

# PUBLIC DISCLOSURE

August 25, 2014

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HarborOne Bank  
Cert # 59070

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Brockton, Massachusetts 02301

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

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.*

*This document is an evaluation of the CRA performance of **HarborOne Bank (HarborOne or the Bank)**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **August 25, 2014**. The agencies evaluate performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and in Appendix A to 12 CFR Part 345.*

# INSTITUTION RATING

**INSTITUTION'S CRA RATING:**

*Division – High Satisfactory*

*FDIC – 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. While the agencies agree on the Bank’s overall performance, the FDIC’s CRA regulation does not include an overall “High Satisfactory” rating. The following table indicates the performance level of HarborOne with respect to the Lending, Investment, and Service Tests.

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

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

\*\*Note: FDIC rules and regulations stipulate use of a “High Satisfactory” and “Low Satisfactory” rating 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 does not have a “Low Satisfactory” rating.

## Lending Test

The Lending Test is rated “High Satisfactory” based on the following:

- Lending levels reflect good responsiveness to assessment area credit needs.
- A high percentage of home mortgages and small business loans were made within the assessment area.
- The geographic distribution of home mortgages and small business loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.
- The Bank originated a relatively high level of community development loans.
- The Bank uses flexible lending practices in order to serve assessment area credit needs.

## **Investment Test**

The Investment Test is rated “Satisfactory” based on the following:

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

## **Service Test**

The Service Test is rated “Outstanding” based on the following:

- The Bank is a leader in providing community development services.
- The Bank’s delivery systems are readily accessible to all portions of the institution’s assessment area.
- To the extent changes have been made, the institution’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services, including business hours, do not vary in a way that would inconvenience the needs of the assessment area, particularly the low- and moderate-income geographies and individuals.

## PERFORMANCE CONTEXT

### Description of Institution

HarborOne is a state-chartered mutual bank that converted from a state-chartered federal credit union on July 1, 2013. In 2009, the Bank merged with NationsHeritage Federal Credit Union, with HarborOne as the continuing entity. The merger added three full-service branches and one limited-service branch to the Bank's branch network. HarborOne maintains its corporate headquarters at 770 Oak Street in Brockton, Massachusetts.

The Bank offers deposit, loan, and retail services through a network of branches and automatic teller machines (ATMs) primarily located in Bristol, Norfolk, and Plymouth Counties. HarborOne's network includes 14 full-service branches located in Abington, Attleboro, Bridgewater, Brockton (4), Canton, Easton, Mansfield, Middleborough, Plymouth, Randolph, and Raynham. HarborOne operates two limited-service branches. One is located in Attleboro at the Sensata Business Center and another in the Brockton High School. The Brockton High School location serves the students and faculty, and is operated by students and HarborOne staff. The Bank maintains 27 ATMs, of which 11 are remote deposit-taking ATMs. HarborOne closed its loan production office located in Barnstable, Massachusetts in July 2014.

As of June 30, 2014, HarborOne Bank's assets totaled \$1.97 billion, of which \$1.6 billion (81.21 percent) is in loans. From June 30, 2008 to June 30, 2014, the Bank's assets increased by 22.81 percent, net loans increased by 23.55 percent, and total deposits increased by 41.68 percent. HarborOne attributes the generalized growth to an expansion in commercial lending and that the Bank is now able to conduct business beyond the geographic borders that were previously restricted due to its bylaws as a credit union.

<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans</b>
1-4 Family Residential Construction Loans	18,791	1.16
Other Construction Loans and All Land Development and Other Land Loans	14,102	0.87
Secured by Farmland (including Farm Residential and Other Improvements)	391	0.02
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	76,143	4.69
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by 1st Liens	798,200	49.21
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr Liens	22,038	1.36
Secured by Multifamily (5 or more) Residential Properties	13,654	0.84
Loans Secured by Owner-Occupied Nonfarm Nonresidential Properties	25,140	1.55
Loans Secured by Other Nonfarm Nonresidential Properties	40,210	2.48
Commercial and Industrial Loans	17,384	1.07
Consumer Loans	488,862	30.14
Other Loans	599	0.04
Lease Financing Receivables	106,406	6.56
<b>Total Loans</b>	<b>1,621,920</b>	<b>100.00</b>

Source: Consolidated Reports of Condition and Income (Call Report) as of June 30, 2014

As reflected in Table 1, HarborOne is primarily a real estate lender, as 56.11 percent of loans are secured by 1-4 family or multi-family residential properties. Consumer loans, at 30.14 percent, account for the next most significant portion of the loan portfolio. Automobile loans account for 95.66 percent of consumer loans.

The institution was last evaluated as a credit union by the Division on August 25, 2008, and was rated “Outstanding.” This is the first joint CRA evaluation being conducted by the Division and the FDIC, and HarborOne’s first evaluation as a bank.

While there are currently no financial or legal impediments that would limit HarborOne’s ability to help meet the credit needs of its assessment area, there were during the evaluation period. Specifically, as a credit union, HarborOne was limited to purchasing investments approved by the Commissioner of Banks pursuant to General Laws chapter 167, section 15A, which is a significant mitigating factor when evaluating Investment Test performance during the current evaluation period. In addition, as a state-chartered credit union, the institution was not subject to evaluation under the Investment Test.

### **Description of Assessment Area**

The CRA requires financial institutions to define an assessment area within which a bank is evaluated on its record of helping to meet the community credit needs, including those designated as low- and moderate income. HarborOne’s assessment area, as currently defined, meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions; (2) includes the geographies where HarborOne has its main office, branches and deposit-taking ATMs, as well as the surrounding geographies where the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state boundaries (unless otherwise permitted by the regulation); (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate-income areas.

HarborOne has defined a single contiguous assessment area that includes 30 cities and towns in southeastern Massachusetts. Specifically, the defined assessment area includes Abington, Attleborough, Avon, Bridgewater, Brockton, Canton, Carver, East Bridgewater, Easton, Foxborough, Halifax, Hanson, Holbrook, Kingston, Lakeville, Mansfield, Middleborough, North Attleborough, Norton, Plainville, Plymouth, Plympton, Randolph, Raynham, Rockland, Sharon, Stoughton, Taunton, West Bridgewater, and Whitman. The cities and towns of Attleborough, Easton, Mansfield, North Attleborough, Norton, Raynham, and Taunton are located in the multistate Providence-New Bedford-Fall River, RI-MA Metropolitan Statistical Area (MSA). The remaining cities and towns are located within the Boston-Cambridge-Quincy, MA-NH MSA.

### **Demographic and Economic Data**

#### ***Census Tract Income Levels***

Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

- Low-Income: Less than 50 percent of MFI;
- Moderate-Income: At least 50 percent but less than 80 percent of MFI;
- Middle-Income: At Least 80 percent but less than 120 percent of MFI;
- Upper-Income: 120 percent or greater of MFI.

Under the *Geographic Distribution* section of the Lending Test, HarborOne’s lending is evaluated pursuant to the census tract designations resulting from the 2010 U.S. Census. Table 2 depicts the number and percentage of assessment area census tracts at each income level.

<b>Table 2 Distribution of Census Tracts by Income Level</b>		
<b>Census Tracts</b>	<b>#</b>	<b>%</b>
<b>Low</b>	7	5.26
<b>Moderate</b>	20	15.04
<b>Middle</b>	71	53.38
<b>Upper</b>	34	25.56
<b>NA Income</b>	1	0.76
<b>Total</b>	<b>133</b>	<b>100.00</b>

*Source: 2010 U.S. Census Data*

According to the 2010 U.S. Census data, the low-income census tracts are located in Brockton (five) and Taunton (two). As for the moderate-income census tracts, they are located in Brockton (12), Holbrook (1), Randolph (1), Stoughton (2), Attleborough (2), and Taunton (2). There is one NA-income census tract, which is located in Bridgewater and is the location of a prison; therefore, there are no lending opportunities in that census tract.

### ***Median Family Income Levels***

The *Borrower Profile* section of the Lending Test considers the distribution of residential mortgage loans to individuals of different income levels, focusing on loans to low- and moderate-income borrowers. This analysis is based on MFI levels for each applicable MSA or Metropolitan Division (MD) from the 2010 U.S. Census data, which have been annually adjusted for inflation and other economic events by the Federal Financial Institutions Examination Council (FFIEC). The population of the assessment area is 669,329, and includes 171,673 families. The FFIEC-adjusted MFI for the Boston-Quincy MD portion of the Boston-Cambridge-Quincy MSA was \$88,800 in 2012 and \$88,000 in 2013. In the Providence-New Bedford-Fall River, RI-MA MSA portion of the assessment area, the MFI was \$75,600 in 2012 and \$71,700 in 2013.

The analysis of HarborOne’s residential mortgage lending under the *Borrower Profile* performance factor includes comparisons to the distribution of families by income level. Table 3 depicts this distribution based on the 2010 U.S. Census data.



Family Income Level	#	%
<b>Low</b>	31,591	18.40
<b>Moderate</b>	29,110	16.96
<b>Middle</b>	38,632	22.50
<b>Upper</b>	72,340	42.14
<b>Total</b>	<b>171,673</b>	<b>100.00</b>
<b>Percent of Families Below the Poverty Level</b>	<b>5.4%</b>	

Source: 2010 U.S. Census Data

While a relatively consistent percentage of families are of low- or moderate-income levels, nearly two-thirds of families are of middle- or upper-income. The distribution of families by income level indicates that the assessment area is relatively affluent. Lending opportunities are somewhat limited, particularly for low-income families, especially considering the median home value of \$344,875 in the assessment area based on 2010 U.S. Census data. Further housing data is detailed below.

