and discounted mortgage

insurance. Only 30-year fixed-rate mortgages are offered. MH loans offered by BCSB include MassHousing Mortgage, MassHousing Mortgage with No Mortgage Insurance, MassHousing Lender Paid Mortgage Insurance MassHousing Rate Right, and Masshousing Rate Right No Mortgage Insurance. The following is a breakdown of the different MH programs.

- **MassHousing Mortgage:** This program involves a traditional, 30-year fixed-rate mortgage. Borrowers may finance up to 97 percent, and loans with down payments of less than 20 percent are insured by the MassHousing Mortgage Insurance Fund. Borrowers in this program benefit from flexible underwriting, low down payments, and quick processing due to automated underwriting and online mortgage insurance approvals.
- **MassHousing Mortgage with No Mortgage Insurance:** Eligible borrowers can obtain affordable, fixed-rate financing without the need for mortgage insurance. This product provides financing up to 97 percent loan-to-value financing without mortgage insurance on single-family homes and condominiums and 95 percent loan-to-value financing on two-to-four family homes. The MassHousing Mortgage Lender Paid Mortgage Insurance offers the same MassHousing product; however the lender pays the mortgage insurance at a premium rate.
- **MassHousing Rate Right Loan Program:** This is a special loan program for lower-income homebuyers. The program offers discounted interest rates with low down payment options to borrowers with incomes at or below 80 percent of area median income. The MassHousing Rate Right Program with No Mortgage Insurance offers the same special loan program, without the need for mortgage insurance.

BCSB participates in the Federal Home Loan Bank's Equity Builder Program (EBP). The EBP provides BCSB with grants to assist borrowers earning no more than 80 percent of the area median income with down payments, closing costs, homebuyer counseling, and rehabilitation assistance on units that borrowers will occupy as their primary residence. To be eligible to receive assistance through the EBP, borrowers must complete a homebuyer counseling program administered by an approved agency. During the review period, the bank utilized \$167,514 in grants for its borrowers through this program.

BCSB also has participated with Rhode Island Housing's first time homebuyer programs in a limited capacity. The limited nature of BCSB's efforts with Rhode Island Housing has to do with an exclusivity referral relationship with a competing bank.

Although limited, BCSB continues to offer loans through the USDA. The loan product offered through this program is the Rural Development 30 Year Fixed Program. This product's eligibility is limited to single family owner occupied primary residences meeting 100 percent moderate-income limits. Additionally, the loan must be in a designated disaster area.

Since the previous evaluation, BCSB hired an experienced SBA lender. Shortly after the hire, BCSB became a preferred lender. Due to the hiring of an experienced SBA lender and the elevated preferred status, BCSB increased accessibility for several other SBA programs and increase effectiveness of their SBA programs. The enhancements of the SBA program improved

BCSB's innovative and flexible lending practices. The bank offers the following small business loan programs in cooperation with the SBA.

- **SBA 504 Loan Program:** These loans are provided through Certified Development Companies licensed by the SBA. Maximum loan amounts range from \$5 to \$5.5 million depending on the type of business. The main benefit to the borrower comes from the low down payment requirement (10 to 20 percent equity contribution) and flexibility in financing fees. The SBA guaranteed portion includes a long-term fixed rate and full amortization.
- **SBA 7(a) Loan Program:** This program provides term loans up to \$5 million, with an SBA guaranty of 85 percent for loans \$150,000 or less and 75 percent for loans greater than \$150,000, with a maximum of \$3.75 million guaranty. Borrowers benefit from long-term financing options, a fixed maturity, and no prepayment penalties for loans with terms of less than 15 years.
- **SBA Express Loan Program:** This program provides a streamlined approval process that enables faster turnaround times for approval and easy-to-use lines of credit. Revolving lines of credit or term loans can be originated up to \$350,000, and the SBA guarantees 50 percent.
- **SBA Small Loan Advantage (SLA):** SLA is structured to encourage existing SBA lenders to make lower-dollar loans, which often benefit businesses in underserved markets. These loans offer an 85 percent guarantee for loans up to \$150,000 and 75 percent for those greater than \$150,000.
- **Other SBA Percent Guarantee:** BCSB also offers other SBA guaranteed loans.

BCSB is one of 52 Massachusetts banks participating in the Small Business Banking Partnership created by the Massachusetts State Treasury. Moreover, BCSB is one of only 28 Massachusetts banks approved under the expanded program that have received funding at the \$10 million level. This program will redistribute state tax funds to insured, responsible community banks who will extend new loans to small businesses. The program was started on July 13, 2011, and since that time BCSB originated 342 small business loans that meet the underwriting requirements outlined by the Small Business Banking Partnership, with committed original loan balances totaling \$39 million and with outstanding principal balances of \$19 million as of March 31, 2016.

## **INVESTMENT TEST**

The bank is rated High Satisfactory in the Investment Test. BCSB has a significant level of qualified community development investments, grants, and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors. During the evaluation period, qualified investments, grants and donations totaled \$3.8 million, which represents 0.2 percent of average total assets and 1.3 percent of securities. The bank's significant level of grants and donations particularly influenced conclusions. The following sections address the bank's performance under the Investment Test component.

### Qualified Equity Investments

The \$1.1 million in qualified equity investments is the total amount carried over from the prior evaluation. Listed below are the two qualified investments.

- **Access Capital Strategies Community Investment Fund:** The Fund invests primarily in high-quality debt securities and other debt instruments supporting affordable housing and community development, and serving low- and moderate-income individuals and communities within a target region specified by the bank. As of March 31, 2016, the bank's investment has a book value of \$939,095.
- **The South Eastern Economic Development (SEED) Corporation:** SEED is a non-profit corporation certified by the SBA. SEED improves the economy of the region by helping small businesses get started, grow, and create jobs in Southeastern Massachusetts and Rhode Island. The bank committed \$250,000 to this organization prior to this evaluation period, and all but \$10,487 has been advanced.

### Qualified Grants and Donations

The bank's donations are made through the bank and the Bristol County Savings Charitable Foundation Inc. (Foundation). The Foundation was established in 1996 as a separate entity to be an on-going source of funding for the communities it serves. The Foundation is made up of four different funds: The BCSB Fund, which operates throughout the bank's assessment area; The Taunton/Attleboro Fund which funds grants in the greater Attleboro-Taunton area; The Southcoast Fund, which funds grants in the greater Dartmouth-New Bedford area; and The Pawtucket Advisory Board, which funds grants within the City of Pawtucket, Rhode Island.

