

**PUBLIC DISCLOSURE**

March 20, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BANK OF FALL RIVER

30 BEDFORD STREET  
FALL RIVER, MA 02720

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division 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 **BANK OF FALL RIVER, A CO-OPERATIVE BANK ("Bank of Fall River" or the "Bank")** prepared by the Division, the institution's supervisory agency.

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

The rating of this institution is based upon its performance under five criteria as shown in this public evaluation.

The Bank's net loan-to-deposit ratio has averaged 87.0 percent over the time period reviewed. Based on this information, Bank of Fall River exceeds the standards for satisfactory performance in this area.

During the period reviewed, the Bank originated 276 Home Mortgage Disclosure Act ("HMDA") reportable loans totaling approximately \$42,376,000. Of these loans, 239 or 86.9 percent were originated inside the Bank's assessment area totaling \$36,275,000 or 85.6 percent of the total dollar amount. The Bank's comparison of credit extended inside and outside of the assessment area exceeds the standards for satisfactory performance.

Based upon a review of the residential mortgage lending data, the Bank has achieved an excellent penetration among retail customers of different incomes, including those of low and moderate-income. Bank of Fall River extended 28 HMDA reportable loans to low-income borrowers representing 11.8 percent of total originations within the assessment area. In addition, the Bank extended 38 loans to moderate-income borrowers representing 15.9 percent of the HMDA reportable originations inside the assessment area. Based on the above information, Bank of Fall River is considered to exceed the standards for satisfactory performance.

The Bank's HMDA reportable loans within the Bank's assessment area were further analyzed to determine their location by census tract income level. Of the 239 HMDA reportable loans originated within the assessment area during the review period, 87 or 36.4 percent were granted in low and moderate-income census tracts. Residential mortgage loans were well dispersed throughout the assessment area and Bank of Fall River is considered to exceed the standards for satisfactory performance in this area.

Finally, there were no complaints received by the Bank pertaining to its CRA performance and the fair lending examination revealed no evidence of disparate treatment.

## PERFORMANCE CONTEXT

### Description of Institution

Bank of Fall River was founded in 1888 as a mutually owned state chartered institution, with its main office located at 30 Bedford Street in Fall River, Massachusetts. The Bank operates three branch office locations in the communities of Dighton, Fairhaven, and Fall River. With the exception of the main office, all the branch locations are equipped with Automated Teller Machines (“ATM”s). Banking hours are considered convenient and accessible to the Bank’s customers.

As of the December 31, 2005 Federal Deposit Insurance Corporation’s (“FDIC”) Quarterly Call Report for Bank of Fall River, the Bank had total assets of \$147,732,000. Of these total assets, \$100,802,000 or 68.2 percent were in the form of net loans. The largest share of the Bank’s portfolio at 42.1 percent, were residential real estate loans. Refer to the following table for a breakdown of the loan portfolio composition.

<b>Bank of Fall River’s Loan Portfolio as of December 31, 2005</b>	
<b>Type of Loans</b>	<b>% of Total Loans</b>
Construction & Land Development	7.1
Secured by Farm Land	2.1
Residential Real Estate	
a. 1-4 Family Mortgages	37.7
b. Home Equity Lines (includes second mortgages)	4.4
Multifamily	13.2
Commercial Loans	
a. Commercial Real Estate	24.5
b. Commercial & Industrial Loans	6.6
Consumer Loans (includes single payment, installment, and student loans)	4.4
<b>Total Loans</b>	<b>100.0</b>

Source: FDIC Call Report, 12/31/05

Bank of Fall River operates in a highly competitive market. Local competitors include Lafayette Federal Savings Bank, Fall River Five Cents Savings Bank, Citizen’s Union Savings Bank, and Citizens Bank, as well as a number of national banks and mortgage companies.

There appears to be no legal or financial impediments that would affect the Bank’s ability to meet the credit needs of its assessment area. Based on the Bank’s size, product offerings, and branch network, its ability to meet the assessment area’s credit needs remains strong. The FDIC conducted the previous CRA evaluation as of March 8, 2004. That examination resulted in an “Outstanding” rating. The Division’s last CRA evaluation was conducted as of August 16, 1999. That examination also resulted in an “Outstanding” rating.

