

PUBLIC DISCLOSURE

October 17, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Clinton Savings Bank
Certificate Number: 90181

200 Church Street
Clinton, Massachusetts 01510

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

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 **Satisfactory**.

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

Clinton Savings Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development within the assessment area.

DESCRIPTION OF INSTITUTION

Background

Clinton Savings Bank is headquartered in Clinton, Massachusetts (MA) and operates in Worcester County. The bank is wholly owned by Wachusett Financial Services, Inc., which Clinton Financial Services, a one-bank mutual holding company, owns. The bank has two subsidiaries: Clinton Securities Corporation, formed to buy and sell securities on the bank's behalf and Wachusett Realty, Inc., created primarily to own and manage real estate. In 2021, the bank dissolved the Clinton Savings Bank Charitable Foundation, which was dedicated to supporting the bank's charitable causes and community development activities. Starting in 2021, the bank provided all charitable contributions directly to the organizations.

Clinton Savings Bank received a Satisfactory rating at its previous FDIC and Massachusetts Division of Banks joint Performance Evaluation, dated August 19, 2019. Examiners evaluated the bank's performance based on Interagency Intermediate Small Institution (ISI) Examination Procedures.

Operations

In addition to its main office at 200 Church Street in Clinton, the bank operates five full-service branches throughout Worcester County. Specifically, branches are located in Berlin, Bolton, Boylston, Sterling, and West Boylston. All branches are open 8:00 a.m. - 5:00 p.m. Monday through Thursday, 8:00 am - 4:00 pm on Friday, and 8:00 a.m. - 12:00 p.m. on Saturday. Additionally, the bank operates two limited-service branches at the Nashoba and Tahanto Regional High Schools. Three retail offices are located in middle-income census tracts and three are located in upper-income census tracts.

All branches have 24-hour drive-up and/or walk-up automated teller machines (ATMs). Since the prior evaluation, the bank has not opened or closed any branches and there have been no mergers or acquisitions.

Clinton Savings Bank offers residential, commercial, and consumer loans, with a primary focus on residential lending. Residential lending products include home mortgage, construction, home equity loans; and home equity lines of credit. Consumer lending products include personal installment, automobile, MassSave Heat loans; overdraft lines of credit; and take-one credit cards. Commercial lending products include commercial real estate; commercial construction; term loans business lines of credit; take-one business credit cards; and Small Business Administration (SBA) guaranteed loans. Personal and commercial deposit services include checking, savings, money market, certificate of deposit, and individual retirement accounts. Alternative banking services include online, mobile and telephone banking, electronic bill pay, mobile deposits, person-to-person payment features, and free ATM access through the Allpoint ATM Network.

Ability and Capacity

As of June 30, 2022, Clinton Savings Bank’s assets totaled approximately \$656.4 million, including total loans of \$462.6 million (70.5 percent of total assets) and total securities of \$143.6 million. The bank had total deposits of \$570.0 million, which increased by 23.9 percent since the previous evaluation. The significant increase in deposits is due to the influx of federal and state government pandemic distributions. Total assets increased by approximately \$70.6 million, or 12.1 percent, since June 30, 2019 (the last quarter used at the prior evaluation), due to growth in securities and loans. Securities increased by approximately \$54.1 million, or 60.5 percent, nearly tripling by dollar volume, and loans increased by approximately \$28.7 million, or 6.6 percent, since the prior evaluation. Loans secured by 1-4 family residential properties represent the largest portion of the portfolio, followed by loans secured by nonfarm nonresidential properties, which is consistent with the prior evaluation. Loan portfolio composition has not significantly changed since the prior evaluation. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 06/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	44,340	9.6
Secured by Farmland	1,026	0.2
Secured by 1-4 Family Residential Properties	239,741	51.8
Secured by Multifamily (5 or more) Residential Properties	38,744	8.4
Secured by Nonfarm Nonresidential Properties	120,349	26.0
Total Real Estate Loans	444,200	96.0
Commercial and Industrial Loans	11,237	2.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	7,117	1.5
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	17	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	462,571	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the bank’s ability to meet assessment area credit needs.

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. Clinton Savings Bank designated a single assessment area in the Worcester, MA-Connecticut (CT) Metropolitan Statistical Area (MSA). The bank added 12 municipalities (40 census tracts) to the assessment area since the previous evaluation, all located in Worcester County. The following table details the cities and towns in the bank’s assessment area.