The total amount of qualified CRA donations made by the bank and the Foundation from April 2, 2013, through May 16, 2016, was \$2.6 million, representing 50.3 percent of total contributions of \$5.1 million during the evaluation period. The \$2.6 million in qualified CRA donations by the bank and the Foundation represents an increase since the last evaluation period, when qualified donations totaled \$1.9 million. The following table illustrates bank and Foundation activity by year and by fund.

<b>Community Development Grants and Donations</b>					
	<b>*2013</b>	<b>2014</b>	<b>2015</b>	<b>**2016</b>	<b>Total</b>
Bristol County Savings Bank	3,205	54,370	5,965	0	63,540
The Bristol County Savings Charitable Fund	247,122	539,762	576,502	196,200	1,559,586
Taunton/Attleboro Fund	65,000	161,350	75,000	70,000	371,350
Southcoast Fund	122,500	82,500	75,000	75,000	355,000
Pawtucket Advisory Board	82,500	70,700	54,800	47,100	255,100
<b>Total Donations</b>	<b>520,327</b>	<b>908,682</b>	<b>787,267</b>	<b>388,300</b>	<b>2,604,576</b>
Number of Organization	95	122	124	45	386

Benefiting from Donations					
<i>Source: Bank Records- *From April 2, 2013 through December 31, 2013. **From January 1, 2016 through May 16, 2016.</i>					

The bank and Foundation donate to numerous organizations throughout the assessment area that provide community services such as youth programs, homeless centers, soup kitchens, and centers for victims of domestic violence. The bank and Foundation also donate to organizations that work to revitalize or stabilize distressed neighborhoods and build or repair affordable housing, as well as organizations that promote business and economic development. Finally, the bank and Foundation donate to not-for-profit organizations serving low- and moderate-income housing or other community development needs such as counseling for credit, homeownership, home maintenance, and other financial literacy programs targeted specifically to low- and moderate-income individuals.

The table below illustrates the number and dollar amount of qualified donations by community development category.

Qualified Grants and Donations Activity By Year												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
<b>*2013</b>	8	52,500	69	355,342	12	56,735	6	55,750	0	0	95	520,327
<b>2014</b>	12	132,100	88	577,207	7	55,450	15	143,925	0	0	122	908,682
<b>2015</b>	7	56,000	98	563,927	7	49,300	12	118,040	0	0	124	787,267
<b>**2016</b>	5	47,900	31	249,900	6	35,500	3	55,000	0	0	45	388,300
<b>Total</b>	<b>32</b>	<b>288,500</b>	<b>286</b>	<b>1,746,376</b>	<b>32</b>	<b>196,985</b>	<b>36</b>	<b>372,715</b>	<b>0</b>	<b>0</b>	<b>386</b>	<b>2,604,576</b>
<i>Source: Bank Records - *From April 2, 2013 through December 31, 2013. **From January 1, 2016 through May 16, 2016.</i>												

Following are details of notable qualified donations made during the evaluation period.

- **The Star Kids Scholarship Program:** This program helps low-income children from unstable households to break the cycle of poverty, drug abuse, and incarceration through education. The organization’s goal is for each child is to graduate high school, obtain higher education, and increase opportunities for a better life.
- **Women’s Fund-Life Work Project:** The Life Work Project is a three-year program for low-income women enrolled at Bristol Community College. Project participants are predominately single-mother heads of household. The project provides a career-focused educational training program utilizing concrete goal-setting and incentives aimed at sustainable employment.
- **First Step Inn:** This program provides safe shelter and daily meals to 20 homeless people in the City of Fall River. The program provides a safe environment to help homeless individuals successfully transition into the community and experience housing stability and an improved quality of life.

- **Children’s Friends and Service:** Founded in 1834, Children's Friends and Services is Rhode Island's oldest child welfare organization that provides family support, mental health, and child development services. With centers in Providence, Pawtucket, and Central Falls, this organization serves more than 30,000 of Rhode Island's most vulnerable children and their families each year.
- **Housing Network of Rhode Island:** This organization has developed and built thousands of units of affordable housing and initiated numerous revitalization efforts in neighborhoods in Pawtucket, Rhode Island.
- **Steppingstone Inc.:** This organization provides comprehensive client-centered programs and apartments to disabled homeless and chronically homeless individuals and families.
- **Our Sisters' School:** This school opened in 2008 as a tuition-free independent school for girls in grades 5 to 8 from low-income families. Their mission is to educate and inspire middle school girls from the Greater New Bedford area to reach their full potential in a safe, supportive, and challenging environment. Our Sisters' School is privately funded and relies on donations.
- **Jeanne Jugan Residence, Pawtucket, Rhode Island:** The mission of this organization is to offer low-income elderly individuals of at least 65 years of age housing and medical care.
- **Dennison Memorial Community Center:** Established in 1826 in New Bedford, this organization serves the city’s south end and provides low-income children and teens education, recreation, and intervention services in a safe environment.

### **Responsiveness to Credit and Community Development Needs**

The bank provides good responsiveness to credit and community development needs. The bank’s qualified investments have community development purposes that benefit communities throughout the entire assessment area and address identified community development needs.

### **Community Development Initiatives**

While the bank’s investments are not innovative or complex, they provide much needed services and support to groups that have limited access to private investments.

### **SERVICE TEST**

BCSB is rated Outstanding under the Service Test. The following sections address the bank’s Service Test performance.

### **Accessibility of Delivery Systems**

BCSB's service delivery systems are readily accessible throughout its assessment area. Banking services are available at any time both online and via ATMs. The bank is headquartered in Taunton and operates 15 full-service branches located in Attleboro, Dartmouth, East Freetown, Fall River, Franklin, New Bedford (2), North Attleboro, Raynham (3), Rehoboth, and Taunton (2), Massachusetts, as well as one branch located in Pawtucket, Rhode Island. BCSB also operates limited service branches at Attleboro High School and Taunton High School. Finally, the bank operates six loan production offices located in Attleboro, Dartmouth, Fall River, Franklin, Taunton and Pawtucket, RI. The bank's main office in Taunton and the Fall River branch are located in low-income CTs. The New Bedford and Pawtucket branches are located in moderate-income CTs.

In addition to having ATMs at each branch office, the bank has four off-site ATM machines, located at the Caron Park Zoo in Attleboro; the Buttonwood Park Zoo and the New Bedford Airport, both located in New Bedford; and the McCoy Stadium located in Pawtucket, Rhode Island. The Buttonwood Park Zoo and the McCoy Stadium are both located in moderate-income CTs. The New Bedford Airport and the Capron Park Zoo are located in middle and upper-income CTs, respectively. Both Attleboro and Taunton High School and the bank's Operations Center have restricted access to the ATMs. Of the 20 ATMs, 12 are linked to the SUM network providing customers with free ATM access. Sixteen are deposit-taking ATMS; the four remote ATMs do not take deposits.