### ***Housing Characteristics***

According to the 2010 U.S. Census data, there were 280,313 housing units in the assessment area, of which 58.2 percent was owner-occupied. The number of housing units and the percent owner-occupied units is 280,313 and 58.2 percent, respectively. Similarly, the vacancy rate throughout the assessment area is 8.1 percent. Table 4 illustrates select housing characteristics within HarborOne's designated assessment area based on 2010 U.S. Census data.

Census Tract Income Level	Percentage				Median		
	Housing Units	Owner- Occupied	Occupied Rental Units	Vacant Units	Age	Home Value	Gross Rent
<b>Low</b>	4.29	1.58	10.76	8.81	71	\$288,594	\$885
<b>Moderate</b>	13.42	10.31	21.57	16.03	60	\$281,732	\$906
<b>Middle</b>	56.28	58.71	48.71	58.76	42	\$330,710	\$1,049
<b>Upper</b>	26.01	29.40	18.96	16.40	36	\$392,242	\$1,065
<b>Total or Median</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>44</b>	<b>\$344,875</b>	<b>\$1,003</b>

Source: 2010 U.S. Census Data

Lending opportunities in the area's low-income census tracts during 2012 were limited given the small number of owner-occupied properties located therein. As shown in Table 4, the low-income census tracts accounted for only 1.58 percent of owner-occupied housing units throughout the assessment area.

As illustrated in Table 4, the median housing value for the assessment area was \$344,875. More recent data obtained from The Warren Group, however, showed a range of values throughout the assessment area, which were generally higher than the average reflected in Table 4. Specifically, the median home sales price in HarborOne's assessment area in 2012 ranged from a low of

\$141,800 in Brockton to a high of \$390,000 in Sharon. In 2013, the median home sale price in Brockton remained at the low end of the range at \$175,000, and the highest median home sales price remained in Sharon at \$420,500. All municipalities in HarborOne's assessment area experienced an increase in home sales price from 2012 to 2013.

### ***Unemployment***

During the evaluation period, unemployment rates varied significantly by county. HarborOne's assessment area includes portions of three counties including Norfolk, Bristol, and Plymouth. The unemployment rates for 2012 were 5.7 percent for Norfolk County, 7.0 percent for Plymouth County, and 9.4 percent for Bristol County. The unemployment rates increased for all three counties in 2013 to 6.0 percent, 7.2 percent, and 9.7 percent, respectively. The unemployment rates for Massachusetts were 6.8 percent for 2012, increasing to 7.1 percent for 2013. Unemployment rates for the United States were 8.1 percent for 2012, decreasing to 7.4 percent in 2013.

### ***Business and Industry***

Business demographic data for 2013 (the most recent available) indicate that the assessment area contains 53,749 businesses, of which 52,546 were non-farm businesses. Of the non-farm businesses, 66.3 percent employed fewer than five individuals. In addition, 73.2 percent of non-farm businesses had gross annual revenues (GARs) of \$1 million or less. Of non-farm businesses, 3.5 percent are located in low-income geographies, and 9.9 percent are in moderate-income tracts. The Services industry represented the largest portion of businesses throughout the assessment area at 43.1 percent, with the next most significant industry of Retail Trade at 12.7 percent.

### ***Competition***

The residential mortgage market is extremely competitive. In 2012, Home Mortgage Disclosure Act (HMDA) aggregate data showed that there were 434 financial institutions that originated or purchased at least one HMDA-reported loan (home purchase, home refinance, or home improvement of a one-to-four family or multi-family property) in the assessment area. Collectively, 39,478 home mortgage loans totaling \$9.2 billion were originated or purchased within the Bank's assessment area. Of all HMDA reporting institutions that originated or purchased a residential loan within the Bank's assessment area, HarborOne ranked 4<sup>th</sup>. The top three lenders were Wells Fargo Bank, N.A.; JPMorgan Chase Bank, N.A.; and US Bank, N.A.

### ***Community Contacts***

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with a representative of an organization that has a mission to enhance the position, image, and perception of Brockton as a desirable place to live and work by encouraging financial investment, business development, job creation and retention through economic development. The contact indicated that entrepreneurship has increased, but funding

is not always available. Consequently, there is need for microloans for small businesses looking to get their start.

A second community contact was conducted with a representative of an organization that has a mission to ensure that opportunities are available for all residents of the greater Brockton and Attleborough communities to obtain health services, childcare, education, housing, employment, and financial stability. Based upon a recent needs assessment, the organization identified financial literacy as a predominant need, specifically related to money management and budgeting. The contact also indicated the need for institutions to offer banking-related materials in multiple languages including Haitian and Cape Verdean.

## **SCOPE OF EXAMINATION**

Examiners used Interagency Large Bank Examination Procedures to evaluate HarborOne's CRA performance. These procedures include a Lending Test, Investment Test, and a Service Test. The CRA evaluation considered lending activities for 2012, 2013, and the first six months of 2014 (YTD2014); however, community development loans and innovative and flexible lending products were evaluated since the Division's last CRA evaluation dated August 25, 2008, at which time HarborOne was a credit union. Investments and services were also evaluated from August 25, 2008 through August 25, 2014. Investments were valued at the June 30, 2014 book value.

Examiners analyzed the following product lines within the noted timeframes:

- Residential mortgage loans from January 1, 2012 through June 30, 2014, as reported by HarborOne on its HMDA loan application register.
- Small business loans originated from January 1, 2014 through June 30, 2014, including commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. Considering the recent conversation from a credit union to state-chartered bank, HarborOne was not required to collect and report small business loan data until its submission of 2014 data in 2015. As the small business data was not in the standard CRA data format, and included all commercial loans originated during 2014, a sample was selected, verified, and used for the purposes of this evaluation. The sample included 24 (of 42 loans) commercial loans. Of those loans, 19 were small business loans and used for the analysis.

Consumer loans account for 30.14 percent of HarborOne's loan portfolio, of which most are indirect automobile loans. Examiners did not analyze consumer loans, as full data was not available on which CRA analyses could be performed. In addition, small farm loans were not reviewed, as HarborOne does not engage in agricultural lending. Considering the composition of the loan portfolio and lending activity during the evaluation period, examiners placed more weight on residential lending than small business lending when arriving at overall conclusions and the rating under the Lending Test.

Examiners reviewed qualified investments held by HarborOne during the evaluation period regardless of the original investment date. These investments were valued at the June 30, 2014 book value.

***Interstate Banking and Branching Efficiency Act (IBBEA)***

As HarborOne’s assessment area includes portions of two MSAs, and the Bank operates full-service branches in each, the IBBEA requires separate conclusions regarding performance in each area. Table 5 reflects the distribution of the Bank’s home mortgage and small business loans in the respective areas in 2012, 2013, and the first six months of 2014; as well as its distribution of deposits and branches in each MSA. As illustrated, activity within the Boston-Cambridge-Quincy, MA-NH MSA significantly exceeded activity in the Providence-Fall River-New Bedford, RI-MA MSA portion of the assessment area throughout the evaluation period. As a majority of HarborOne’s operations are focused in the Boston-Cambridge-Quincy, MA-NH MSA, performance in this area receive a full-scope review and will be assigned greater weight in arriving at an overall conclusion. Due to the limited activity and presence in the Providence-Fall-River-New Bedford, RI-MA MSA, this area will receive a limited-scope review.

<b>Table 5 - Loans, Branches, and ATMs by MSA</b>								
<b>MD/MSA</b>	<b>2012</b>		<b>2013</b>		<b>YTD 2014</b>		<b>Full-Service Branches</b>	<b>ATMs</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		
<b>Home Mortgage Loans</b>								
Boston-Cambridge-Quincy MA-NH MSA	1,138	74.28	643	70.50	139	75.50	12	22
Providence-Fall River-New Bedford, RI-MA MSA	394	25.72	269	29.50	45	24.50	2	5
<b>Total</b>	<b>1,532</b>	<b>100.00</b>	<b>912</b>	<b>100.00</b>	<b>184</b>	<b>100.00</b>	<b>14</b>	<b>27</b>
<b>Small Business Loans</b>								
Boston-Cambridge-Quincy MA-NH MSA	NA				13	86.67		
Providence-Fall River-New Bedford, RI-MA MSA					2	13.33		
<b>Total</b>					<b>15</b>	<b>100.00</b>		

*Source: 2012, 2013 and YTD 2014 HMDA LARs, Commercial Loan Log, and Bank Records*

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

The Lending Test evaluates an institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the distribution of small business and small farm loans by loan amount at origination; (6) the volume of community development lending; and (7) the use of innovative or flexible lending practices. Performance under the Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

#### **Lending Activity**

HarborOne exhibited a good level of responsiveness to the assessment area's credit needs. The Bank originated home mortgage and small business loans in its assessment area throughout the evaluation period.

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

In 2012, HarborOne originated 1,532 home mortgage loans totaling \$289.6 million in the assessment area. Market rank data for 2012 shows HarborOne ranked 4<sup>th</sup> among the 434 HMDA reporting lenders that originated or purchased a home loan within the assessment area, resulting in a 3.9 percent market share. The three lenders ranked ahead of the Bank were much larger financial institutions that operate nationally. These institutions included Wells Fargo, N.A.; JP Morgan Chase Bank, N.A.; and US Bank, N.A., which collectively accounted for nearly one quarter of total lending activity in the area in 2012.