## **PERFORMANCE CONTEXT**

### **Description of Assessment Area**

The Bank's assessment area consists of the following 11 cities and towns: Berkley, Dartmouth, Dighton, Fall River, Fairhaven, New Bedford, Somerset, Swansea, Taunton, Tiverton (Rhode Island), and Westport. The Cities of Fall River, New Bedford, and Taunton represent small urban centers. These cities are comprised of a mix of low, moderate, middle, and upper-income census tracts. These cities are densely populated, ethnically diverse, and have relatively high proportions of their population living in rental housing units. In contrast, the remaining eight towns that comprise the assessment area are more suburban or rural in character. These towns consist exclusively of middle and upper-income census tracts and have a greater proportion of their population residing in owner-occupied, single family homes. The assessment area is located within the Providence-Fall River-New Bedford Metropolitan District ("MD"). The defined assessment area appears to meet all technical requirements of the regulation and does not arbitrarily exclude low and moderate-income areas.

The Bank's assessment area is comprised of 89 census tracts. There are 12 low-income tracts, 32 moderate-income tracts, 36 middle-income tracts and 9 upper-income census tracts. The median-family income for the Providence-Fall River-New Bedford MD was \$61,300 in 2004 and \$64,750 in 2005.

Census demographic information for 2000 obtained from CRA WIZ indicates that the Bank's assessment area contains a total population of 364,009 individuals. There are 154,820 housing units within the assessment area of which 52.1 percent are owner-occupied, 41.2 percent are rental occupied and 6.6 percent are vacant housing units. The housing stock is comprised primarily of one-to-four family dwellings which make up 80.2 percent of the total housing units. In addition, households living below the poverty level represent 14.1 percent of total households compared to 10 percent for the Commonwealth of Massachusetts.

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

<b>Selected Housing Characteristics by Income Category of the Geography</b>							
<b>Geographic Income Category</b>	<b>Percentage</b>						<b>Median Home Value</b>
	<b>Census Tracts</b>	<b>Households</b>	<b>Housing Units</b>	<b>Owner-Occupied</b>	<b>Rental Units</b>	<b>Vacant Units</b>	
<b>Low</b>	13.5	8.7	9.0	3.4	15.3	15.4	\$105,313
<b>Moderate</b>	36.0	34.4	34.8	20.8	51.5	40.3	\$122,188
<b>Middle</b>	40.4	46.4	45.5	60.0	29.6	30.6	\$138,276
<b>Upper</b>	10.1	10.5	10.7	15.8	3.6	13.7	\$173,581
<b>Total of Median</b>	100.0	100.0	100.0	100.0	100.0	100.0	\$133,445

Source: 2000 U.S. Census

### **Description of Aggregate Data Utilized/Lending Activity**

Aggregate data, for residential mortgage lending performance purposes only, constitutes (both large and small) mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions, which have originated and/or purchased at least one residential mortgage and/or home improvement loan within the Bank's assessment area (source: PCI Services, Inc., CRA Wiz). There are 386 such lenders within the Bank's assessment area and the total number of originations/purchases was 23,809 in calendar year 2004.

## **PERFORMANCE CRITERIA**

### **1. LOAN TO DEPOSIT ANALYSIS**

Based upon the following discussion, Bank of Fall River's net loan to total deposit ratio appears to be excellent and, as such, exceeds standards for satisfactory performance. This criterion determines what percent of the Bank's deposits are reinvested in the form of loans.

An analysis of the Bank's net loan to deposit ratio was performed. The calculation incorporated eight quarters of the Bank's net loans to total deposit figures as reflected in the Bank's quarterly FDIC Call Reports. The quarters reviewed included the periods from March 2004 through December 2005. The Bank's net loan to total deposit ratio has averaged 87.0 percent over the eight quarters under review. Refer to the following.

<b>Bank of Fall River's Net Loan to Deposit Ratios</b>	
<b>Dates</b>	<b>Ratio (%)</b>
March 31, 2004	89.2
June 30, 2004	88.8
September 30, 2004	87.8
December 31, 2004	94.7
March 31, 2005	90.3
June 30, 2005	84.1
September 30, 2005	83.3
December 31, 2005	77.8

Source: FDIC Call Reports

The net loan to deposit ratio stood at 77.8 percent as of December 31, 2005. The dollar amount for the Bank's loans and deposits as of March 31, 2004, was compared to that of December 31, 2005. This comparison revealed that deposits have increased by 14.4 percent, while net loans for the same period have decreased by 0.2 percent. The Bank sells loans on the secondary market which helps to replenish funds to make more credit available.

A comparison of Bank of Fall River's net loan to deposit ratio to that of a representative selection of area financial institutions was also performed. As of December 31, 2005 (latest data available), Bank of Fall River had total assets of \$147,732,000 and a net loan to deposit ratio of 77.8 percent. Those institutions chosen for this analysis either have a main office or branch location in Bank of Fall River's assessment area or, based upon FDIC Call Report Data, are of similar size and capacity. The data presented in the following table is as of December 31, 2005.