Assessment Area Cities and Towns			
Worcester County, MA			
Ashburnham*	Auburn*	Berlin	Bolton
Boylston	Clinton	Fitchburg*	Gardner*
Grafton*	Harvard	Holden	Lancaster
Leominster	Lunenburg*	Millbury*	Northborough
Oxford*	Princeton	Shrewsbury	Southborough*
Sterling	West Boylston	Westborough*	Westminster*
Winchendon*	Worcester		
*Added to the assessment area since the previous evaluation.			

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

Economic and Demographic Data

Clinton Savings Bank’s assessment area consists of 117 census tracts with the following income designations according to 2015 ACS data:

- 17 low-income tracts,
- 24 moderate-income tracts,
- 36 middle-income tracts,
- 37 upper-income tracts, and
- 3 census tracts with no income designation.

The majority of the low- and moderate-income census tracts are located in Worcester (13 low-income and 12 moderate-income) and Fitchburg (two low-income and five moderate-income). There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank’s assessment area. However, there are 14 census tracts designated as Qualified Opportunity Zones (QOZs) within the bank’s assessment area. QOZs are economically distressed communities approved by the United States (U.S.) Department of Treasury, with the goal of spurring economic development and creating jobs. Specifically, the QOZs are located in low- or moderate-income census tracts within Clinton (2), Fitchburg (2), Gardner (2), Leominster (2), and Worcester (6).

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)	117	14.5	20.5	30.8	31.6	2.6
Population by Geography	537,922	12.6	18.3	33.4	34.8	0.9
Housing Units by Geography	217,131	13.7	19.7	33.9	32.0	0.7
Owner-Occupied Units by Geography	121,137	4.4	13.9	38.0	43.6	0.1
Occupied Rental Units by Geography	78,077	26.8	26.6	29.2	15.9	1.5
Vacant Units by Geography	17,917	19.2	28.4	27.3	23.6	1.4
Businesses by Geography	45,173	9.7	16.7	29.2	40.6	3.9
Farms by Geography	1,091	4.0	10.8	27.5	57.1	0.5
Family Distribution by Income Level	129,925	23.7	16.2	19.4	40.7	0.0
Household Distribution by Income Level	199,214	27.3	14.6	16.7	41.4	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$250,029
			Median Gross Rent			\$956
			Families Below Poverty Level			9.7%
<i>Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, 45,173 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 85.4 percent have \$1.0 million or less,
- 4.9 percent have more than \$1.0 million, and
- 9.7 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 39.6 percent, followed by non-classifiable establishments at 16.5 percent, and retail trade at 11.9 percent. The majority of non-farm businesses in the assessment area are small, with the majority of businesses (89.4 percent) operating with nine or fewer employees. Additionally, 82.4 percent of businesses have GARs of less than \$0.5 million, and 89.5 percent operate from a single location.

The Geographic Distribution criterion compares the home mortgage loans to the distribution of owner-occupied housing units. As shown in the Demographic Information of the Assessment Area table, 55.8 percent of the 217,131 housing units are owner-occupied, slightly limiting the bank's opportunities for home mortgage lending in the assessment area. Specifically, only 18.3 percent of owner-occupied units are located in low- or moderate-income census tracts, limiting the bank's home mortgage lending opportunities in those tracts.

Examiners used the 2019, 2020, and 2021 Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source: FFIEC</i>				

The median housing value in the assessment area is \$250,029. Therefore, there may be limited opportunities for low- and moderate-income families to qualify for a mortgage under conventional underwriting standards. Additionally, more than one-third of families in the assessment area (39.9 percent) are low- or moderate-income, and approximately 9.7 percent of families live below the poverty line, which represents a subset of low-income families. These factors may limit the bank’s home mortgage lending opportunities to low- and moderate-income families and increase competition for home mortgage lending to these families.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation, which is directly attributable to the COVID-19 pandemic. Specifically, in 2020, the pandemic adversely affected the labor market, with annual average unemployment rates nearly tripling in Worcester County and in MA as a whole. However, the economy and labor market are rebounding, and 2021 annual average unemployment rates in Worcester County MA, and the entire nation have declined. Specifically, in April 2022, the annual average unemployment rates dropped to 3.5 percent in Worcester County, which is comparable to the respective 2019 annual average unemployment rate. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Worcester County	3.3	9.3	5.9
Massachusetts	3.1	9.4	5.7
National Average	3.7	8.1	5.3
<i>Source: U.S. Bureau of Labor Statistics</i>			