In 2013, HarborOne's originations decreased to 912 loans totaling \$185.8 million in the assessment area. Additionally, the Bank originated 184 home mortgage loans within the assessment area during the first six months of 2014. Overall home mortgage lending decreased from 2012 levels forward due to the generally increasing mortgage rates and the corresponding slowdown in the refinance market.

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

HarborOne commenced collecting small business loan data on January 1, 2014. Consequently, the only small business loan data included in the analysis covers the first six months of 2014. During this time, HarborOne originated 15 small business loans totaling \$2.0 million within their assessment area. There is no market rank data available for 2014 for comparison purposes.

## Assessment Area Concentration

This performance criterion determines what percentage of HarborOne's lending occurs within the assessment area. The Bank originated a high percentage of its home mortgage and small business loans, by number and dollar, inside its assessment area in 2012, 2013, and the first six months of 2014. Table 6 illustrates the percentage, by number and dollar volume, of home mortgage and small business loans originated inside and outside the assessment area.

Loan Category	Number Loans					Dollar Volume (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2012										
Home Purchase	201	67.68	96	32.32	297	46,567	61.66	28,953	38.34	75,520
Refinance	1,297	71.22	524	28.78	1,821	239,113	65.98	123,316	34.02	362,429
Home Improvement	34	62.96	20	37.04	54	3,937	46.12	4,599	53.88	8,536
<b>Total</b>	<b>1,532</b>	<b>70.53</b>	<b>640</b>	<b>29.47</b>	<b>2,172</b>	<b>289,617</b>	<b>64.87</b>	<b>156,868</b>	<b>35.13</b>	<b>446,485</b>
2013										
Home Purchase	252	70.39	106	29.61	358	60,993	63.66	34,814	36.34	95,807
Refinance	559	73.17	205	26.83	764	111,596	64.82	60,561	35.18	172,157
Home Improvement	101	65.16	54	34.84	155	13,168	52.63	11,852	47.37	25,020
<b>Total</b>	<b>912</b>	<b>71.42</b>	<b>365</b>	<b>28.58</b>	<b>1,277</b>	<b>185,757</b>	<b>63.40</b>	<b>107,227</b>	<b>36.60</b>	<b>292,984</b>
YTD 2014										
Home Purchase	80	67.80	38	32.20	118	21,065	63.64	12,037	36.36	33,102
Refinance	61	76.25	19	23.75	80	10,470	71.37	4,200	28.63	14,670
Home Improvement	43	79.63	11	20.37	54	3,410	81.35	782	18.65	4,192
<b>Total</b>	<b>184</b>	<b>73.02</b>	<b>68</b>	<b>26.98</b>	<b>252</b>	<b>34,945</b>	<b>67.25</b>	<b>17,019</b>	<b>32.75</b>	<b>51,964</b>
<b>Total Home Loan</b>	<b>2,628</b>	<b>71.01</b>	<b>1,073</b>	<b>28.99</b>	<b>3,701</b>	<b>510,319</b>	<b>64.48</b>	<b>281,114</b>	<b>35.52</b>	<b>791,433</b>
Small Business YTD2014	15	78.95	4	21.05	19	2,002	58.59	1,415	41.41	3,417
<b>Grand Total</b>	<b>2,643</b>	<b>71.05</b>	<b>1,077</b>	<b>28.95</b>	<b>3,720</b>	<b>512,321</b>	<b>64.46</b>	<b>282,529</b>	<b>35.54</b>	<b>794,850</b>

Source: HMDA LARs for 2012, 2013, and YTD 2014; Commercial Loan Sample

## Geographic Distribution

Examiners reviewed the geographic distribution of loans to determine how well HarborOne has addressed the credit needs throughout the assessment area, particularly those of low- and moderate-income census tracts. Considering assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage and small business loans reflects good penetration in the low- and moderate-income geographies. The following sections discuss HarborOne's performance under this criterion by loan type.

### *Home Mortgage Loans*

Table 7 presents the geographic distribution of residential loans by tract income within the assessment area. The percentage of owner-occupied units by census tract income and aggregate lending is also presented for comparison purposes. HarborOne demonstrated good distribution of home mortgages throughout the assessment area, particularly in the low- and moderate-income areas when compared to area demographics and aggregate lending data. Despite a

decrease in the total number of originations each year, the Bank's lending in the low-and moderate-income census tracts increased on a percentage basis.

Census Tract Income Level	% of Total Owner-Occupied Housing Units	Aggregate Lending Data 2012	2012		2013		YTD 2014	
			#	%	#	%	#	%
<b>Low</b>	1.58	1.08	22	1.44	16	1.75	5	2.72
<b>Moderate</b>	10.31	6.87	136	8.88	108	11.85	31	16.85
<b>Middle</b>	58.71	55.54	909	59.33	514	56.36	97	52.72
<b>Upper</b>	29.40	36.50	464	30.28	274	30.04	51	27.71
<b>\$0/NA Income</b>	0.00	0.01	1	0.07	0	0.00	0	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>1,532</b>	<b>100.00</b>	<b>912</b>	<b>100.00</b>	<b>184</b>	<b>100.00</b>

*Source: 2012, 2013 and YTD 2014 HMDA LARs, 2012 aggregate data, and 2010 U.S. Census Data*

In 2012, HarborOne's performance of lending in low-income census tracts slightly exceeded aggregate data, and was slightly below the percentage of owner-occupied housing units in these tracts. Although the overall volume decreased in 2013 due to the generally increasing interest rate environment, the Bank's percentage of loans in low-income census tracts increased. The increasing trend of lending in low-income tracts, by percentage of total lending activity, continued through the first six months of 2014.

Of the 103 institutions that originated or purchased at least one residential loan in the assessment area's low-income census tracts in 2012, HarborOne ranked 2<sup>nd</sup>, with a 5.16 percent market share. The only Bank ranked higher was Wells Fargo Bank, N.A.

The Bank's performance of lending in the assessment area's moderate-income census tracts also exceeded aggregate and was slightly below demographics in 2012. Consistent with the increasing trend of lending in the low-income census tracts, lending in the moderate-income census tracts as a percent of all loans in 2013 and 2014 exceeded the percent of owner-occupied units in those tracts.

Of the 216 lenders that originated or purchased at least one residential loan in moderate-income geographies in 2012, HarborOne ranked 3<sup>rd</sup>. The two banks with greater shares of the residential mortgage market than HarborOne were much larger national banks, including Wells Fargo Bank, N.A., and JPMorgan Chase Bank, N.A.

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

Considering assessment area demographics and other performance context factors, the distribution of small business loans throughout the assessment area, particularly in low- and moderate-income areas, was adequate. Table 8 illustrates the distribution of small business loans compared to the distribution of businesses throughout the assessment area by census tract income level.

<b>Table 8 Distribution of Small Business Loans by Census Tract Income</b>			
<b>Census Tract Income Level</b>	<b>% of Businesses 2013</b>	<b>YTD 2014</b>	
	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.50	0	0.00
<b>Moderate</b>	9.92	4	26.67
<b>Middle</b>	57.82	10	66.67
<b>Upper</b>	28.73	1	6.66
<b>\$0/NA Income</b>	0.03	0	0.00
<b>Total</b>	<b>100.00</b>	<b>15</b>	<b>100.00</b>

*Source: Commercial Loan Sample and 2013 Business Demographic data*

In the first six months of 2014, HarborOne did not originate any small business loans in the low-income census tracts; however, lending in moderate-income tract exceeded demographics. Considering the small number of loans, and limited opportunity for lending in the area's low-income tracts, performance of small business lending under this criterion is adequate.

### **Borrower Profile**

Examiners reviewed the distribution of loans to determine the extent to which HarborOne has addressed the credit needs of low- and moderate-income borrowers and of small businesses. The distribution of loans reflects excellent penetration among residential mortgage borrowers of different income levels and among businesses of different sizes. The following sections discuss HarborOne's performance under this criterion by loan type.

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

Table 9 presents the distribution of HarborOne's home mortgage loans, 2012 aggregate data, and the percentage of total families throughout the assessment area by income level. The Bank achieved an excellent penetration of home mortgage loans among borrowers of different incomes when compared to aggregate performance and assessment area demographics.



Table 9 Distribution of Home Mortgage Loans by Borrower Income Level								
Borrower Income Level	% of Total Families	Aggregate Lending Data 2012	2012		2013		YTD 2014	
			% of #	#	%	#	%	#
<b>Low</b>	18.40	6.65	110	7.18	84	9.21	13	7.07
<b>Moderate</b>	16.96	19.69	310	20.23	198	21.71	43	23.37
<b>Middle</b>	22.50	26.80	476	31.07	256	28.07	55	29.89
<b>Upper</b>	42.14	41.46	627	40.93	369	40.46	73	39.67
<b>NA Income</b>	0.00	5.40	9	0.59	5	0.55	0	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>1,532</b>	<b>100.00</b>	<b>912</b>	<b>100.00</b>	<b>184</b>	<b>100.00</b>

Source: 2012, 2013, and YTD 2014 HMDA LARs, 2012 aggregate data, and 2010 U.S. Census Data

In 2012, HarborOne’s lending to low-income borrowers exceeded aggregate data, but was well below demographics. As previously mentioned, low-income families would likely have difficulty obtaining a home mortgage loan under conventional underwriting standards considering MFI and housing data throughout the assessment area. As shown, the percentage of loans to low-income borrowers increased in 2013 and decreased in 2014 back to the 2012 level.