The percentage of branches and ATMs located in low- and moderate-income tracts is below the percentage of tracts and population of these income levels, however, several of the bank's branches and ATMs in middle-income CTs are in close proximity to the area's low- and moderate- income tracts.

The following table shows the bank's branch structure by CT.

<b>Branch Distribution by Geography Income Level</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	28	18.1	89,848	13.4	2	13.3
Moderate	34	21.9	116,355	17.4	2	13.3
Middle	53	34.2	246,156	36.7	6	40.0
Upper	40	25.8	217,928	32.5	5	33.3
<b>Total</b>	<b>155</b>	<b>100.0</b>	<b>670,287</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data and Bank Records</i>						

Alternative delivery systems include free electronic banking services such as online banking and bill pay services, mobile banking, and e-statements. The bank also offers business online banking.

### **Changes in Branch Locations**

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

The bank opened five branch offices since the prior CRA evaluation. In April 2013 the bank acquired four branches of Admirals Bank, Cranston, RI and maintained the branch located in Fall River, located in a low-income CT; two branches in New Bedford, one located in a low-income CT and the other branch located in a moderate-income CT; and a branch located in Raynham, located in a middle-income CT. The Raynham branch is located in a Walmart store. On May 13, 2013, the bank opened a new branch in a middle-income CT in East Freetown. On November 29, 2014, the bank closed one of the Admirals Bank branches located at 1657 Acushnet Avenue in New Bedford, which is a low-income CT.

**Reasonableness of Business Hours and Services**

BCSB’s business hours and services are tailored to the convenience and needs of the assessment area, particularly within low- and moderate-income geographies and to low- and moderate-income individuals. Branch hours are convenient and comparable to other institutions, and bank services are more than sufficient to meet the needs of the assessment area. All of the bank’s branches are open on Saturday and the branch located in Raynham (Walmart) is open on Sunday.

The bank offers a variety of financial services through its branch network, which is designed to meet the credit needs of its communities. The bank offers a variety of deposit services, loan products, and alternative delivery systems.

**Community Development Services**

BCSB is a leader in providing community development services. The bank demonstrates outstanding responsiveness to the needs and opportunities of the communities it serves, primarily through officer involvement on the boards of various community organizations and the provision of educational seminars.

During the evaluation period, 53 bank employees provided 455 instances of financial expertise or technical assistance to community development organizations. The following table illustrates the bank’s community development services by year and purpose.

<b>Community Development Services</b>						
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Neighborhood Stabilization</b>	<b>Totals</b>
	#	#	#	#	#	#
*2013	16	60	36	9	0	<b>121</b>
2014	15	56	29	8	0	<b>108</b>
2015	15	66	31	7	0	<b>119</b>
**2016	8	55	39	5	0	<b>107</b>
<b>Total</b>	<b>54</b>	<b>237</b>	<b>135</b>	<b>29</b>	<b>0</b>	<b>455</b>

The following table illustrates notable examples of organizations bank employees and officers work with to provide community development services, as well as notable instances of direct participation:

<b>Community Development Services</b>				
<b>Brief Service Description</b>	<b>Community Development Purpose</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Direct Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
Taunton Redevelopment Authority <i>Vice President was appointed to a Board seat</i>	Economic Development		2013 - 2016	
The Neighborhood Corporation <i>Chief Operating Officer serves as a Director</i>	Affordable Housing		2013 - 2016	
City of Taunton Municipal Affordable Housing Trust Fund <i>Branch Manager serves as a Trustee</i>	Affordable Housing		2013 - 2016	
Taunton Area School to Career <i>Chief Information Officer serves a Mentor</i>	Economic Development		2013 - 2016	
Robbins Children's Programs <i>Loan officer serves on the Board of Directors</i>	Community Service		2016	
Rhode Island Manufacturers Association <i>Senior Vice President serves on the Board of Directors</i>	Economic Development		2013-2016	
Downtown Taunton Foundation, Inc. <i>Vice President serves as Treasurer and sits on the Board of Directors</i>	Revitalization and Stabilization		2014 - 2016	
South Eastern Economic Development Corporation (SEED) <i>Vice President of Commercial Lending serves as Director</i>	Economic Development		2013 - 2016	
Greater Attleboro/Taunton Coalition to End Homelessness <i>Senior Vice President serves as Chairperson and Committee Member</i>	Affordable Housing		2013 - 2016	
Downtown New Bedford Inc. <i>Regional Banking Officer serves as a Board Member</i>	Economic Development		2013 - 2016	
Boys & Girls Club of Taunton <i>Senior Marketing Officer serves as Board President</i>	Community Service		2013 - 2016	
Taunton Business Improvement District <i>President/CEO serves as Director and Treasurer</i>	Revitalization and Stabilization		2013 - 2016	
Heart of Taunton <i>Branch Manager serves on the Board of Directors</i>	Revitalization and Stabilization		2013 - 2016	
Pro-Home Inc.	Affordable		2013 - 2016	

Vice President of Residential Mortgage served as President	Housing			
Source: Bank Records - *From April 2, 2013 through December 31, 2013. **From January 1, 2016 through May 16, 2016.				

The following are examples of organizations that bank employees and officers provided community development services to during the evaluation period.

- **Downtown Taunton Foundation:** This organization is dedicated to revitalizing the downtown area of Taunton, which includes both low- and moderate-income CTs. Specifically, it focuses on promoting the arts, ridding the city of blight, and creating affordable housing. The organization works in conjunction with the Taunton Business Improvement District to engage in revitalization projects such as sidewalk cleaning and window washing.
- **The Neighborhood Corporation:** The Neighborhood Corporation is a collaboration of residents and businesses that seek to promote affordable housing, revitalization, and redevelopment in the Greater Taunton area. Since its inception, the organization has successfully developed several affordable housing complexes and undertaken extensive efforts to rid the area of blight.
- **Taunton Area School to Career:** This nonprofit organization serves to advance career development for local students. The organization provides opportunities for job shadowing, student internships, and mentoring. Several bank employees served as student mentors during the course of the review period.
- **Rhode Island Manufacturers Association:** Members of the association work directly with civic and business leaders to help promote manufacturing across the state of Rhode Island. The association’s work has led to increased economic development and job opportunities in Pawtucket.
- **Heart of Taunton, Inc.:** This privately funded, non-profit organization is dedicated to revitalizing the downtown area of Taunton. Their mission is to serve as a key facilitator of local, regional, and national relationships and resources to transform Taunton’s downtown into a regional destination for commerce and culture.
- **Pro-Home:** This corporation is established exclusively for education and charitable purposes to produce and advocate for the production of affordable housing; to prevent loss of, or displacement from, existing housing; to eliminate discrimination in housing; and to bring together diverse groups and individuals to aggressively work towards solutions.
- **Workforce Investment Board:** The Board is comprised of leaders from business, education, government, labor and the community. This organization provides education and training programs to low-income residents in the Fall River and Taunton area.
- **St. Vincent’s Home:** St. Vincent’s provides a variety of services to children in the Greater Fall River area, including housing for displaced or at-risk youth, therapy and behavioral

health support, and educational programs. The organization's mission is to guide those it works with towards becoming productive members of their respective communities.