Competition

The bank operates in a highly competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 23 financial institutions operated 127 branches in the bank's assessment area. Of these institutions, Clinton Savings Bank ranked tenth with a deposit market share of 3.4 percent. The top five financial institutions, Bank of America, N.A.; Berkshire Bank; TD Bank, N.A.; Santander Bank, N.A.; and Manufacturers and Trades Trust Company held a combined 60.1 percent deposit market share.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2019, aggregate home mortgage lending data shows 433 lenders originated or purchased 19,977 home mortgage loans in the assessment area. Clinton Savings Bank ranked 36th with a 0.8 percent market share. Clinton Savings Bank was the fourth-highest ranked community bank, with Envision Bank, Avidia Bank, and Fidelity Bank ranked higher. In 2020, aggregate home mortgage lending data shows that a few more lenders entered the market, as 439 lenders originated or purchased 29,549 home mortgage loans in the assessment area. Clinton Savings Bank ranked 51st with a 0.6 percent market share, trailing other community banks including Envision Bank, Webster Five Cents Savings Bank, Avidia Bank, Main Street Bank, and Bank of Canton.

Clinton Savings Bank is not required to collect or report its small business lending data and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans throughout Worcester County and is included here for performance context. In 2019, aggregate small business lending data showed 120 lenders originated or purchased 17,434 small business loans. In 2020, aggregate small business lending data showed 139 lenders originated or purchased 18,677 small business loans, indicating a high level of competition. In 2019, the top three lenders, American Express, N.A., JP Morgan Chase Bank, N.A., and Citibank, N.A., all large national banks, collectively held approximately 42.9 percent market share. In 2020, the top three lenders, American Express, N.A.; Bank of America, N.A.; and Synchrony Bank, again, all large national banks, collectively held approximately 31.5 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the area's credit and community development needs. The information obtained helps to determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a representative of a local organization that promotes community development, affordable housing and economic development within the assessment area. The organization promotes and develops permanent and sustainable improvement in the low-income neighborhoods through affordable housing, community activism, and economic development. The contact noted that more outreach from local financial institutions in different languages would be helpful in combatting language barriers. The contact also noted that down payment assistance would be very helpful. Additionally, education on budgeting and credit score management would

assist individuals in the assessment area. The contact also stated that additional ATMs and brick and mortar branches would be helpful, as the contact has seen several move out. Regarding housing, the contact noted that affordable housing is a constant concern in the area, given increasing market prices and uncertainty.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, in the form of down payment assistance and homeless needs are the primary community development needs. Additionally, direct charitable donations would provide helpful support. Finally, economic development opportunities exist through the addition of brick and mortar bank locations and ATMs in the low- and moderate-income census tracts.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 19, 2019, to the current evaluation dated October 17, 2022. Examiners used ISI Examination Procedures to evaluate Clinton Savings Bank's CRA performance. As the Appendices describe, these procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm or consumer loans, represent a major product line. They provide no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all home mortgage originations reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). The HMDA LARs did not include any purchased loans. In 2019, the bank reported 200 originations totaling \$53.0 million. In 2020, the bank reported 238 originations totaling \$78.1 million. Lastly, in 2021, the bank reported 242 originations totaling \$103.3 million. Examiners compared Clinton Savings Bank's home mortgage lending performance to 2015 American Community Survey (ACS) demographic data and compared the bank's 2019 and 2020 lending activity to aggregate data, as 2021 aggregate data is not yet available.

As an ISI, the bank is not required to collect or report small business data; however, the bank voluntarily collected small business data during the evaluation period. Examiners analyzed the