HarborOne’s lending to moderate-income borrowers exceeded aggregate data and demographics in 2012. Lending to moderate-income borrowers increased to 21.71 percent in 2013, and further to 23.37 percent in the first six months of 2014.

Of the 204 institutions that originated or purchased a home mortgage loan to a low-income borrower in 2012, HarborOne ranked 3<sup>rd</sup> with a 4.87 percent market share. The Bank also ranked 3<sup>rd</sup> of 269 institutions in terms of lending to moderate-income borrowers in 2012. Only Wells Fargo Bank, N.A. and JPMorgan Chase Bank, N.A. ranked ahead of HarborOne. The Bank’s excellent performance of home mortgage lending to borrowers of different income levels was impacted positively by its extensive use of innovative and flexible loan programs.

### **Small Business Loans**

Table 10 depicts the distribution of small business loans by GAR level as compared to the most recent business demographic data. The distribution of small business loans by GAR level reflects adequate penetration of loans to business with GARs of \$1 million or less.

Table 10 Distribution of Small Business Loans by GAR Level			
GARs \$ (000s)	2013	2014	
	Total Businesses	Bank Lending Data	
	%	#	%
<b>≤ \$1,000</b>	73.18	10	66.67
<b>&gt; \$1,000</b>	5.68	5	33.33
<b>Revenues N/A</b>	21.14	0	0.00
<b>Total</b>	<b>100.00</b>	<b>15</b>	<b>100.00</b>

Source: Commercial Loan Log and 2013 Business Demographic Data

As shown in Table 10, HarborOne originated 10 small business loans to businesses with GARs of \$1 million or less in the first six months of 2014. This percentage is lower than percentages of businesses in that revenue category, but within a reasonable range.

### Community Development Lending

HarborOne’s community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution’s community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

A community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits HarborOne’s assessment area or a broader statewide or regional area that includes HarborOne’s assessment area.

The Bank made a relatively high level of community development loans. During the evaluation period, HarborOne originated or renewed seven community development loans totaling approximately \$20.1 million. The total dollar amount of community development loans originated during the evaluation period represents approximately 1.24 percent of HarborOne’s total loans. Refer to Table 11 for a summary of the Bank’s community development lending activities.

<b>Table 11 Community Development Loans</b>												
<b>Activity Year</b>	<b>Qualifying Category</b>										<b>Totals</b>	
	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalization or Stabilization</b>		<b>Neighborhood Stabilization Projects</b>			
	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>	<b>#</b>	<b>\$ (000s)</b>
<b>8/26/2008-12/31/2008</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>2009</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>2010</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>2011</b>	0	0	1	25	0	0	0	0	0	0	1	25
<b>2012</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>2013</b>	0	0	2	3,642	0	0	0	0	0	0	2	3,642
<b>1/01/2014 – 08/26/2014</b>	1	1,375	1	224	0	0	1	2,070	1	11,000	4	14,669
<b>Total</b>	<b>1</b>	<b>1,375</b>	<b>4</b>	<b>3,891</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,070</b>	<b>1</b>	<b>11,000</b>	<b>7</b>	<b>20,096</b>

Source: Bank Records

The following points illustrate a representative example of community development loans made during the evaluation period.

- In 2014, the Bank originated a loan of \$11 million to construct a seven-story, mixed-use building in downtown Attleboro. The development of this property is the first covered by the Brownfields Support Team Downtown Attleboro Redevelopment project released to a private developer. The project also received a Neighborhood Stabilization Program (NSP) grant from the Federal Government through the City of Attleboro Community Development Program. The project encompasses 6,000 square feet of commercial space on the ground-level and 80-units of rental housing. In addition to the broader stabilization objectives of this development including the creation of between 12 and 18 new jobs, 5 units are designated as affordable housing.
- HarborOne Bank originated a \$2.1 million loan to a health care organization for the expansion of its facilities located in a moderate-income census tract in Brockton. The loan was originated under the Small Business Administration's (SBA) 504 Certified Development Company (CDC) program.
- The Bank originated a \$3.5 million loan to a non-profit organization that provides services to low- and moderate-income individuals and families. The loan was to finance the acquisition of a new facility in Plymouth. The new facilities allowed the organization to consolidate and expand its programs to reach a larger number of clientele.

### **Innovative or Flexible Lending Practices**

The institution'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 serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

HarborOne Bank uses flexible lending practices designed to assist the area's low- and moderate-income residents and first-time homebuyers in pursuing or maintaining home ownership. The Bank also offers flexible loan products for small businesses through the Small Business Administration. Although the loan programs have been captured in HarborOne's HMDA or CRA small business data, the programs are described here to highlight the flexible underwriting standards targeted toward low- and moderate-income borrowers or small businesses.

### ***Home Loans***

- **First Time Homebuyer (FTHB) Program:** This FTHB program is available to those individual(s) who have not owned a principal residence within the past three years and wish to purchase a condominium or a single- or two-family primary residence in Massachusetts. The FTHB program offers discounted closing costs. During this evaluation period, HarborOne originated 815 loans totaling \$175.9 million under this program.

- **MassHousing Loan Program:** HarborOne is a MassHousing-approved lender. Loan programs through MassHousing include features such as low down payments, competitive interest rates, and discounted mortgage insurance. During the evaluation period, HarborOne originated 163 loans totaling \$31.3 million through the MassHousing mortgage program.
- **Equity Builder Program:** HarborOne Bank, through the Federal Home Loan Bank (FHLB) of Boston, offers the Equity Builder Program (EBP). This program offers flexible terms, conditions, and underwriting guidelines to help serve the credit needs of low- and moderate-income homebuyers. The FHLB offers its member banks grants to provide households with incomes less than 80 percent of area median income with assistance in areas such as down payment, closing costs, and homebuyer counseling. Through this program, HarborOne Bank originated 30 loans totaling \$3.3 million. Additionally, the Bank obtained grants from the FHLB to be used as down payment assistance. Each participant received between \$10,000 and \$15,000 as a grant.
- **MassHousing *Get the Lead Out*:** This program offers low- and no-interest loans to income-eligible homeowners to remove hazardous lead paint. Through this program, HarborOne originated 48 loans totaling \$1.1 million during the evaluation period.
- **Buy Brockton:** The program, in partnership with the Brockton Housing Partnership, is designed to alleviate some of the negative impact from the current foreclosure crisis by offering qualified buyers financing to purchase homes currently owned by banks through foreclosures or those that would be sold in short sales. The loan program offers a 30-year fixed-rate loan, with a maximum loan-to-value of 100 percent, discounted interest rates, discounted closing costs, and no-cost mortgage payment protection insurance through MassHousing. Although no longer offered, HarborOne originated 71 loans totaling \$9.9 million through this program during this evaluation period.
- **Home for the Brave:** This program is offered to veterans and their families to help purchase a home. The program offers loans with no down payments and flexible underwriting criteria such as higher debt-to-income ratios and lower credit scores. Although this program is no longer offered, the Bank originated four loans totaling \$1.2 million during the evaluation period.

Additionally, the Bank works with its residential mortgage borrowers to offer loan modifications. This program is aimed at creating affordable and sustainable loan payments to help customers avoid foreclosure and retain homeownership. In total, the Bank made 162 modifications for 121 low- and moderate-income borrowers during the evaluation period.

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

HarborOne offers SBA loans, including the SBA 504CDC and the SBA 7A loan products. The mission of the SBA is to maintain and strengthen the nation's economy by enabling the establishment and viability of small businesses and by assisting the economic recovery of communities after disasters. These programs offer financing for qualified businesses that may not be eligible for traditional bank financing. HarborOne originated 125 SBA loans totaling \$18.5 million during the evaluation period.

- **The SBA 7A Program:** This program is designed to help small businesses with business start-up expenses or expansion. HarborOne funds the loan, and the SBA provides a loan guarantee of 75 to 90 percent of the total loan amount, depending on how the proceeds are used. These SBA loans offer smaller down payments, flexible terms, and guarantees. During the evaluation period, the Bank originated 124 loans totaling \$16.4 million through this program.
- **The SBA 504 CDC Program:** This program was designed to provide financing for the purchase of fixed assets such as real estate, buildings, and machinery. The program works by distributing the loan among three parties: the business owner (10 percent), the financial institution (50 percent), and the SBA (40 percent). As previously mentioned, the Bank originated a \$2.1 million loan under this program.

## INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment areas or a broader statewide or regional area that includes the institution's assessment area. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. Community development purposes include those that either: 1) provide affordable housing for low- or moderate-income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; or 4) revitalize or stabilize low- or moderate-income geographies. Activities considered under the Lending Test or Service Test may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

HarborOne's community development investment activity reflects adequate responsiveness to the credit and community development needs of the assessment area. Prior to the conversion, HarborOne was not subject to the Investment Test per the Division's regulation, 209 CMR 46.21(1)(e) and Regulatory Bulletin 2.3-102. Furthermore, as a state chartered credit union, HarborOne was limited in the investments approved for purchase by the Commissioner pursuant to Massachusetts General Laws chapter 167, section 15A prior to its conversion to a state-chartered mutual bank. Although the institution's donation activity as a credit union is included in Table 12, primary consideration of HarborOne's investments was during the timeframe between the conversion and the examination date.

During the evaluation period, the Bank's qualified investments included donations totaling \$959,928. Table 12 illustrates these donations by community development purpose and year.