### **Educational Seminars**

During the evaluation period, BCSB employees participated in 35 seminars promoting financial literacy, business and banking education, and first time homebuyer programs for a total of 92 instances of employee involvement. Notable seminars include:

- In 2014, 2015, and 2016, bank employees participated in the Junior Achievement Titan Challenge. The Titan Challenge is a business strategy competition where high school students utilize an online platform to compete against each other to develop business ideas and implement them in a virtual setting. Bank employees used their financial expertise to serve as team advisors. Junior Achievement of Southern Massachusetts is located in New Bedford and primarily serves low- and moderate-income youths.
- In 2015, four bank employees presented an informational seminar to new attorneys regarding Interest on Lawyer's Trust Accounts (IOLTA) regulations. The attorneys are recent graduates working under grant money to provide counsel to low-income clients.
- In 2016, a bank employee served as an instructor to provide financial educational opportunities to individuals participating in the Lifeworks program at the Women's Fund of Southeastern Massachusetts. The bank employee used their expertise to provide low-income participants with assistance in building their savings.
- During the evaluation period, the bank, in partnership with Fall River Affordable Housing Corporation, Pro-Home, and Catholic Social Services, conducted nine first-time homebuyer seminars.
- During the evaluation period, numerous employees participated in the Credit for Life Fair. The goals of the Credit for Life Fair is to help high school students understand the impact of spending decisions, understand the importance of credit, be able to budget money, receive an introduction to managing money, demonstrate skills to be financially prudent, and improve problem solving skills. The seminars were held at high schools where a substantial majority of the students receive free lunches and are from low- and moderate-income families.

### **Other Community Development Services**

BCSB participates in the IOLTA program. Interest earned on IOLTA accounts is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.

The bank also participates in the Massachusetts "Saving Makes 'Cents'" program, which teaches money management skills to elementary school students. The program covers concepts ranging

from how to open a bank account to budgeting skills. BCSB sponsored programs at six different elementary schools. This activity qualifies as a community development service since a majority of students in the schools are on free or reduced school lunch programs and the schools are located in low- or moderate-income CTs.

Finally, BCSB was the recipient of the SBA's "Massachusetts Minority Lender of the Year" Award in 2014 and 2015 for its excellence in lending to minority borrowers.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners determined there is no evidence of discriminatory or other illegal practices. Therefore, consideration of this area did not impact BCSB's CRA rating.

## PROVIDENCE-WARWICK, RI-MA MSA

### CRA RATING FOR PROVIDENCE-WARWICK, RI-MA MSA:

The Division of Banks rated BCSB **High Satisfactory**

The FDIC rated BCSB **Satisfactory**

While both agencies agreed on the overall findings for this multistate MSA, Part 345 of FDIC Rules and Regulations – CRA, does not provide an overall rating of “High Satisfactory.”

**The Lending Test is rated:** **High Satisfactory**

**The Investment Test is rated:** **High Satisfactory**

**The Service Test is rated:** **Outstanding**

### SCOPE OF EVALUATION

The bank’s performance within the Providence-Warwick, RI-MA MSA portion of its assessment area was analyzed. Conclusions and ratings are based on the review of activities within this MSA. In determining the institution’s overall rating, much greater weight was placed on the bank’s performance in this portion of the assessment area because the bank maintains its largest branch and ATM presence in this area and an overwhelming majority of the lending during the evaluation period was in this area. Please refer to the overall *Scope of Evaluation* for additional information. Additionally, *Assessment Area Concentration* is only evaluated on an overall basis and is therefore excluded from individual area performance test conclusions.

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE PROVIDENCE-WARWICK, RI-MA MSA

A full-scope review of the Providence-Warwick, RI-MA MSA portion of the assessment area was conducted. This area represents a majority of BCSB’s lending, investment, and service activity, as well a majority of its branch offices.

The bank’s main office is located at 35 Broadway in Taunton, a low-income CT. Including the main office, the bank operates 14 branches in the Providence-Warwick, MA-RI MSA. These branches are located in Attleboro, Dartmouth, East Freetown, Fall River, New Bedford (2), North Attleboro, Raynham (3), Rehoboth, and Taunton (2), Massachusetts, and one branch located in Pawtucket, Rhode Island. The limited-service branches at Attleboro High School and Taunton High School are also within the multistate MSA.

This portion of the bank’s assessment area includes 21 cities and towns: Acushnet, Attleboro, Berkley, Dartmouth, Dighton, Easton, Fairhaven, Fall River, Freetown, Mansfield, New Bedford, North Attleboro, Norton, Raynham, Rehoboth, Seekonk, Somerset, Swansea, Taunton, and Westport, Massachusetts and Pawtucket, Rhode Island.

This portion of the assessment area consists of 146 CTs that reflect the following income designations according to the 2010 U.S. Census:

- 28 low-income tract
- 34 moderate-income tract
- 50 middle-income tracts
- 34 upper-income tracts

The following table provides additional demographic and economic information pertaining to the bank's assessment area.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	146	19.2	23.3	34.2	23.3	0.0
Population by Geography	619,433	14.5	18.8	36.2	30.5	0.0
Housing Units by Geography	261,712	17.0	20.1	36.3	26.6	0.0
Owner-Occupied Units by Geography	148,500	6.0	14.2	42.9	36.9	0.0
Occupied Rental Units by Geography	91,327	31.8	29.1	26.9	12.1	0.0
Vacant Units by Geography	21,885	29.5	22.5	31.3	16.7	0.0
Businesses by Geography	37,235	15.1	14.0	37.9	33.0	0.0
Farms by Geography	1,027	6.9	9.7	34.7	48.7	0.0
Family Distribution by Income Level	159,660	24.6	17.1	19.9	38.4	0.0
Household Distribution by Income Level	239,827	27.6	14.7	17.0	40.7	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA	\$70,496		Median Housing Value		\$292,104	
			Median Gross Rent		\$782	
			Families Below Poverty Level		9.4%	
<p>Source: 2010 U.S. Census and 2015 D&amp;B Data            (*) The NA category consists of geographies that have not been assigned an income classification.</p>						

## CONCLUSIONS ON PERFORMANCE CRITERIA IN PROVIDENCE-WARWICK, RI-MA MSA

Considering that a substantial majority of loans and community development investments and services were made or provided to the Providence-Warwick, RI-MA MSA, performance within this multistate MSA is reflected in the overall *Conclusions on Performance Criteria* section. Please refer to this section for detailed discussion of conclusions under the Lending, Investment and Service Test criteria.