bank's 2019, 2020, and 2021 collected small business data. In 2019, the bank originated 50 small business loans totaling \$9.3 million. In 2020, the bank originated 273 small business loans totaling \$29.4 million. In 2021, the bank originated 145 small business loans totaling \$16.1 million. In 2020 and 2021, the bank originated a significant number of SBA Payment Protection Program (PPP) loans. Specifically, in 2020, the bank originated 240 PPP loans totaling \$29.7 million and in 2021, the bank originated 119 loans totaling \$13.5 million. Four PPP loans in 2020 and two PPP loans in 2021 are not included in the Lending Test as they are all over \$1.0 million. Of the six loans over \$1.0 million, one qualified as a community development loan. Therefore, 236 PPP loans totaling \$20.5 million are included in the 2020 small business analysis, which represent 86.4 percent of the total number of 2020 small business loans. Additionally, 117 PPP loans totaling \$10.1 million are included in the 2021 small business analysis, which represent 80.7 percent of the total number of 2021 small business loans. Since the bank did not elect to report small business data, examiners did not use aggregate data as a standard of comparison. Therefore, 2019, 2020, and 2021 D&B demographic data provided the only standard of comparison for small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. When arriving at overall conclusions and ratings, examiners gave more weight to the bank's home mortgage lending performance due to the bank's business focus, origination activity, and loan portfolio distribution.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation dated August 19, 2019, to the current evaluation date of October 17, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Clinton Savings Bank demonstrated reasonable performance under the Lending Test. Performance under the LTD Ratio, Borrower Profile, and Geographic Distribution support this conclusion. The following sections address overall bank performance for each Lending Test component.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 83.3 percent over the last 12 calendar quarters from September 30, 2019 to June 30, 2022. The ratio has generally experienced a decreasing trend and ranged from a high of 93.3 percent as of September 30, 2019, to a low of 74.4 percent as of September 30, 2021. Starting with the LTD ratio as of December 31, 2021 through June 30, 2022, the LTD ratios began increasing. The bank experienced a significant increase in deposits in 2020 and 2021 due to federal and state government pandemic distributions and a decline in lending, which contributed to a downward trending LTD ratio during the review period.

Examiners compared the bank’s average LTD ratio to that of two similarly situated institutions. Examiners selected the similarly situated institutions based on asset size, lending focus, and geographic location. The following table illustrates that Clinton Savings Bank’s ratio fell between that of the two similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$000s)	Average Net LTD Ratio (%)
Clinton Savings Bank	656,390	83.3
Athol Savings Bank	556,622	71.1
Bay State Savings Bank	512,634	97.0
<i>Source: Reports of Condition and Income 09/30/2019- 06/30/2022</i>		

Assessment Area Concentration

Clinton Savings Bank originated a majority of home mortgage and small business loans, by number and dollar volume, within the assessment area. Please refer to the following table for totals by year and loan category.

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										
2019	156	78.0	44	22.0	200	34,332	64.8	18,641	35.2	52,973
2020	167	70.2	71	29.8	238	50,028	64.1	28,063	35.9	78,090
2021	181	74.8	61	25.2	242	49,858	48.3	53,394	51.7	103,252
Subtotal	504	74.1	176	25.9	680	134,218	57.3	100,098	42.7	234,316
Small Business										
2019	40	80.0	10	20.0	50	6,362	68.5	2,924	31.5	9,286
2020	222	81.3	51	18.7	273	20,507	69.8	8,857	30.2	29,364
2021	120	82.8	25	17.2	145	8,931	55.4	7,199	44.6	16,130
Subtotal	382	81.6	86	18.4	468	35,800	65.4	18,980	34.6	54,780
Total	886	77.2	262	22.8	1,148	170,018	58.8	119,078	41.2	289,096
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage and small business loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As the following table shows, in 2019 and 2020, lending was less than aggregate performance and demographics. In 2021, the bank's performance in low-income census tracts slightly increased, but remained less than demographics.

In the moderate-income tracts, in 2019, lending fell slightly below aggregate performance, but exceeded demographics. In 2020, lending in moderate-income census tracts decreased and fell below aggregate performance and demographics. In 2021, lending in moderate-income census tracts nearly doubled and compared favorably to demographics.