**Table 12  
Community Development Donations**

Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalization or Stabilization	Neighborhood Stabilization Projects	
	\$	\$	\$	\$	\$	
8/26/2008-12/31/2008	400	37,775	150	0	0	38,325
2009	5,000	100,921	5,700	0	0	111,621
2010	6,690	155,842	150	0	0	162,682
2011	1,500	168,075	14,461	0	0	184,036
2012	6,500	134,830	8,333	0	0	149,663
2013	5,750	212,289	24,424	0	0	242,463
1/01/2014 – 08/26/2014	5,855	61,825	3,458	0	0	71,138
<b>Total</b>	<b>31,695</b>	<b>817,557</b>	<b>56,676</b>	<b>0</b>	<b>0</b>	<b>959,928</b>

*Source: Bank Records*

As indicated in Table 12, a substantial majority of donations during the evaluation period were targeted toward services for low- and moderate-income individuals and families. The Bank made 521 donations to over 100 organizations during the evaluation period. The following points illustrate an example of organizations to which the Bank made qualified donations during the evaluation period.

- **United Way of Greater Plymouth County:** The mission of this organization is to assure by means of Citizen Leadership and action that the people of the greater Plymouth County area are provided with an efficient and effective network of human care services, which is capable of meeting documented community needs. Programs focus on homelessness, strengthening Brockton's families, neighborhoods and community, preventing child abuse and neglect, and emergency food programs.
- **Boys & Girls Club of Brockton:** The Club is located in a low-income tract and offers programs such as sports fitness and recreation, education and career development, health and life skills, character and leadership development, and summer programs. The club provides youth programs and childcare services primarily for low- and moderate-income individuals and families.
- **Cape Verdean Association:** This organization is located in Brockton and offers classes such as English for Speakers of Other Languages (ESOL) and citizenship preparation. In addition, the association provides health-related services, employment services, counseling services, and programs for youth and the elderly. The organization also provides referral services related to housing, government benefits, and medical forms, and advocacy for social agencies. A majority of those served are of low- and moderate-income levels.

- **Massachusetts Small Business Development Center Network (MSBDC):** The MSBDC network provides free one-on-one comprehensive and confidential services to small businesses. In addition, low-cost educational training programs are offered to small businesses across the state.
- **Catholic Charities South:** Located in Brockton, this organization strives to prevent hunger and homelessness for local families in financial emergencies. The charity provides educational and employment-related programs, which are focused on long-term solutions to poverty.
- **School on Wheels:** The organization educates children impacted by homelessness in Massachusetts. The focus is on providing academic support and one-on-one mentoring.

In addition to donations, HarborOne provided an in-kind donation of free office space to NeighborWorks of Southern Massachusetts at the Bank's Multicultural Banking Center in Brockton. The mission of NeighborWorks is to create housing opportunities by educating and assisting first-time homebuyers in their purchase of a home; developing affordable housing for those in need; and extending home rehabilitation loans. The annual cost of the office space is approximately \$18,000, and is based on a survey of the price of available office space in the local area multiplied by the square footage of occupied space. The bank also provided an in-kind donation of office space to the MSBDC, Center for Women & Enterprise, and Self Help, Inc., with an annual value of \$12,000. The total in-kind contribution of free office space during the evaluation period was \$114,000.

## SERVICE TEST

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) 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.

The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that serve low- or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs in those geographies.

The institution's community development services are evaluated pursuant to the following criteria: 1) the extent to which the bank provides community development services; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and, 4) their responsiveness to available opportunities for community development services.

The Bank’s performance under the Service Test is rated “Outstanding.” HarborOne demonstrated leadership in providing community development services that are particularly responsive to assessment area needs and opportunities. In addition, the Bank’s retail delivery services are readily accessible to all portions of the assessment area, and services do not vary in such a way that would inconvenience any portion of the assessment area. The following sections discuss HarborOne’s performance under each Service Test criterion.

### Distribution of Branches

HarborOne’s service delivery systems, including branches and ATMs, are readily accessible to all portions of the assessment area.

The Bank maintains 14 full-service branches. Branches are located in Abington, Attleboro, Bridgewater, Brockton (4), Canton, Easton, Mansfield, Middleborough, Plymouth, Randolph, and Raynham. HarborOne Bank operates two limited-service branches; one in Attleboro at the Sensata Business Center and one in Brockton High School, which serves the students and faculty and is operated by students and HarborOne staff.

All full-service branches have ATMs. The Bank maintains 27 ATMs, of which 11 are remote deposit-taking ATMs. Table 13 illustrates the geographic distribution of HARBORONE’s full-service branches and ATMs compared to applicable demographic data.

Census Tract Income Level	% of Tracts	% of Population	Full-Service Branches		ATMs	
			#	%	#	%
<b>Low</b>	5.26	4.23	2	14.29	3	11.11
<b>Moderate</b>	15.04	12.95	2	14.29	5	18.52
<b>Middle</b>	53.38	54.72	8	57.14	14	51.85
<b>Upper</b>	25.56	27.79	2	14.29	5	18.52
<b>NA</b>	0.76	0.31	0	0.00	0	0.00
<b>Total</b>	100.00	100.00	14	100.00	27	100.00

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

The percentage of branches and ATMs located in low-income tracts exceeds the percentage of tracts and population at this income level. The percentage of branches located in moderate-income tracts is higher than the percentage of the moderate-income population and is slightly below the percentage of moderate-income tracts. The percentage of ATMs located in moderate-income tracts is higher than both the percentage of tracts and populations in the same income level.

### Record of Opening and Closing Branches

To the extent changes have been made, the institution’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.

During the evaluation period, HarborOne Bank did not close any branches and opened three branches; a full-service and a limited-service branch in Attleboro and a full-service branch in Mansfield. The three branches were opened as a result of a merger with NationsHeritage Federal



Credit Union in 2009. The two Attleboro branches are located in an upper-income tract and the Mansfield branch is located in a middle-income tract.

### **Retail Banking Services**

Services, including business hours, do not vary in a way that would inconvenience the needs of the assessment area, particularly low- and moderate-income geographies and individuals. Branch hours are convenient and comparable to other institutions and HarborOne's services are sufficient to meet the needs of the assessment area. All of HarborOne's branches offer extended hours on Thursday and Friday, and are open on Saturday.

HarborOne offers a variety of financial services through its branch network designed to meet the credit needs of its communities. Personal services include checking and savings accounts, personalized debit cards, consumer and college credit cards, certificates of deposit and money market accounts, retirement accounts, and electronic banking services. Business banking services include checking accounts, savings and money market accounts, small business loans and lines of credit, online banking, and payroll services.

HarborOne also offers a variety of personal loan products. These include fixed-rate home mortgage loans, adjustable-rate home mortgage loans, first-time home buyers, construction loans, jumbo loans, home equity lines of credit, automobile loans, boat loans, recreational loans, personal loans, citizenship loans, and overdraft protection.

### **Alternative Delivery Systems**

Online banking services are accessible at [www.harborone.com](http://www.harborone.com) and include consumer and mortgage loan applications, 24-7 online banking support, transaction and balance viewing, funds transfers, and bill payment. Banking services are also offered via mobile phone, which allows access to account balances, check deposit, transfers, and a listing of branches and ATMs. Business can be conducted through HarborOne's 24-hour telephone banking system. Bank-by-mail is also offered with postage paid both ways.

The Bank offers a "Bank at Work" program in which employers with ten or more employees receive banking benefits such as free standardized checks, a debit card, an ATM card, free unlimited transactions at HarborOne ATMs, and discounts on consumer loans. Numerous companies utilizing this service employ low- and moderate-income individuals.

HarborOne is a member of the SUM and Allpoint ATM networks, which offer surcharge-free ATM transactions at participating member ATM locations.

### **Community Development Services**

HarborOne Bank is a leader in providing community development services. The Bank offers financial services and technical expertise to numerous community development organizations throughout the assessment area. In addition, personnel provide financial education through a variety of seminars and events. The following section provides examples of these community development services. All of the services meet the definition of community development and relate to the provision of financial services.

- **Brockton Housing Partnership (BHP):** The Bank has been a member of the BHP since 1992. This organization is a consortium of financial institutions and organizations (non-profit as well as state and local government) charged with the following goals: 1) developing and funding affordable housing and market-rate housing; 2) assisting in the restoring or rehabbing housing; and, 3) educating consumers on financial literacy. HarborOne Bank continues to be actively involved in many of the partnership's activities. During the evaluation period, the Senior Vice President of Community Relations served as the chair of the Financial Literacy Committee and the Credit for Life Committee and also serves on the Neighborhood Housing's Steering Committee. HarborOne's President served as Chairman of the Board, and the Senior Vice President of Mortgages was a member of the Board, and served on the Loan Committee and the Credit for Life Fair Committee.
- **United Way of Greater Plymouth County:** This organization is a volunteer-driven non-profit organization that assesses and responds to the most urgent community development-related needs of the towns and cities that comprise greater Plymouth County. The organization raises financial contributions from local businesses and individuals and enlists volunteer support from the community and then targets the resources to have a real impact on the local needs. The Senior Vice President of Community Relations served as Vice Chair before becoming the Chair in 2012, and serves on its Community Impact and Allocations Committee. During the evaluation period, multiple employees served on the Allocations Committee, including the Vice President of Credit and Risk, Senior Vice President of Consumer Lending, Vice President of Training and Development, Vice President of Consumer Loan Servicing, and Vice President of Marketing. The Allocations Committee is responsible for reviewing and analyzing requests for funding and making decisions about the allocation of funding to applicant organizations. HarborOne's Chief Executive Officer also served as the Campaign Chair.
- **Old Colony Elder Services (OCES):** This organization's mission is to support the independence and dignity of elders and individuals with disabilities by providing essential information and services that promote healthy and safe living. The Money Management Program offered by OCES is the Massachusetts Money Management Program (MMMP), which is a free service that assists low-income elders who may be at risk of losing their independence due to their inability to pay basic rent, food, and utility bills on time. The Senior Vice President of Community Relations served on the Money Management Advisory Council in 2012 and 2013.
- **Brockton 21<sup>st</sup> Century Corporation:** The mission of this organization is to enhance the position, image, and perception of Brockton as a desirable place to live and work by encouraging financial investment, business development, as well as job creation and retention through economic development. The Bank's Executive Vice President/Chief Financial Officer is a Board member.
- **Southeastern Economic Development Corporation (SEED):** This non-profit organization was established in 1982 to improve the economy of the region by helping small businesses get started, grow, and create jobs. The organization assists and supports small businesses during their start-up phase to help secure traditional financing, and

promotes the expansion of existing businesses by working with lending institutions and the SBA to provide financing. HarborOne's Senior Vice President of Commercial Lending serves as a Director, and the Vice President of Credit and Risk served on the Small Business Loan Committee during the evaluation period.

