

**PUBLIC DISCLOSURE**

**June 1, 2009**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HAVERTHILL BANK**

**26411**

**180 MERRIMACK STREET  
HAVERTHILL, MA 01830**

**Division of Banks  
One South Station  
Boston, MA 02110**

**Federal Deposit Insurance Corporation  
15 Braintree Hill Office Park  
Braintree, MA 02184**

**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 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 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 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 **Haverhill Bank (“Bank”)** prepared by the Division and the FDIC, the institution's supervisory agencies.

### **INSTITUTION'S CRA RATING:**

**This institution is rated “Satisfactory” by the Division and the FDIC.**

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

The above rating is based on the following findings:

- The average net loan-to-deposit ratio (75.1 percent) is reasonable considering the institution's size and assessment area credit needs.
- A majority of the Bank's loans (65.6 percent) were originated within the assessment area.
- The distribution of loans by borrower income reflects an excellent penetration given the demographics of the assessment area. In 2007, the Bank's home mortgage lending to low-income borrowers (6.8 percent) and moderate-income borrowers (33.9 percent) exceeded the aggregate of 5.1 percent and 21.6 percent, respectively. The random sample of small business loans resulted in 100 percent of the loans made to businesses with gross annual revenues under \$1 million. Further, approximately 94 percent of the Bank's 2007 small business loans were originated in amounts under \$250,000.
- Despite being below the aggregate, the Bank's geographic distribution of loans within the assessment area's moderate-income census tracts is reasonable. The distribution of small business loans within the moderate-income tracts in 2007, at 64.7 percent significantly exceeded the percentage of non-farm businesses (28.8 percent) located in those census tracts.
- The Bank's fair lending policies and procedures are considered satisfactory and the Bank received no CRA-related complaints.

## **SCOPE OF EXAMINATION**

This CRA evaluation was performed utilizing the “small bank” performance criteria.

The Bank is primarily a residential lender, with 1-4 family residential real estate and multi-family loans representing 72.45 percent of the Bank’s loan portfolio. Commercial Real Estate and Commercial and Industrial loans (combined) represent the next largest segment of the loan portfolio, at 22.5 percent. The remainder of the portfolio represents, collectively, a small percentage of the Bank’s lending activity, and as a result, is not included in the evaluation. The Bank did not request the review of community development investments or services.

In December 2008, the Bank merged with the Northeast Community Credit Union (NCCU) in Haverhill, Massachusetts. This evaluation will consider only home mortgage and commercial loans for 2007 and 2008 generated by the Bank and will not include NCCU in this evaluation.

The Bank is a Home Mortgage Disclosure Act (“HMDA”) reporter. Therefore, residential lending data for the evaluation was obtained from the Bank’s HMDA Loan Application Registers (“LARs”). The Bank’s HMDA information was compared to the 2007 aggregate data. Please note that at the time of the evaluation, 2008 aggregate data was not yet available. Given the asset size of the Bank, the institution is not required to collect and report its small business lending activity. However, given the percentage of commercial loans, in relation to total loans, the Bank’s small business loans were analyzed. The small business information was obtained through a random sample taken from Bank records. Unlike the HMDA analysis, the Bank’s small business activity was not compared to the aggregate performance. Instead, small business activity was compared to general business demographic data.

Unless otherwise noted, more emphasis was placed on the number of loans originated, rather than the total dollar amount, as one or two large loans could distort the overall performance.

Demographic data referenced throughout the CRA evaluation was obtained from the 2000 United States (U.S.) Census, unless otherwise noted.

The Interstate Banking and Branching Efficiency Act (IBBEA), requires a separate discussion of CRA performance in metropolitan statistical areas (MSAs). The Bank’s delineated assessment area is located in the Peabody, MA Metropolitan Division (MD) and the Rockingham County-Stafford County, NH MD. Both MDs are located in the Boston-Cambridge-Quincy, MA-NH MSA. This CRA evaluation will assess the overall performance based on the Bank’s efforts in the MSA.