<b>COMPARATIVE NET LOAN TO TOTAL DEPOSIT RATIOS</b>		
<b>Institution</b>	<b>Total Assets \$(000)</b>	<b>Net Loan to Total Deposit Ratios (%)</b>
Citizen's Union Bank	552,690	78.3
Bank of Fall River	147,732	77.8
Lafayette Federal Savings Bank	106,343	47.4
St. Anne's Credit Union	651,754	69.8

Source: FDIC Call Reports 12/31/05

## PERFORMANCE CRITERIA (CONTINUED)

### 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

An analysis of HMDA reportable lending extended both inside and outside of Bank of Fall River's assessment area for the period under review was performed. The following table illustrates the Bank's level of HMDA reportable lending both inside and outside its assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area												
Year	Inside				Outside				Total			
	Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)		Number of Loans		Dollar Volume (000)	
	#	%	\$	%	#	%	\$	%	#	%	\$	%
2004	165	86.8	25,598	84.8	25	13.2	4,607	15.2	190	100.0	30,205	100.0
2005	74	87.1	10,677	87.7	11	12.9	1,494	12.3	85	100.0	12,171	100.0
<b>Total</b>	<b>239</b>	<b>86.9</b>	<b>36,275</b>	<b>85.6</b>	<b>36</b>	<b>13.1</b>	<b>6,101</b>	<b>14.4</b>	<b>275</b>	<b>100.0</b>	<b>42,376</b>	<b>100.0</b>

Source: HMDA LAR 2004-2005.

As indicated in the table above, Bank of Fall River has granted a substantial proportion of its residential loans within its assessment area. This equates to 86.9 percent by number and 85.6 percent by dollar volume. However, the Bank's overall HMDA reportable lending has decreased from 2004 to 2005 which was attributed, in part, to the rising interest rate environment and the strong competition in the assessment area. The Bank's level of lending within its assessment area is considered to be excellent. Overall, the Bank exceeds the standards for satisfactory performance in the criterion.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of HMDA reportable lending within the Bank's assessment area was performed to assess how well the Bank is addressing the credit needs of the area's borrowers, including those of low and moderate incomes. For the purposes herein, the period under review for HMDA reportable lending constitutes calendar years 2004 and 2005. A HMDA reportable loan is defined as home purchase loans (including originations, purchases, and refinances) as well as home improvement loans. These loans were categorized by the applicant's reported incomes in 2004 and 2005.

The following table presents the Bank's performance as well as the 2004 aggregate data (exclusive of Bank of Fall River) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of family households in each of the borrower income categories.

Median Family Income Level	2004 Aggregate Lending Data (% of #)	2004 Bank Data		2005 Bank Data		Total	
		#	%	#	%	#	%
Low	4.8	20	12.1	8	10.8	28	11.7
Moderate	19.3	21	12.7	17	23.0	38	15.9
Middle	30.8	44	26.7	22	29.7	66	27.6
Upper	31.6	51	30.9	19	25.7	70	29.3
NA	13.5	29	17.6	8	10.8	37	15.5
<b>Total</b>	<b>100.0</b>	<b>165</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>	<b>239</b>	<b>100.0</b>

## **PERFORMANCE CRITERIA (CONTINUED)**

Bank of Fall River's percentage of lending to low-income borrowers at 12.1 percent was well above the aggregate in 2004. In 2005, the Bank's lending to low-income borrowers decreased slightly to 10.8 percent. The Bank's lending to moderate-income borrowers at 12.7 percent was slightly below the aggregate in 2004. However, the Bank's lending to moderate-income borrowers increased significantly in 2005 to 23 percent. Overall, the Bank's record of lending to low and moderate-income borrowers was excellent.

Based on the above information, Bank of Fall River's loan distribution by borrower income exceeds the standards for satisfactory performance.

### **4. GEOGRAPHIC DISTRIBUTION OF LOANS**

Based on 2000 census data, Bank of Fall River's assessment area contains 89 census tracts. There are 12 low-income tracts, 32 moderate-income tracts, 36 middle-income tracts and 9 upper-income census tracts.

A review of HMDA reportable loans extended within the various census tracts contained within Bank of Fall River's assessment area was conducted to assess how well the Bank is addressing the credit needs throughout the assessment area. The following table presents the Bank's performance as well as the 2004 aggregate data (exclusive of Bank of Fall River) of HMDA reportable lending by percentage. In addition, the table also reflects the percentage of owner-occupied housing units in each of the census tract income categories.