## LENDING TEST

The Lending Test performance is “High Satisfactory.” The following sections address the bank’s Lending Test performance within the Providence-Warwick, RI-MA MSA.

## Lending Activity

BCSB's lending activity reflects a good responsiveness to the assessment area's credit needs. In 2014, the bank originated 226 home mortgage loans for approximately \$70.0 million and 317 small business loans for approximately \$66.3 million. In 2015, BCSB originated 266 home mortgage loans for approximately \$84.0 million and 296 small business loans for approximately \$60.7 million. Lending activity in this MSA represented 96.6 percent of home mortgage lending activity by number in 2014 and 94.3 percent in 2015. Similarly, lending represented 94.1 percent of small business lending activity by number in 2014 and 94.9 percent in 2015.

## Geographic Distribution

The geographic distribution of the bank's home mortgage and small business loans reflects adequate penetration throughout the Providence-Warwick, RI-MA MSA portion of the assessment area.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Providence-Warwick, RI-MA MSA, particularly to low- and moderate-income geographies in the assessment area.

Geographic Distribution of Home Mortgage Loans							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2014	6.0	6.0	12	5.3	2,632	3.8
	2015	6.0	--	7	2.6	13,801	16.4
Moderate							
	2014	14.2	13.1	17	7.5	15,916	22.7
	2015	14.2	--	27	10.2	4,147	4.9
Middle							
	2014	42.9	42.3	87	38.5	18,820	26.9
	2015	42.9	--	108	40.6	31,895	38.0
Upper							
	2014	36.9	38.6	110	48.7	32,663	46.6
	2015	36.9	--	124	46.6	34,175	40.7
<b>Totals</b>							
	<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>226</b>	<b>100.0</b>	<b>70,031</b>	<b>100.0</b>
	<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>266</b>	<b>100.0</b>	<b>84,018</b>	<b>100.0</b>

*Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.*

BCSB originated 5.3 percent of home mortgage loans by number in 2014, and 2.6 percent by number in 2015 in low-income CTs. In comparison, 6.0 percent of owner-occupied housing was located in low-income CTs and 6.0 percent of 2014 aggregate lending occurred in low-income CTs. BCSB's figures are comparable to demographic and aggregate data in 2014, but lag demographic data in 2015.

BCSB originated 7.5 percent of home mortgage loans by number in 2014, and 10.2 percent by number in 2015 in moderate -income CTs. In comparison, 14.2 percent of owner-occupied housing was located in moderate-income CTs. Additionally, 13.1 percent of aggregate lending was done in moderate-income CTs in 2014. Although generally comparable, BCSB's performance in moderate-income CTs again lags demographics. Overall, the bank's performance in this portion of the assessment area is comparable to overall performance and is considered adequate. See pages 16 and 17 for more information.

### *Small Business Loans*

The geographic distribution of small business loans reflects good penetration throughout the Providence-Warwick, RI-MA MSA, particularly to low- and moderate-income geographies within this area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2014	15.0	13.3	45	14.2	9,082	14.0
2015	15.1	--	45	15.2	8,102	13.0
<b>Moderate</b>						
2014	13.9	12.9	58	18.3	11,725	18.0
2015	14.0	--	44	14.9	7,839	13.0
<b>Middle</b>						
2014	38.0	37.9	110	34.7	25,390	38.0
2015	37.9	--	104	35.1	22,065	36.0
<b>Upper</b>						
2014	33.1	35.9	104	32.8	20,105	30.0
2015	33.0	--	103	34.8	22,729	37.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>317</b>	<b>100.0</b>	<b>66,302</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>296</b>	<b>100.0</b>	<b>60,735</b>	<b>100.0</b>

*Source: 2014 & 2015 D&B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data, "--" data not available.*

BCSB originated 14.2 percent of small business loans by number in 2014, and 15.2 percent by number in 2015 in low-income CTs. In comparison, D&B demographic data shows 15.0 percent

in 2014 and 15.1 percent in 2015 of businesses are located in low-income CTs. Additionally, 13.3 percent of aggregate lending in 2014 was done in low-income CTs. BCSB's small business lending in low-income CTs exceeds aggregate lending data, is comparable to demographics in 2014, and slightly exceeds 2015 demographic data.

BCSB originated 18.3 percent of small business loans by number in 2014, and 14.9 percent by number in 2015, in moderate-income CTs. In comparison, D&B demographic data shows 13.9 percent in 2014 and 14.0 percent in 2015 of businesses are located in moderate-income CTs. Additionally, 12.9 percent of aggregate lending in 2014 was done in moderate-income CTs. BCSB's small business lending in moderate-income CTs slightly exceeds aggregate lending data as well as demographic data in 2014 and 2015. Overall, the geographic distribution of small business loans reflects good dispersion. See page 17 for additional information.

### **Borrower Profile**

The distribution of borrowers reflects, given the institution's product lines, adequate penetration among retail customers of different income levels and business customers of different sizes. Analysis indicates that the bank is addressing the credit needs of the area's population and businesses, including low- and moderate-income retail customers and businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans by borrower income levels reflects adequate penetration to retail customers of different income levels. The following table illustrates the distribution of home mortgage loans.

<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>						
2014	24.6	5.7	10	4.4	881	1.3
2015	24.6	--	6	2.3	722	0.9
<b>Moderate</b>						
2014	17.1	18.1	37	16.4	6,118	8.7
2015	17.1	--	44	16.5	6,608	7.9
<b>Middle</b>						
2014	19.9	24.2	65	28.8	12,485	17.8
2015	19.9	--	63	23.7	12,204	14.5
<b>Upper</b>						
2014	38.4	35.2	100	44.2	30,459	43.5
2015	38.4	--	127	47.7	38,924	46.3
<b>Not Available</b>						
2014	0.0	16.8	14	6.2	20,088	28.7
2015	0.0	--	26	9.8	25,560	30.4
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>226</b>	<b>100.0</b>	<b>70,031</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>266</b>	<b>100.0</b>	<b>84,018</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.</i>						

The lending performance for low-income borrowers is lower than demographic information. Specifically, the bank originated 4.3 percent in 2014 and 2.3 percent in 2015, by number, of home mortgage loans to low-income borrowers. In comparison, demographic data indicates 24.6 percent of families in the assessment area are low-income. Aggregate lending data indicates 5.7 percent of loans in 2014 were made to low-income borrowers.