- **City of Brockton's Task Force for the Homeless:** This task force has representation by several local businesses. Representatives convene to make recommendations to the Mayor's Committee to help resolve chronic homelessness in Brockton. HarborOne's Chief Executive Officer serves as the Chair of the Task Force.
- **Brockton Receivership Program (BRP):** Formerly the Mayor's Foreclosure Task Force, this group is focused on receivership related issues for the City of Brockton that aims to target blighted neighborhoods to prevent or eliminate elements of slum/blight – specifically troubled properties in Brockton neighborhoods. The program is designed to repair and address unsafe and unsanitary housing and return them as lead and asbestos free, energy efficient, and properly weatherized homes. The renovated properties will become homes for low- and moderate-income families. HarborOne's Chief Executive Officer is the program's chair.
- **Mayor's Foreclosure Task Force:** This group focused on investigating, researching, and promoting activities such as loan modifications, registration of abandoned building, and enhancing code enforcements. The Bank's Senior Vice President of Community Relations chaired the task force during the evaluation period.
- **Citizens for Citizens, Inc.:** The mission of this organization is to advocate on behalf of low-income residents and address the causes and effects of poverty through the provision of direct and integrated services, the promotion of self-sufficiency, and the advancement of social change. The Assistant Vice President of Mortgage Processing is on the Board of Directors.
- **Old Colony YMCA:** This organization serves 31 communities in Southeastern Massachusetts with programs for all ages and abilities. The organization provides services such as health/fitness programs, youth asset building activities, leadership and character development training, childcare, after-school programs, literacy training, tutoring, mentions, and summer camping programs. The organization has a social services division, which works with primarily with low- and moderate-income families, particularly those with incomes below the poverty threshold. The Bank's Chief Executive Officer serves on the organization's foundation, manages the Investment Policy and investments, and serves on the Executive Committee. The Senior Vice President/Chief Financial Officer and the Senior Vice President of Commercial Lending are also Board members.
- **School on Wheels:** Background on this organization was previously provided under the Investment Test section of this evaluation. The Vice President of Consumer Loan Services is Board member, and the Senior Vice President of Operations served on the Board during the evaluation period.

- **NeighborWorks Southern Mass:** Background on this organization was previously provided under the Investment Test section of this evaluation. The Senior Vice President of Community Relations is a member of the Advisory Committee, which provides a link between the organization and a group of stakeholders composed of community members, businesses, and local government representatives. The purpose of the Committee is to bring helpful resources of time, talent, and financial capacity along with critical community representation to the organization.
- **Community Benefits Committee at the Good Samaritan Medical Center:** The focus of the Committee is individuals and families who are the most vulnerable due to unemployment, poverty, substance abuse, mental health illness, chronic disease, and issues related to accessing primary health care. The Senior Vice President of Community Relations is a member of the Committee.
- **Metro South Chamber of Commerce:** This organization, which is located in Brockton, supports and promotes the local business community through public advocacy, education, networking, and community development. Its mission is to serve the interest of member businesses while providing community leadership to ensure the economic advancement of the Metro South Region. The Senior Vice President of Human Resources is on the Board, and the Senior Vice President of Commercial Lending serves as an Ambassador.

### **Educational Services and Seminars**

In 2007, HarborOne Bank converted its former headquarters on Legion Parkway in Brockton into its MultiCultural Banking Center (MBC). The center was created in response to the 2006 sub-prime mortgage crisis and the negative impact it had on the City of Brockton. MBC's objective is to provide immigrants and other low- and moderate-income residents with the necessary resources to combat financial predators, such as sub-prime and payday lenders and check-cashing services and to bring the un- and underbanked into mainstream banking. The center is comprised of formal classrooms and meeting spaces, a computer lab, and a resource library. Current classes and seminars, which are taught in numerous languages, are focused on financial literacy and helping to meet the particular needs of the immigrant population. Financial literacy offerings include the FDIC's Money Smart Program, homebuyer seminars, personal finance classes, credit coaching, and homeownership and foreclosure workshops.

Services offered by the MBC are geared toward the immigrant population, and include citizenship test preparation, ESOL classes, computer classes, and Smart Shopping, which focuses on learning how to save money when you shop. These courses are offered with the intent of teaching the immigrant population the basic skills to successfully perform essential life tasks such as filling out job applications and medical forms, writing resumes, composing emails, and carrying out wire transfers. Since 2008, the MBC has served 5,935 individuals, of which 76 percent reside in low-income tracts. Courses are available to the general public, and are offered free of charge, or include nominal fees for participation.

Through the MBC, HarborOne Bank employees and other volunteers have provided free federal and state income tax preparation under the Internal Revenue Service's approved Voluntary Income Tax Assistance (VITA) program. During 2009 through 2012, the program has assisted

over 1,000 clients prepare their federal and state tax returns. In 2014, NeighborWorks Southern Massachusetts assumed responsibility for managing the program at the MBC.

At the MBC, the Bank subsidizes semi-permanent and temporary office space, often free-of-charge, to non-profit organizations that provide services to the area's low- and moderate-income population that are complementary to those of the MBC. Partnerships with organizations who utilize the MBC have offered services such as first-time homebuyer seminars, credit management assistance, career development, and social services. Currently, the most significant occupant is NeighborWorks Southern Massachusetts, whose energies are directed towards foreclosure mitigation.

Since its establishment in 2007, the MBC has been a model for other financial institutions around the world. In 2009, the National Credit Union Foundation's REALSolutions program brought credit unions from around the country in for a tour. The Massachusetts Credit Union League also brought a group of credit unions from Kenya for a visit. Since 2009, HarborOne Bank staff presented on the MBC in Texas, California, and Washington D.C. In 2010, visitors included representatives from credit unions and community banks, regulators, consumer advocates, a contingency of credit union staff from Brazil, and the Prime Minister and Ambassador of Cape Verde. In addition, HarborOne Bank's officers participated in conference calls from the Government Accountability Office (GAO) and the World Bank seeking information about the MBC's success in helping immigrants enter mainstream banking. In 2011, the St. Louis Community Credit Union visited the MBC and announced that they were creating their own center modeled upon it.

In 2010, HarborOne Bank established *HarborOne U*®, an educational center, at its Mansfield branch. The center provides financial education, small business assistance, personal enrichment, and life stage information. Financial education programs, primarily geared toward local youth are offered both in-house and at schools. The Bank utilizes curricula such as its "Piggy Bankers" program, the State Treasurer's "Savings Makes Cents" program, and its "Who Wants to Be a Millionaire" program, to help youth learn basic skills and to help shape good money habits for life. The small business program covers topics such as planning, legal considerations, goal setting, marketing, using internet tools to connect and advertise, time management, communication skills, and sales techniques. Personal enrichment course offerings include Social Security and Medicare benefits, job search tools and techniques, first-time homebuyer education, college planning, and estate planning.

*HarborOne U*® houses a Small Business Information Center, which offers free workspace, internet access, and a resource library. *HarborOne U*® partners with the Small Business Administration (SBA), the Small Business Development Center (MSBDC), and the Center for Women & Enterprise (CWE), to provide a range of services such as job search tools and techniques, first-time homebuyer programs, college planning, and estate planning. Since 2010, *HarborOne U*® has served over 5,000 individuals and reached over 6,000 youth through its outreach efforts. All courses and workshops are free, and space is available to community groups.

### **Financial Literacy Programs**

The Bank has been instrumental in implementing the widely successful Credit for Life Fair program. This program is a financial education opportunity for high school students to learn the basics of personal finance. Students participate in an interactive fair where they are given a

“salary” and must visit vendors to decide what lifestyle choices their budget allows. Of all Credit for Life Fairs, HarborOne Bank, in collaboration with the Brockton Housing Partnership, has operated the longest-standing event in the State of Massachusetts. The Bank participated in six Credit for Life Fairs at Brockton High School during the evaluation period. Additionally, the Bank participated in three Credit for Life Fairs aimed at special need and at-risk students at the Bi-County Collaborative and Brockton Vocational High School. In all three of these Brockton-based schools, 70 percent of the students receive free or reduced-cost lunches.