The location of the bank's offices in relation to the low- and moderate-income census tracts likely affected its performance in those areas. Specifically, none of the bank's locations is in the low- and moderate-income areas and only the main office in Clinton abuts one of the 24 moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.4	6.1	5	3.2	928	2.7
2020	4.4	4.9	2	1.2	408	0.8
2021	4.4	--	3	1.7	1,244	2.5
Moderate						
2019	13.9	15.1	22	14.1	4,657	13.6
2020	13.9	12.4	14	8.4	5,447	10.9
2021	13.9	--	24	13.3	8,442	16.9
Middle						
2019	38.0	36.0	63	40.4	11,766	34.3
2020	38.0	34.6	55	32.9	12,221	24.4
2021	38.0	--	67	37.0	15,146	30.4
Upper						
2019	43.6	42.7	66	42.3	16,981	49.5
2020	43.6	48.0	96	57.5	31,952	63.9
2021	43.6	--	86	47.5	24,784	49.7
Not Available						
2019	0.1	0.1	0	0.0	0	0.0
2020	0.1	0.1	0	0.0	0	0.0
2021	0.1	--	1	0.6	242	0.5
Totals						
2019	100.0	100.0	156	100.0	34,332	100.0
2020	100.0	100.0	167	100.0	50,028	100.0
2021	100.0	--	181	100.0	49,858	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that in 2019, although the percent of the bank's lending was less than demographics in the low-income census tracts, it was greater than demographics in the moderate-income census tracts. In 2020 and 2021, given the bank's active participation in the SBA PPP, its total lending in the assessment area increased significantly from 2019 levels, but its lending by percentage in the low- and moderate-income census tracts for both years was less than aggregate. As 2020 and 2021 were unusual years and do not illustrate normal operations, the bank's 2019 performance received the most weight in this analysis.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	9.3	2	5.0	102	1.6
2020	9.2	2	0.9	206	1.0
2021	9.7	0	0.0	0	0.0
Moderate					
2019	16.8	7	17.5	1,030	16.2
2020	16.7	22	9.9	3,667	17.9
2021	16.7	9	7.5	1,136	12.7
Middle					
2019	29.4	16	40.0	3,672	57.7
2020	29.3	68	30.6	5,948	29.0
2021	29.2	41	34.2	3,686	41.3
Upper					
2019	40.6	14	35.0	1,508	23.7
2020	40.8	125	56.3	10,139	49.4
2021	40.6	67	55.8	3,936	44.1
Not Available					
2019	3.9	1	2.5	50	0.8
2020	4.0	5	2.3	547	2.7
2021	3.9	3	2.5	173	1.9
Totals					
2019	100.0	40	100.0	6,362	100.0
2020	100.0	222	100.0	20,507	100.0
2021	100.0	120	100.0	8,931	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance in home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The following table shows that in 2019, lending to low-income borrowers exceeded aggregate. In 2020, lending to low-income borrowers decreased and fell below aggregate performance. However, in 2020, due to the pandemic, the vast majority of the bank's total lending in its assessment area were refinance transactions, which middle- and upper-income borrowers sought. Specifically, less than 1.0 percent of refinance transactions in the assessment area were to low-income borrowers. The dominance of refinance transactions in 2020, paired with the lack of refinances by low-income borrowers, helps explain the decrease in lending to low-income borrowers. In 2021, the bank's lending to low-income borrowers increased from that in 2020 to 11 loans, accounting for 6.1 percent of the bank's total home mortgage loans. In all three years, lending to low-income borrowers fell significantly below the percentage of low-income families in the assessment area. However, low-income families in the assessment area, earning less than \$48,350, most likely would have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$250,029. Additionally, the percentage of low-income families in the assessment area includes those families living below the poverty line. Therefore, the disparity between the bank's lending performance to low-income families and demographics is reasonable.