Additionally, the bank's lending performance to moderate-income borrowers is slightly below demographic information. Specifically, the bank extended 16.4 percent in 2014 and 16.5 percent in 2015, by number, of its loans to moderate-income borrowers. In comparison, demographic data indicates 17.1 percent of families in the assessment area are moderate-income. Aggregate lending data indicates 18.1 percent of loans in 2014 were made to moderate-income borrowers. These figures are comparable to overall performance and considered adequate. See pages 18 and 19 for additional information.

### ***Small Business Loans***

The distribution of small business loans reflects adequate distribution of lending to businesses with GARs of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2014	72.2	41.2	108	34.1	13,768	20.8
2015	77.0	--	99	33.4	15,014	24.7
<b>&gt;1,000,000</b>						
2014	5.5	58.2	209	65.9	52,534	79.2
2015	5.6	--	197	66.6	45,721	75.3
<b>Revenue Not Available</b>						
2014	22.3	--	0	0.0	0	0.0
2015	17.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>317</b>	<b>100.0</b>	<b>66,302</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>296</b>	<b>100.0</b>	<b>60,735</b>	<b>100.0</b>
<i>Source: 2014 &amp; 2015 D&amp;B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data; "--" data not available.</i>						

The bank originated 34.1 percent by number in 2014 and 33.4 percent by number in 2015 of small business loans to businesses with GARs of \$1 million or less. This performance lags demographic and aggregate lending data. Specifically, demographic data indicates 72.2 percent in 2014 and 77.0 percent in 2015 of assessment area businesses have GARs of \$1 million or less. Aggregate lending in 2014 indicates 41.2 percent of small business loans were made to businesses with GARs of \$1 million or less. This performance is comparable to overall and considered adequate. See pages 19 and 20 for more in-depth analysis.

### **Community Development Lending**

The institution is a leader in making community development loans. BCSB made all community development loans within the Providence-Warwick, RI-MA MSA. Please refer to the overall Community Development Lending section for details.

### **Innovative and Flexible Lending**

The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs. A significant majority of the originations among the various programs listed in the overall Innovative or Flexible Lending Practices section were originated in the Providence-Warwick, RI-MA MSA. Please refer to that section for details.

## INVESTMENT TEST

The Investment Test performance is “High Satisfactory.” The following sections address the bank’s performance within the Investment Test component throughout the Providence-Warwick, RI-MA MSA.

### Investment Activity

BCSB has a significant level of qualified community development investments and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors. Investment activity in the Providence-Warwick, RI-MA MSA portion of the assessment area is consistent with investment activity throughout the assessment area. The bank’s \$1.2 million in qualified equity investments is the total amount carried over from the prior evaluation. The following table shows the bank’s qualified donations by year and CRA qualifying activity.

Qualified Grants and Donations Activity By Year												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalization or Stabilization		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
<b>*2013</b>	8	52,500	68	342,842	12	56,735	6	55,750	0	0	94	507,827
<b>2014</b>	12	132,100	87	565,471	7	55,450	15	143,925	0	0	121	896,946
<b>2015</b>	7	56,000	97	552,191	7	49,300	12	118,040	0	0	123	775,531
<b>**2016</b>	5	47,900	31	249,900	6	35,500	3	55,000	0	0	45	388,300
<b>Total</b>	<b>32</b>	<b>288,500</b>	<b>283</b>	<b>1,710,404</b>	<b>32</b>	<b>196,985</b>	<b>36</b>	<b>372,715</b>	<b>0</b>	<b>0</b>	<b>383</b>	<b>2,568,604</b>

*Source: Bank Records - \*From April 2, 2013 through December 31, 2013. \*\*From January 1, 2016 through May 16, 2016.*

The bank’s qualified donations consisted of 383 donations totaling \$2.6 million for the period from April 2, 2013 through May 16, 2016.

BCSB donated to organizations that provide services for homeless individuals, individuals with mental health problems, victims of domestic violence, and senior citizens. The bank also supports organizations that work to provide literacy programs and other types of services to low- and moderate-income individuals and families. Following are a few organizations within the Providence-Warwick, RI-MA MSA that received significant qualified donations from the bank.

- **Justice Bridge Legal Services Program:** This program is designed to increase access to justice for moderate means clients, improve the quality of legal services provided to moderate means clients, and give new lawyers the support they need to launch small firms and solo practices.
- **Catholic Charities:** This non-profit organization offers basic needs and emergency services, such as: food, fuel, rental and utility assistance; family youth and support services, English classes, and mental health and substance abuse counseling.

- **Child and Family Services of New Bedford:** This organization provides outreach and counseling to children exposed to abuse or violence and families coping with mental illness, and matches children with mentors or loving adoptive families. Agency programs serve more than 18,000 people each year.

**Responsiveness to Credit and Community Development Needs**

BCSB’s qualified investments provide good responsiveness to community development needs. The bank’s qualified investments have community development purposes that meet stated needs of the Providence-Warwick, RI-MA MSA portion of the assessment area.

**Community Development Initiatives**

While the bank’s investments are not innovative or complex, they do provide much needed services and support to groups that do not have access to private investments.

**SERVICE TEST**

BCSB is rated “Outstanding” under the Service Test. The provision of retail banking services, particularly those designed to benefit low- and moderate-income individuals is excellent. The following sections address the bank’s Service Test performance.

**Accessibility of Delivery Systems**

The bank’s delivery systems within the Providence-Warwick, RI-MA MSA portion are readily accessible to essentially all portions of this area.

Including the main office, the bank has 14 full-service branches within the Providence-Warwick, RI-MA MSA. The bank’s main office is located in a low-income CT. The following table shows the bank’s branch structure by CT income level.