To expand the prevalence of Credit for Life Fairs within the region, the Bank has offered free workshops to potential fair organizers to provide the resources and information needed to offer the fair at their own venues. Since 2009, HarborOne has hosted an annual regional Fair Best Practices workshop, utilizing the “toolkit” provided by the Office of the Massachusetts State Treasurer, where facilitators from New England gather to share the results of their experiments with enhancing the fair.

During the evaluation period, HarborOne held 94 financial literacy sessions at the MBC. Class topics included, but were not limited to first time home buyers, basics of computers, credit coaching, and online banking. According to HarborOne’s tracking, 76 percent of the attendees live in low-income census tracts. The Bank also collaborated with the Massachusetts Small Business Development Center at the MBC and presented two workshops titled “Getting Started in Business.” The workshop provided an overview of business start-up and planning considerations and included topics such as the entrepreneurial lifestyle, feasibility, business strategy, business plan preparation, marketing, financing, and additional resources. At *HarborOne U®*, there were 304 financial literacy sessions aimed at personal finance and small business, which included topics such as college decision making, identity theft, social security, insurance, SBA loans, business planning, balancing work and family, “creating buzz for your small business”, finding work in hard times, and interview skills and resume writing.

HarborOne established its own “Who Wants to be a Millionaire” game show, specifically focusing on personal finance questions such as money, credit, and banking. During the evaluation period, HarborOne participated in 42 sessions with 17 different organizations and community groups such as the Brockton Area Workforce Investment Board, Self Help, Inc., and the YMCA.

The Bank utilizes the FDIC’s Money Smart Program, which is a comprehensive financial education curriculum designed to help low- and moderate-income individuals outside the financial mainstream enhance their financial skills and create positive banking relationships. In total, HarborOne offered 119 Money Smart sessions during the evaluation period. Of these 119 sessions, 102 were presented at the MBC. The Bank also sponsored and coordinated five FDIC Money Smart “Train the Trainer” workshops. These were attended by numerous non-profit agencies.

HarborOne utilizes the Massachusetts State Treasurer’s “Savings Makes Cents” program. This banking program is focused on elementary school children and focuses on the ABC’s of money management. Local schools and banks work together to teach children basic monetary concepts, including how to open a savings account, the origin of money, and basic budgeting skills. During the evaluation period, the Bank conducted 43 sessions at elementary schools, libraries, and other venues throughout the assessment area.

The Bank's Minority Business Development Officer has taught the basics of personal finance to bilingual students at Brockton High School for approximately fifteen years. Over 70 percent of students receive free or reduced-price lunches. The basis of this program is twofold: 1) to educate the students of Brockton High School; and, 2) for the students to communicate what they learn to their parents. During the evaluation period, the Business Development Office taught 17 sessions covering the topics of general banking and checking accounts, budgeting and credit, and resume writing and interview skills.

HarborOne participated in four 2-day first-time homebuyer seminars in collaboration with the Brockton Housing Partnership and the Randolph Banking Collaborative. Topics of the sessions included credit and preparing a budget, the mortgage process, bank financing, working with a real estate agent, home inspection, homeowner's insurance, purchase and sales, and closing.

The Vice President of Training & Development taught a budgeting workshop at the Family Life Center at the Old Colony YMCA. The Family Life Center works with families who are in crisis regarding homelessness, economic issues, lack of education, inability to maintain employment, and substance abuse. The workshop, titled Smart Shopping, provided strategies for attendees to save money when shopping for groceries through preparation, brand comparisons, unit price, and coupons.

## **Other**

HarborOne has received numerous awards for its outstanding community contributions, due in large part to its operation of the MBC. The awards include, but are not limited to: The National Credit Union Foundations (NCUF) Wegner Award for Outstanding Organization in 2010; The Wolters Kluwer Community Impact Award in 2010; the NeighborWorks America Business Leader Award in 2011; the Massachusetts Association of Community Development Corporations' Jeffrey Graham Award in 2010; and the Credit Union League of Massachusetts' Desjardin's Award for Youth Financial Literacy in 2009.

HarborOne collaborated with Self-Help, Inc. to offer Individual Development Accounts (IDAs) to graduates of a financial literacy course. Participants are of low- or moderate-income levels. HarborOne and Self-Help, Inc. match funds when the funds are used for purposes such as the purchase of a first home, post-secondary education or small business capitalization.

The Bank collaborated with the Brockton Adult Learning Center on a grant proposal to help immigrant community college students by providing three classes on financial education and two classes on interviewing and job search skills.

Through its membership in the Brockton Housing Partnership, HarborOne Bank participated in programs aimed at bringing residents facing foreclosure face-to-face with their lenders to find ways to help avoid foreclosure. The Bank participated in three such events during the evaluation period, during which timeframe over 500 individuals were served.

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

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

## METROPOLITAN AREA RECEIVING FULL-SCOPE REVIEW

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA

This area includes municipalities that are located in the counties of Norfolk and Plymouth. HarborOne operates 12 of its 14 full-service branches in this MSA portion of the assessment area. Summarized in Table 14 is pertinent demographic information concerning this MSA.

<b>Table 14 Demographics for Boston-Cambridge-Quincy, MA-NH MD</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	94	5.32	17.02	59.57	17.02	1.07
Population by Geography	462,440	4.18	15.47	62.77	17.13	0.45
Owner-Occupied Housing by Geography	124,824	1.42	12.65	67.87	18.06	0.00
Businesses by Geography	40,591	2.72	11.57	65.22	20.44	0.05
Family Distribution by Income Level	118,001	19.85	17.95	23.93	38.27	0.00
Median Family Income		\$83,664	Median Housing Value		\$341,677	
FFIEC-Adjusted Median Family Income for 2012		\$88,800	Unemployment Rate		4.66%	
Families Below Poverty Level		5.62%	(2010 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2010 U.S. Census and 2012 FFIEC-updated MFI

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA

#### **LENDING TEST**

##### **Lending Activity**

Considering HarborOne Bank's operations in this MSA portion of the assessment area, HarborOne's home mortgage and small business lending activity reflects good responsiveness to assessment area credit needs. The following sections describe lending activity in this MSA by loan type.

##### *Home Mortgage Loans*

In 2012, the Bank originated 1,138 home mortgage loans, or 74.28 percent of total home mortgage loans in the assessment area within this MSA. In 2013, both the number and percentage of loans made in this area decreased to 643 loans (70.50 percent of total assessment area lending). During the first six months of 2014, the percentage of home mortgages made within this portion of the assessment area increased to 75.55 percent, although the number of loans declined to 139. As previously referenced, the decreased lending activity from 2012 into 2013 and 2014 is the result of the generally increasing interest rate environment and the corresponding slow-down in refinance demand.



### *Small Business Loans*

Of the 15 small business loans made in the assessment area during the first six months of 2014, 13 (86.67 percent) were in this MSA.

### **Geographic Distribution**

The distribution of loans by census tract income level reflects good dispersion throughout this MSA portion of the assessment area, particularly in the low- and moderate-income geographies. The following sections discuss HarborOne Bank's performance by loan type.

#### *Home Mortgage Loans*

Considering the demographics of the assessment area, aggregate data, and performance context factors, the distribution of home mortgage loans reflects good penetration throughout the MSA. In 2012, HarborOne originated 1.85 percent of its home mortgages in low-income tracts, which exceeded both aggregate data at 1.02 percent and demographic data at 1.42 percent. The Bank made 11.07 percent of its home mortgage loans in moderate-income census tracts in 2012, which was greater than aggregate at 8.50 percent, but slightly less than demographic data at 12.65 percent.

In 2013, the Bank's lending in the low-income tracts decreased to 1.56 percent, but still exceeded demographics. Lending in moderate-income census tracts increased to 15.55 percent, which also exceeded demographic data. In the first six months of 2014, the Bank's percentage of lending in the low- and moderate-income census tracts increased to 3.60 percent and 22.3 percent, respectively.

#### *Small Business Loans*

Considering the demographics of the assessment area and performance context factors, the distribution of small business loans reflects adequate penetration throughout this MSA portion of the assessment area.

Of the 13 small business loans originated in this MSA, there were none in the low-income census tracts and 4 (30.77 percent) in the moderate-income census tracts. The Bank's lending in moderate-income tracts exceeded demographic data at 11.57 percent.

### **Borrower Profile**

Overall, the distribution of loans to borrowers of different incomes and businesses of different sizes is excellent. As discussed in the following sections, HarborOne demonstrated an excellent penetration of loans to borrowers of different income levels (particularly those of low- and moderate-income), and an adequate distribution of loans to businesses of different sizes (particularly businesses with GARs of \$1 million or less).

#### *Home Mortgage Loans*

HarborOne achieved an excellent penetration of home mortgage loans among borrowers of different incomes when compared to aggregate data and area demographics. In 2012, HarborOne originated 8.70 percent and 22.41 percent of its home mortgages to low- and moderate-income borrowers, respectively. These lending levels significantly exceeded aggregate

data at 6.75 percent and 19.60 percent, respectively. Lending was less than the percentage of low-income families at 19.85 percent. At 22.41 percent, the Bank's lending to moderate-income borrowers was greater than demographic data at 17.95 percent.

HarborOne Bank's level of lending to low- and moderate-income borrowers increased in 2013 to 11.35 percent and 26.13 percent, respectively. The performance of lending to low-income borrowers was less than demographic data; however, lending to moderate-income borrowers exceeded demographics. During the first six months of 2014, the Bank extended 7.91 percent and 24.46 percent, respectively, of its home loans to low- and moderate-income individuals.