In 2019, the bank's lending performance to moderate-income borrowers exceeded both aggregate performance and the percentage of moderate-income families in the assessment area. In 2020, the bank's lending to moderate-income borrowers slightly decreased. As such, the bank's performance fell slightly below aggregate performance, but exceeded the percentage of moderate-income families. The bank's lending to moderate-income borrowers increased in 2021 and continued to exceed the percentage of moderate-income families in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.7	6.8	11	7.1	1,278	3.7
2020	23.7	4.6	1	0.6	154	0.3
2021	23.7	--	11	6.1	1,878	3.8
Moderate						
2019	16.2	21.9	47	30.1	8,290	24.1
2020	16.2	18.9	29	17.4	5,387	10.8
2021	16.2	--	37	20.4	7,076	14.2
Middle						
2019	19.4	22.6	35	22.4	6,891	20.1
2020	19.4	22.6	28	16.8	6,626	13.2
2021	19.4	--	52	28.7	11,710	23.5
Upper						
2019	40.7	34.1	56	35.9	14,977	43.6
2020	40.7	39.9	97	58.1	32,371	64.7
2021	40.7	--	71	39.2	22,562	45.3
Not Available						
2019	0.0	14.5	7	4.5	2,897	8.4
2020	0.0	14.0	12	7.2	5,490	11.0
2021	0.0	--	10	5.5	6,632	13.3
Totals						
2019	100.0	100.0	156	100.0	34,332	100.0
2020	100.0	100.0	167	100.0	50,028	100.0
2021	100.0	--	181	100.0	49,858	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows that in 2019, the bank originated 40.0 percent of small business loans to businesses with GARs of \$1 million or less. For 2020, this percentage dropped to 6.8 percent, which fell significantly below the percentage of businesses with GARs of \$1 million or less in the assessment area. In 2021, the percentage increased to 9.2 percent, which fell significantly below the percentage of businesses with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	83.1	16	40.0	3,609	56.7
2020	84.2	15	6.8	3,486	17.0
2021	85.4	11	9.2	927	10.4
>\$1,000,000					
2019	6.1	22	55.0	2,625	41.3
2020	5.5	9	4.1	899	4.4
2021	4.9	10	8.3	614	6.9
Revenue Not Available					
2019	10.8	2	5.0	128	2.0
2020	10.2	198	89.2	16,122	78.6
2021	9.7	99	82.5	7,390	82.7
Totals					
2019	100.0	40	100.0	6,362	100.0
2020	100.0	222	100.0	20,507	100.0
2021	100.0	120	100.0	8,931	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Examiners noted that the primary reason for the decline in lending to businesses with GARs of \$1 million or less was the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the “Revenue Not Available” category includes all PPP loans originated inside the assessment area, which significantly reduces the percentage of loans in the two GAR categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021. Instead, examiners used loan size as a proxy for GAR for the PPP loans.

As shown in the following tables, a significant number of the bank’s PPP loans had loan amounts of \$100,000 or less, indicating that the bank is most likely helping to serve the needs of small businesses in the assessment area.

Distribution of PPP Loans by Loan Size (2020)				
Loan Size	Count	Percent	Dollar (000s)	Percent
< \$100,000	163	82.3	5,390	37.5
\$100,000 - \$249,999	23	11.6	3,386	23.5
\$250,000 - \$1,000,000	12	6.1	5,601	39.0
Total	198	100.0	14,377	100.0
<i>Source: 1/1/2020-12/31/2020 Bank Data. Due to rounding, totals may not equal 100.0%</i>				

Distribution of PPP Loans by Loan Size (2021)				
Loan Size	Count	Percent	Dollar (000s)	Percent
< \$100,000	77	77.8	2,447	33.1
\$100,000 - \$249,999	13	13.1	2,029	27.5
\$250,000 - \$1,000,000	9	9.1	2,914	39.4
Total	99	100.0	7,390	100.0
<i>Source: 1/1/2021-12/31/2021 Bank Data. Due to rounding, totals may not equal 100.0%</i>				

Response to Complaints

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Clinton Savings Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area. Since the bank was responsive to the community development needs and opportunities within its assessment area, examiners also considered community development activities outside the assessment area.

Community Development Loans

During the evaluation period, the bank originated ten community development loans totaling approximately \$21.8 million and representing 3.5 percent of average total assets and 5.0 percent of average total loans. The bank increased its community development lending by dollar amount since the prior evaluation, which noted that the bank originated 13 community development loans totaling \$8.8 million. This increase is partially attributed to the fact that the bank did not originate any qualified community service-related loans during the prior evaluation. A review of two similarly situated institutions’ performance revealed that based on total dollar amount of all community development loans; the bank outperformed these two institutions. Overall, the bank is responsive to

opportunities for qualified community development loans as a majority of its qualified loans by dollar amount support affordable housing, which a community contact noted as a need in the assessment area.

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		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	307	0	0	0	0	0	0	1	307
2020	3	10,083	1	3,860	0	0	0	0	4	13,943
2021	1	2,120	4	5,427	0	0	0	0	5	7,547
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	5	12,510	5	9,287	0	0	0	0	10	21,797
<i>Source: Bank Data</i>										

The following are examples of the bank’s qualified community development loans.

- In 2020, the bank originated a \$3.8 million PPP loan to a special needs school located within the assessment area. The loan has a primary purpose of providing community services to low- and moderate-income individuals. The majority of individuals served by the organization receive public health insurance.
- In 2021, the bank originated a \$740,000 loan for the purchase of a commercial property within the assessment area. The primary property’s tenant will be a food pantry, providing services to low- and moderate-income individuals within the assessment area.
- In 2021, the bank originated a \$2.1 million construction loan within the assessment area. Proceeds will be used to develop a 21-unit apartment building. The property located in a QOZ within the city of Leominster will provide affordable housing, a great need.