<b>Branch Distribution by Geography Income Level – Providence-Warwick, RI-MA MSA</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	28	19.2	89,848	14.5	2	14.3
Moderate	34	23.3	116,355	18.8	2	14.3
Middle	50	34.2	224,440	36.2	6	42.9
Upper	34	23.3	188,790	30.5	4	28.6
<b>Total</b>	<b>146</b>	<b>100.0</b>	<b>619,433</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data and Bank Records*

**Changes in Branch Locations**

The bank opened five branch offices since the prior CRA evaluation. In April 2013, the bank acquired four branches of Admirals Bank, Cranston, Rhode Island and maintained offices located

in Fall River, located in a low-income CT; two branches in New Bedford, one located in a low-income tract and the other branch located in a moderate-income CTs; and a branch located in Raynham, a middle-income CT. On May 13, 2013, the bank opened a new branch in a middle-income CT in East Freetown.

On November 29, 2014, the bank closed one of the Admirals Bank branches located at 1657 Acushnet Avenue in New Bedford, a low-income CT.

### **Reasonableness of Business Hours and Services**

The bank's business hours and services within the Providence-Warwick, RI-MA MSA are tailored to the convenience and needs of individuals and businesses within this portion of the assessment area, particularly within low- and moderate-income geographies and to low- and moderate-income individuals.

### **Community Development Services**

BCSB maintains a leadership role in providing community development services through financial expertise and technical assistance. The bank exhibits a solid awareness of community development needs in the region, and makes a concerted effort to extend its resources to bolster the work being done by various community development organizations that serve the region. BCSB displays a high level of initiative in conducting seminars aimed at promoting financial literacy and providing counseling to prospective first time homebuyers. Please refer to the Community Development Services discussion in the overall CRA performance section for details regarding the bank's performance.

## MASSACHUSETTS

### CRA RATING FOR MASSACHUSETTS: Satisfactory

**The Lending Test is rated:** Low Satisfactory  
**The Investment Test is rated:** Low Satisfactory  
**The Service Test is rated:** Low Satisfactory

### SCOPE OF EVALUATION

The bank's CRA performance within Massachusetts was analyzed as outlined previously in the Scope of Evaluation section. The products and time period outlined in that section also apply to the State evaluation, with the exception that only loans, qualified investments, and community development services made or provided in the Boston, MA MD are considered. Activities in portions of Massachusetts included in the Providence-Warwick, RI-MA MSA are not addressed in this section. Considering the distribution of branches and overall lending activities, minimal weight is placed on the bank's performance in this portion of the assessment area when arriving at overall ratings and conclusions. A full-scope review was performed.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BOSTON, MA MD

The Boston, MA MD portion of the assessment area consists of the towns of Franklin, Plainville, and Wrentham, Massachusetts. The bank operates one full-service branch in this portion of the assessment area, which is in an upper-income CT in Franklin.

This portion of the assessment area consists of nine CTs that reflect the following income designations according to the 2010 U.S. Census:

- 0 low-income tract
- 0 moderate-income tract
- 3 middle-income tracts
- 6 upper-income tracts

Refer to the following table for pertinent demographic information.

Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	33.3	66.7	0.0
Population by Geography	50,854	0.0	0.0	42.7	57.3	0.0
Housing Units by Geography	18,601	0.0	0.0	45.7	54.3	0.0
Owner-Occupied Units by Geography	14,645	0.0	0.0	39.2	60.8	0.0
Occupied Rental Units by Geography	3,305	0.0	0.0	71.1	28.9	0.0
Vacant Units by Geography	651	0.0	0.0	64.1	35.9	0.0
Businesses by Geography	4,040	0.0	0.0	42.3	57.7	0.0
Farms by Geography	114	0.0	0.0	34.2	65.8	0.0
Family Distribution by Income Level	13,165	12.3	13.2	22.5	52.0	0.0
Household Distribution by Income Level	17,950	16.3	11.1	16.7	55.9	0.0
Median Family Income MSA - 14454 Boston, MA MD	\$83,664	Median Housing Value		\$393,088		
		Median Gross Rent		\$1,105		
		Families Below Poverty Level		3%		
<i>Source: 2010 U.S. Census and 2015 D&amp;B Data</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BOSTON, MA MD

### LENDING TEST

The Lending Test performance is “Low Satisfactory.” The following sections address the bank’s performance by Lending Test component throughout this portion of the assessment area.

#### Lending Activity

BCSB’s lending activity reflects a good responsiveness to the assessment area’s credit needs, considering the limited branch presence. In 2014, the bank originated a total of 8 home mortgage loans for approximately \$2.5 million and 20 small business loans for approximately \$2.9 million. In 2015, BCSB originated 16 home mortgage loans for approximately \$5.3 million and 16 small business loans for approximately \$4.0 million. Lending activity in the Boston, MA MD portion represented a small amount of the bank’s lending.

#### Geographic Distribution

The portion of the bank’s assessment area in the Boston, MA MD contains three middle-income CTs and six upper-income CTs. Geographic distribution was not evaluated for this portion of the assessment area since it does not contain low- or moderate-income CTs.

## **Borrower Profile**

The distribution of borrowers reflects, given the institution's product lines, adequate penetration among retail customers of different income levels and business customers of different sizes. Analysis indicates that the bank is addressing the credit needs of the area's population and businesses, including low- and moderate-income retail customers and businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans by borrower income levels reflects adequate penetration to retail customers of different income levels. The following table illustrates the distribution of home mortgage loans.

<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>						
2014	12.3	3.1	0	0.0	0	0.0
2015	12.3	--	0	0.0	0	0.0
<b>Moderate</b>						
2014	13.2	11.5	2	25.0	421	16.9
2015	13.2	--	1	6.3	140	2.6
<b>Middle</b>						
2014	22.5	23.7	2	25.0	642	25.7
2015	22.5	--	5	31.3	1,437	27.1
<b>Upper</b>						
2014	52.0	44.5	4	50.0	1,431	57.4
2015	52.0	--	9	56.3	3,261	61.4
<b>Not Available</b>						
2014	0.0	17.2	0	0.0	0	0.0
2015	0.0	--	1	6.3	473	8.9
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>2,494</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>16</b>	<b>100.0</b>	<b>5,311</b>	<b>100.0</b>

*Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.*

Although the bank made no loans to low-income borrowers, this area contains very limited opportunities. Aggregate lending data indicates 3.1 percent of loans in 2014 were made to low-income borrowers.

The bank extended 25.0 percent in 2014 and 6.3 percent in 2015, by number, of its loans to moderate-income borrowers. In comparison, demographic data indicates 13.2 percent of families in this portion of the assessment area are moderate-income. Aggregate lending data indicates 11.5 percent of loans in 2014 were made to moderate-income borrowers. Considering the limited activity and less weight given to this portion of the assessment area, performance is adequate.