### *Small Business Loans*

The Bank achieved an adequate penetration of small business loans among businesses of different sizes. During the first six months of 2014, HarborOne originated 69.23 percent of its small business loans to businesses with GARs of \$1 million or less. HarborOne's lending to businesses with gross annual revenues of \$1 million or less is slightly less than the percent of businesses in that income category at 73.47 percent.

### *Community Development Lending*

HarborOne Bank originated six community development loans totaling \$7.3 million in this MSA portion of the assessment area. In terms of community development purpose, the distribution of loans is: One loan totaling \$1.3 million for affordable housing; four loans totaling \$3.9 million were to organizations engaged in community services; and, one loan for \$2.1 million was for revitalization. The overall *Community Development Lending* section provides examples of the institution's community development loans.

### *Innovative or Flexible Lending Products*

All loan products and programs as described in the overall *Innovative and Flexible Lending Practices* section are available in this area.

## **INVESTMENT TEST**

The Bank made an adequate level of qualified community development donations that benefit the MSA. A majority of the qualified donations, including in-kind property donations (\$911,876 or 87.3 percent) were provided to organizations located within and serving the MSA. These donations benefited organizations that focus on affordable housing, community services, and economic development.

Please note that approximately \$29,833 of the qualified donations was made to two organizations that have a service area that spans the Commonwealth of Massachusetts.

## **SERVICE TEST**

The Bank's service delivery system is readily accessible to all portions of the area. Of HarborOne's 14-full service branches, 12 (85.71 percent) are located in this MSA. Additionally, one of the limited-service branches is located in this MSA. Two branches are located in low-income census tracts, and two are located in moderate-income census tracts. HarborOne

operates 19 ATMs in the MSA, of which 2 are located in low-income census tracts and 4 are located in moderate-income census tracts.

All of the Bank's alternative delivery systems, business banking services, and other banking services previously discussed are available within this MSA. HarborOne's services and business hours do not vary in a way that inconveniences certain portions of this area, particularly low- and moderate-income geographies or individuals.

The Bank was a leader in providing community development services within this area during the evaluation period. Employees were involved with 11 different organizations that provided community development services directly within this MSA. In addition, employees of HarborOne provide financial expertise to two organizations that have a service area that spans the Commonwealth of Massachusetts.

Please refer to the overall Service Test section for further details regarding the institution's community development services.

## METROPOLITAN AREA RECEIVING LIMITED-SCOPE REVIEW

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE PROVIDENCE-NEW BEDFORD-FALL RIVER, RI-MA MSA

HarborOne operates 2 of its 14 full-service branches in this MSA portion of the assessment area. This area includes the municipalities located in Bristol County. Table 15 illustrates select demographics for this area.

<b>Table 15</b>						
<b>Demographic Data for Providence-New Bedford-Fall River, RI-MA MSA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	39	5.13	10.26	38.46	46.15	0.00
Population by Geography	206,889	4.35	7.32	36.73	51.60	0.00
Owner-Occupied Housing by Geography	54,991	1.96	4.99	37.91	55.14	0.00
Businesses by Geography	17,038	5.42	6.12	40.86	47.60	0.00
Family Distribution by Income Level	53,672	15.21	14.78	19.37	50.64	0.00
Median Family Income		\$70,496	Median Housing Value		\$322,965	
FFIEC-Adjusted Median Family Income for 2012		\$75,600	Unemployment Rate (2010 US Census)		4.38%	
Households Below Poverty Level		4.90%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 U.S. Census and 2012 FFIEC-updated MFI

### CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PROVIDENCE-NEW BEDFORD-FALL RIVER, RI-MA MSA

#### **LENDING TEST**

HarborOne's Lending Test performance in this MSA is not consistent with its overall performance as its home mortgage and small business lending reflects adequate responsiveness to the credit needs of this MSA. In 2012, the Bank's lending in this MSA represented 25.72 percent of home mortgage lending. A similar distribution was evident in 2013 and the first six months of 2014. As for small business lending, HarborOne originated 13.33 percent (2 loans) of its small business loans in this MSA.

HarborOne originated one community development loan for \$1.8 million for affordable housing in this MSA. Furthermore, the Bank's innovative and flexible loan programs are offered throughout its entire assessment area and are described in the overall *Innovative and Flexible Lending Practices* section.

#### **INVESTMENT TEST**

The Bank's Investment Test performance in this MSA is consistent with its overall performance. During the evaluation period, \$132,220, or 12.7 percent, of qualified donations, including in-kind property donations directly benefitted the MSA. Please refer to the overall Investment Test section for full details.

## **SERVICE TEST**

The Bank's Service Test performance is consistent with its overall performance. The Bank's delivery systems are accessible to all portions of the assessment area. Of HarborOne's 14-full service branches, 2 (14.29 percent) are located in this MSA. Additionally, one of the limited-service branches is located in this MSA. All branches are located in middle- and upper-income census tracts. HarborOne operates eight ATMs in the MSA, of which two are located in low-income census tracts and one is located in moderate-income census tract. HarborOne opened one full-service branch and one limited-service branch in this MSA during the evaluation period.

All of HarborOne's alternative delivery systems, business and other banking services previously discussed are available within this MSA. The Bank's services and business hours do not vary in a way that inconveniences certain portions of this area, particularly low- and moderate-income geographies or individuals.

The Bank consistently demonstrated leadership in providing community development services throughout its assessment area, including local organizations and initiatives, as well as statewide organizations.

## APPENDIX A

### SCOPE OF EXAMINATION:

<b>HarborOne Bank</b>
<b>SCOPE OF EXAMINATION: Large Bank CRA Evaluation Procedures</b>
<b>TIME PERIOD REVIEWED: Home mortgage loans were reviewed for 2012, 2013, and the first six months of 2014. Small business loans were reviewed for the first six months of 2014. Community development loans originated subsequent to the previous evaluation conducted by the Division (August 25, 2008) in 2009, 2010, 2011, 2012, 2013, and through August 25, 2014 were included in the evaluation. Community development investments and services since the previous evaluation were also evaluated.</b>
<b>PRODUCTS REVIEWED: Home mortgage loans, small business loans, community development loans, and innovative and flexible lending products.</b>

<b>LIST OF AFFILIATES AND PRODUCTS REVIEWED</b>		
<b>AFFILIATE(S):</b>	<b>AFFILIATE RELATIONSHIP:</b>	<b>PRODUCTS REVIEWED:</b>
None		

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA:</b>	<b>TYPE OF EXAMINATION:</b>	<b>BRANCHES VISITED:</b>	<b>OTHER INFORMATION:</b>
Assessment Area	Full-Scope	None	
Boston-Cambridge-Quincy, MA-NH MSA	Full-Scope	None	
Providence-New Bedford-Fall River, RI-MA MSA	Limited-Scope	None	

## APPENDIX B

### MINORITY APPLICATION FLOW

HarborOne Bank's 2012 residential lending was compared to aggregate. This comparison assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the following table for information on the Bank's minority application flow as well as a comparison to the aggregate lenders through HarborOne's assessment area.

Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	6	0.3	0.1	3	0.2
Asian	35	1.5	3.1	18	1.3
Black or African American	198	8.7	4.1	166	12.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	1	0.0	0.1	1	0.1
Joint Race (White/Minority)	37	1.6	0.9	16	1.2
<b>Total Minority</b>	<b>277</b>	<b>12.1</b>	<b>8.4</b>	<b>204</b>	<b>15.0</b>
White	1,940	84.8	69.8	1,055	77.5
Race Not Available	72	3.1	21.8	102	7.5
<b>Total</b>	<b>2,289</b>	<b>100.0</b>	<b>100.0</b>	<b>1,361</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	33	1.4	1.5	22	1.6
Not Hispanic or Latino	2,159	94.3	76.1	1,233	90.6
Joint (Hisp/Lat /Not Hisp/Lat)	14	0.6	0.7	6	0.4
Ethnicity Not Available	83	3.7	21.7	100	7.4
<b>Total</b>	<b>2,289</b>	<b>100.0</b>	<b>100.0</b>	<b>1,361</b>	<b>100.0</b>

*Source: 2012 and 2013 HMDA LAR & 2012 HMDA Aggregate Data*

HarborOne's performance in 2012 exceeded the aggregate level of applications to applicants of racial or ethnic minority groups. The Bank received 14.1 percent of its applications from minority applicants, while the aggregate received 10.6 percent from minority applicants.

According to the 2010 U.S. Census, the assessment area had a population of 669,329, of which 19.7 percent was minority. The assessment area's minority and ethnic population is 8.5 percent Black/African American; 4.2 percent "other"; 4.0 percent Hispanic or Latino; 2.8 percent Asian; and 0.2 percent American Indian. In 2012, HarborOne received a total of 2,289 HMDA reportable loan applications within the assessment area. Of the 324 applications received from minority applicants, 48.1 percent resulted in originations, which is lower than the aggregate percentage for minority applicants at 64.9 percent. Of applications received in its assessment area, 8.7 percent were from Black/African American applicants, which exceeded the aggregate percentage of applications from the same group at 4.1 percent.

**APPENDIX C**  
*Loss of Affordable Housing*

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.

HarborOne Bank's development of credit products with flexible lending criteria, participation in flexible lending programs, lending to low- and moderate-income borrowers, and the restructuring and modification of residential real estate loans has assisted low- and moderate-income individuals to remain in their neighborhoods.



## APPENDIX D - 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.

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

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

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

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

**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.

**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, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and 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.

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

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

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that

## 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 Division and FDIC, at 770 Oak Street, Brockton, Massachusetts 02301".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 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.