Qualified Investments

The bank is responsive to opportunities for qualified investments as equity investments supported affordable housing and donations supported community services, which are both community development needs in the assessment area.

During the evaluation period, the bank made 70 qualified investments totaling approximately \$151,000, which consists of three prior period investments totaling \$89,000, and 67 donations totaling \$62,086. Both the number and dollar amount of qualified investments decreased from the prior evaluation, where the bank made 84 qualified investments totaling \$350,421. The dollar amount of qualified investments equates to less than 0.1 percent of average total assets, and 0.1 percent of average total securities. A review of two similarly situated institutions’ performance revealed that the bank’s performance fell below two similarly situated institutions. By dollar

amount, the majority of the qualified investments promoted affordable housing, demonstrating the bank’s responsiveness to the area’s affordable housing needs.

The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	89	0	0	0	0	0	0	3	89
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	0	0	0	0
Subtotal	3	89	0	0	0	0	0	0	3	89
Qualified Grants & Donations	0	0	66	61	0	0	1	1	67	62
Total	3	89	66	61	0	0	1	1	70	151

Source: Bank Data

Equity Investments

The following describes the bank’s prior period equity investments.

- ***Mortgage-Backed Securities*** – The bank purchased three Government National Mortgage Association mortgage-backed securities prior to the evaluation’s start. These investments are part of the United States Department of Housing and Urban Development lending programs and aim to expand affordable housing. The investments targeted the state and a broader regional area including the assessment area. The investments current book value is \$88,865.

Donations

The following are examples of the bank’s qualified donations.

- ***Clinton High School Scholarships*** – The bank continued to support education with annual funding to the Clinton High School Scholarship Fund. The majority of students attending Clinton Public Schools are from low- or moderate-income families. The Scholarship Fund awards the majority of scholarships based on financial need. The bank’s 2020, 2021, and 2022 contributions were responsive to the area’s community service needs.
- ***Community Harvest Project*** – This nonprofit farm engages and educates volunteers to grow fresh fruits and vegetables for hunger relief and promote health through proper nutrition, especially targeting those with food insecurity. The bank’s multiple contributions in 2020 and 2021 were responsive to area’s community service needs, particularly during the

COVID-19 pandemic.

- **United Way of Tri-County (UWOTC)** – UWOTC is an independent nonprofit organization connected with United Way Worldwide serving 34 local communities in the Metro West area of MA and the I-495 corridor. UWOTC programs support health, education, financial stability, and basic human needs leading to stable employment, income independence, and good health. Given concentrations of low- and moderate-income populations within the assessment area, the bank’s multiple contributions during 2020, 2021, and 2022 were responsive to community service needs, especially during the COVID-19 pandemic.

Community Development Services

During the evaluation period, bank officers and directors provided 78 instances of financial expertise or technical assistance to 25 community development organizations in the bank’s assessment area benefitting low- and moderate-income individuals. This performance level represents a decrease from the prior evaluation, where the bank provided 129 instances to 32 community development organizations. The COVID–19 pandemic impact on in-person activities affected the level of services provided during the evaluation period.

The bank’s services included involvement in organizations that provided affordable housing, economic development, and community services for low- and moderate-income individuals, helping to address some of the area’s identified community development needs. When compared to two similarly situated institutions, Clinton Savings Bank outperformed both institutions.

The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	2	1	0	0	3
2020	2	23	0	0	25
2021	1	24	2	0	27
YTD 2022	1	21	1	0	23
Totals	6	69	3	0	78
<i>Source: Bank Data</i>					

The following are examples of the bank’s community development services.

Employee Involvement

- **Resources for Communities and People (RCAP Solutions)** – This nonprofit organization provides MA residents with affordable housing and offers homelessness prevention, workforce development, family unification, and self-sufficiency services. The organization also operates 362 affordable rental units. Through RCAP Solutions’ financial subsidiary, a certified development financial institution-certified tax-exempt organization, the

organization serves as an alternative lender for homeowners and small businesses, who are not eligible for traditional lending products. An assistant vice president conducted multiple first-time homebuyer seminars for this organization's clients. This service responds to the area's affordable housing needs.