### ***Small Business Loans***

The distribution of small business loans reflects adequate distribution of lending to businesses with GARs of \$1 million or less.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2014	70.1	45.0	12	60.0	1,464	50.3
2015	75.7	--	6	37.5	305	7.7
<b>&gt;1,000,000</b>						
2014	5.8	55.0	8	40.0	1,448	49.7
2015	6.1	--	10	62.5	3,673	92.3
<b>Revenue Not Available</b>						
2014	24.1	--	0	0.0	0	0.0
2015	18.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>2,912</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>16</b>	<b>100.0</b>	<b>3,978</b>	<b>100.0</b>

*Source: 2014 & 2015 D&B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data; "--" data not available.*

The bank originated 60.0 percent by number in 2014 and 37.5 percent by number in 2015 of small business loans to businesses with GARs of \$1 million or less. Aggregate lending data in 2014 indicates 45.0 percent of small business loans were made to businesses with GARs of \$1 million or less. The bank's performance exceeds aggregate lending in 2014, is comparable to demographic data in 2014, and lags demographic data in 2015. Considering the limited activity and less weight given to this portion of the assessment area, performance is considered adequate.

### **Innovative and Flexible Lending**

BCSB only operates one branch in this area. This branch uses the same innovative and flexible lending practices as the other bank branches.

### **Community Development Lending**

The institution has not originated any community development loans in the Boston, MA MD portion of the assessment area. Although no community development loans were expressly made in this portion of the assessment area, a number of them benefitted this area.

### **INVESTMENT TEST**

BCSB has an adequate level of qualified investments, although rarely in a leadership position, particularly those that are not routinely provided by private investors.

### **Investment Activity**

During the evaluation period, three donations totaling \$35,972 were provided to an organization that provides programs to improve the quality of life for children and families. Specifically, the organization provides low-cost after-school care and physician intervention programs for children. A substantial majority of families using the organization's services are low- or moderate-income.

### **Responsiveness to Credit and Community Development Needs**

BCSB exhibits adequate responsiveness to credit and community economic development needs when considering the limited operations in this area.

### **Community Development Initiatives**

BCSB rarely uses innovative or complex investments to support community development initiatives in this area.

### **SERVICE TEST**

The bank's delivery systems are accessible to essentially all portions of this area. The bank operates one full-service branch in an upper-income CT in this area. The one ATM in the Boston, MA MD is located at the branch. No branches were opened or closed within the Boston, MA MD during the evaluation period.

All of the bank's alternative delivery systems, business banking services, and other banking services previously discussed are available within the Boston, MA MD portion of the assessment area. The bank's services and business hours do not vary in a way that inconveniences certain portions of the area, particularly low- and moderate-income geographies and individuals.

<b>Branch Distribution by Geography Income Level – Boston, MA MD</b>						
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0
Middle	3	33.3	21,716	42.7	0	0.0
Upper	6	66.7	29,138	57.3	1	100.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>50,584</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census Data and Bank Records</i>						

### **Community Development Services**

There is a limited level of activity and participation by officers and employees in community development services in this assessment area. Organizations such as Pro-Home and SEED Corporation serve the broader regional area that includes the Boston, MA MD, but to much less of an extent in comparison to the Providence-Warwick, RI-MA MSA portion of the assessment area. The level of community development services in this area is commensurate with the bank's limited operations in the Boston, MA MD.

## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

The bank has a written Fair Lending Policy. The bank proactively and affirmatively supports the fair lending process through fair, but flexible lending policies.

The bank provides annual fair lending training to all lending personnel and the Board of Directors.

The bank employs a second review process. The review is also used to identify underwriting trends which may be inconsistent with the bank's policies and procedures.

The bank makes exceptions to the loan policy.

#### **MINORITY APPLICATION FLOW**

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

According to the 2010 U.S. Census Data, the bank's assessment area contained a total population of 670,287 individuals of which 16.9 percent are minorities. The assessment area's minority and ethnic population is 3.7 percent Black/African American, 1.9 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 7.2 percent Hispanic or Latino, and 3.9 percent other.

In 2014, the bank received 337 HMDA reportable loan applications from within its assessment area. Of these applications, 14 or 4.2 percent were received from minority applicants, of which 9 or 64.3 percent resulted in originations. The aggregate received 21,939 HMDA reportable loan applications of which 1,259 or 5.8 percent were received from minority applicants and 747 or 59.3 percent were originated. For the same time period, the bank also received 6 or 1.8 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 2 or 33.3 percent were originated versus the aggregate that received 834 applications or 3.8 percent of which 494 or 59.2 percent were originated.

For 2015, the bank received 414 HMDA reportable loan applications from within its assessment area. Of these applications, 31 or 7.5 percent were received from minority applicants, of which 22 or 71.0 percent resulted in originations. For the same time period, the bank received 12 or 3.0 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 8 or 66.7 percent were originated.

The bank's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2014. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2014</b>		<b>2014 Aggregate Data</b>	<b>Bank 2015</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	2	0.5
Asian	5	1.5	1.8	7	1.7
Black/ African American	6	1.8	2.8	12	2.9
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	3	0.9	0.8	10	2.4
<b>Total Minority</b>	<b>14</b>	<b>4.2</b>	<b>5.8</b>	<b>31</b>	<b>7.5</b>
White	267	79.2	74.0	312	75.4
Race Not Available	56	16.6	20.2	71	17.1
<b>Total</b>	<b>337</b>	<b>100.0</b>	<b>100.0</b>	<b>414</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	5	1.5	3.1	6	1.5
Not Hispanic or Latino	275	81.6	76.1	322	77.8
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.3	0.7	6	1.5
Ethnicity Not Available	56	16.6	20.1	80	19.3
<b>Total</b>	<b>337</b>	<b>100.0</b>	<b>100.0</b>	<b>414</b>	<b>100.1</b>

Source: US Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014

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

**APPENDIX B**  
**Loss of Affordable Housing – Massachusetts Division of Banks**

The Division of Banks' regulation 209 CMR 46.22(2)(g) requires that the evaluation of the lending performance of a large institution include a review of its efforts to forestall the loss of affordable housing. The Division reviews the institution's loans to ensure that there is no undue concentration and a systematic pattern of lending resulting in the loss of affordable housing units.

BCSB's development of credit products with flexible lending criteria, participation in flexible lending programs, community development lending, and lending to low- and moderate-income borrowers has assisted low- and moderate-income individuals to remain in their neighborhoods.

## 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.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**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.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income 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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (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 that 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

**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.

**Qualified Investment:** A 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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 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 and the Federal Deposit Insurance Corporation at 35 Broadway, Taunton, MA 02780."

- 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.