<b>Distribution of Home Mortgage Loans by Income Category of the Census Tract</b>								
<b>Census Tracts</b>	<b>% Total Owner-Occupied Housing Units</b>	<b>2004 Aggregate Lending Data (% of #)</b>	<b>2004 Bank Data</b>		<b>2005 Bank Data</b>		<b>Total</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.3	5.4	6	3.6	1	1.4	7	2.9
<b>Moderate</b>	20.9	25.1	58	35.1	22	29.7	80	33.5
<b>Middle</b>	59.9	56.5	59	35.8	32	43.2	91	38.1
<b>Upper</b>	15.9	13.0	42	25.5	19	25.7	61	25.5
<b>Total</b>	100.0	<b>100.0</b>	<b>165</b>	<b>100.0</b>	<b>74</b>	<b>100.0</b>	<b>239</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

Bank of Fall River's percentage of lending within low-income census tracts is slightly below that of the aggregate in 2004. The percentage of loans in low-income census tracts closely matches the percentage of owner-occupied housing units located in those tracts.

Lending in the moderate-income tracts is well above the aggregate for 2004. Total lending in moderate-income tracts is also noteworthy at 33.5 % of the Bank's loans were originated in moderate-income tracts within the assessment area. Given the demographics of Bank of Fall River's low and moderate-income census tracts within its assessment area and the institution's continued commitment to lend in these tracts, as well as the strong competition within the assessment area, the Bank's performance is considered excellent and exceeds the standards for satisfactory performance.

## PERFORMANCE CRITERIA (CONTINUED)

### 5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

Bank of Fall River received no CRA related complaints in the period under review. The Bank has a satisfactory record of implementing fair lending policies and practices.

A Fair Lending review was conducted during this examination. This review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Loan policies and procedures were reviewed as part of this evaluation. Based on the sample of loans reviewed for compliance with the governing fair lending laws and regulations, no evidence of disparate treatment of applicants was noted.

#### Minority Application Flow

For the period reviewed, Bank of Fall River received two HMDA reportable mortgage applications from minority applicants within its assessment area both of which were approved. Also included in the table is the 2004 aggregate data (exclusive of Bank of Fall River) in comparison to the Bank's data. Refer to the following for more information:

MINORITY APPLICATION FLOW								
RACE	Bank 2004		2004 Aggregate Data		Bank 2005		Bank TOTAL	
	#	%	#	%	#	%	#	%
American Indian/ Alaska Native	0	0.0	151	0.3	0	0.0	0	0.0
Asian	0	0.0	232	0.6	0	0.0	0	0.0
Black/ African American	1	0.5	1,332	3.4	1	1.0	2	0.7
Hawaiian/Pac Isl.	0	0.0	76	0.2	0	0.0	0	0.0
2 or more Minority	0	0.0	14	0.1	0	0.0	0	0.0
Joint Race (White/Minority)	0	0.0	273	0.7	0	0.0	0	0.0
<b>Total Minority</b>	<b>1</b>	<b>0.5</b>	<b>2,078</b>	<b>5.3</b>	<b>1</b>	<b>1.0</b>	<b>2</b>	<b>0.7</b>
White	177	92.2	27,541	70.7	102	95.3	279	93.3
Race Not Available	14	7.3	9,359	24.0	4	3.7	18	6.0
<b>Total</b>	<b>192</b>	<b>100.0</b>	<b>38,978</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>
ETHNICITY								
Hispanic or Latino	1	0.5	1,230	3.2	1	1.0	2	0.7
Not Hispanic or Latino	167	87.0	25,475	65.4	102	95.3	269	90.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	212	0.5	0	0.0	0	0.0
Ethnicity Not Available	24	12.5	12,061	30.9	4	3.7	28	9.3
<b>Total</b>	<b>192</b>	<b>100.0</b>	<b>38,978</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>	<b>299</b>	<b>100.0</b>

Source: US Census, HMDA LAR, HMDA Aggregate Data

The Bank's minority application flow for this period was compared with the 2004 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applicants. The Bank did not meet expectations for lending to minorities within its assessment area as it fell below the aggregate in all categories. Within the Bank's assessment area, minorities comprise 12.2 percent of the population. The aggregate had 5.3 percent of its applications from racial minority applicants and 3.2 percent from ethnic minority applicants.

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (30 Bedford Street, Fall River, MA 02720)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that area 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 agency, 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.