- ***NewVue Communities*** – This community development corporation aims to develop quality affordable housing and create economic opportunities throughout North Central MA. Programs include financial coaching for individuals and small businesses, down payment assistance, and affordable rental housing development and maintenance. In 2022, a senior vice president served as a Board member.
- ***Worcester Business Development Corporation (WBDC)*** – The WBDC is a private nonprofit organization that promotes economic development in Worcester. WBDC has assisted in helping start-up businesses and complex development projects and creating jobs. A senior vice president served as a Trustee and Finance and Facilities Committee member.

Other Services

- ***First-Time Home Buyer Seminars*** – Clinton Savings Bank held five seminars at RCAP Solutions in Worcester during the evaluation period. Seminar topics covered products offered through state and federal agencies tailored to low- and moderate-income individuals.
- ***School and Work Banking Services*** – Clinton Savings Bank provided services to Clinton Public Schools and the Doctor Franklin Perkins School in Lancaster, a facility that provides residential and day treatment and community-based services to children and families. Additionally, clients and residents of the Doctor Franklin Perkins School, who do not maintain a Clinton Savings Bank account, may cash their paychecks at any branch. The majority of individuals impacted by these programs are low- or moderate-income.
- ***Item Appeal*** – The Item Appeal is a 501(c)(3) nonprofit charity that serves Berlin, Bolton, Boylston, Clinton, Lancaster, and Sterling residents. The charity relies on donations from individuals and businesses in the community and reinvests 100 percent of the donations back into the community to help with food, utilities, and other necessities. The bank administers the funds, as it receives community donations at the main office.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

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. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the prior evaluation. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2020 and 2021 HMDA LARs to determine if the bank's application flow from the different racial groups within the assessment area reflected the assessment area's demographics.

According to the 2015 ACS Census Data, the assessment area contained a total population of 519,446 individuals of which 26.3 percent are minorities. The assessment area's minority and ethnic population is 12.6 percent Hispanic or Latino, 5.7 percent Black/African American, 5.5 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, and 2.2 percent other.

Examiners compared the bank's lending data to 2020 and 2021 aggregate data. This comparison assists in deriving reasonable expectations for the rate of applications that the bank received from minority residential loan applicants. The following table details the bank's minority application flow and aggregate data in its assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2020		2020 Aggregate Data	Bank 2020		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.4	0.3
Asian	4	1.8	7.6	2	0.8	7.1
Black/ African American	6	2.8	4.3	7	3.0	5.6
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.4	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.2
Joint Race (White/Minority)	2	0.9	1.4	1	0.4	1.3
Total Racial Minority	12	5.5	13.8	12	5.1	14.6
White	169	77.5	63.3	182	77.1	59.6
Race Not Available	37	17.0	22.9	42	17.8	25.8
Total	218	100.0	100.0	236	100.0	100.0
ETHNICITY						
Hispanic or Latino	15	6.9	7.6	12	5.1	8.9
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.4	1.4	5	2.1	1.3
Total Ethnic Minority	18	8.3	9.0	17	7.2	10.2
Not Hispanic or Latino	160	73.4	68.2	179	75.8	65.3
Ethnicity Not Available	40	18.3	22.8	40	16.9	24.5
Total	110	100.0	100.0	236	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021

In 2020, the bank received 218 home mortgage loan applications from within its assessment area. Of these applications, the bank received 12, or 5.5 percent, from racial minority applicants and originated nine, or 75.0 percent. The aggregate received 13.8 percent of applications from minority applicants and originated 60.8 percent. For the same time, the bank received 18 applications, or 8.3 percent, from ethnic groups of Hispanic origin within its assessment area and originated 10, or 55.6 percent. Aggregate received 9.0 percent of applications from Hispanic applicants and originated 58.6 percent.

In 2021, the bank received 236 home mortgage loan applications from within its assessment area. Of these applications, the bank received 12, or 5.1 percent, from racial minority applicants and originated six, or 50.0 percent. The aggregate received 14.6 percent of applications from minority applicants and originated 60.4 percent. For the same time, the bank received 17 applications, or 7.2 percent, from ethnic groups of Hispanic origin within its assessment area and originated 13, or 76.5 percent. The aggregate received 10.2 percent from Hispanic applicants and originated 60.2 percent.

The 2020 and 2021 data reflects a reasonable minority application flow.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan 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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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 nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan 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: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

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.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan 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 nonmetropolitan 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 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

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.