## PERFORMANCE CONTEXT

### Description of Institution

Haverhill Bank is a state-chartered savings bank. The Bank's primary office is located at 180 Merrimack Street in Haverhill, Massachusetts. The Bank also maintains three additional full service offices in Haverhill and one in Bradford. Limited service offices are located at the Haverhill High School and the Whittier Vocational Technical High School.

To eliminate the effects of the purchase of Northeast Community Credit Union in December 2008, the September 30, 2008 financial information was used. As of September 30, 2008, the Bank had total assets of \$165.1 million and total loans of \$109.2 million, or 66.1 percent of total assets. The Bank offers residential, consumer, and commercial loan products, with residential real estate lending (including multi-family loans), at 72.5 percent, representing the Bank's primary lending focus.

Refer to Table 1 for further information regarding the Bank's loan portfolio.

<b>Table 1</b>				
<b>Loan Portfolio as of September 30, 2008 and March 31, 2009</b>				
<b>Loan Type</b>	<b>Dollar Volume \$(000) 09/30/2008</b>	<b>Percentage of Total Loans 09/30/2008</b>	<b>Dollar Volume \$(000) 03/31/2009</b>	<b>Percentage of Total Loans 03/31/2009</b>
Construction and Land Development	2,508	2.3	3,358	1.8
1-4 Family Residential	75,913	69.5	138,071	72.0
Multi Family	3,234	3.0	3,360	1.8
Farmland	429	.4	425	.2
Commercial Real Estate	20,833	19.1	33,034	17.2
Commercial and Industrial Loans	3,759	3.4	5,907	3.1
Consumer Loans	2,503	2.3	7,524	3.9
Other	32	.0	48	.0
Less: unearned income	2	.0	43	.0
<b>Total Loans</b>	<b>109,209</b>	<b>100.0</b>	<b>191,684</b>	<b>100.00</b>

The Bank was last examined for CRA by the FDIC on May 17, 2004 and by the Division on January 29, 2002. Both examinations were conducted under the "small bank" procedures and assigned overall CRA ratings of "Satisfactory".

There appear to be no legal or significant financial impediments that limit or interfere with the Bank's ability to meet the credit needs of its assessment area. It is noted that the Bank operates in a highly competitive environment. According to aggregate lending data, there were 214 lenders who originated home mortgage loans in the Bank's assessment area in 2007.

## Description of Assessment Area

The CRA requires each financial institution to define an assessment area within which its CRA performance will be evaluated. An assessment area should consist of MSAs, Primary Metropolitan Statistical Areas (PMSAs), MDs, or contiguous political subdivisions such as counties, cities, or towns. Further, an assessment area should not arbitrarily exclude any low- or moderate-income areas taking into account the institution's size and financial condition. The CRA requires a bank to designate one or more assessment areas within which its record of helping to meet the needs of its community will be evaluated.

The Bank's assessment area consists of 17 census tracts, with 14 in the town of Haverhill, Massachusetts and 1 in the town of Groveland, Massachusetts. Additional towns include Plaistow and Atkinson, New Hampshire. The Massachusetts census tracts are located in the Peabody, MA MD and the New Hampshire tracts are located in the Rockingham County-Stafford County, NH MD. Both MDs are located in the Boston-Cambridge-Quincy, MA-NH MSA. The assessment area contains no low-, 5 moderate-, 11 middle-, and 1 upper-income census tract. The assessment area, as currently defined, meets the technical requirements of the regulation, as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

The 2008 assessment area contains a total population of 78,932 individuals and 20,647 families. Based on 2000 U.S. Census data and updated figures from the U.S. Department of Housing and Urban Development (HUD), the adjusted median family income (MFI) in the assessment area in 2008 was \$79,212. Of the families in the area, 18.9 percent are low-income, 17.9 percent are moderate-income, 25.6 percent are middle-income, and 37.6 percent are upper-income. Additionally, 5.8 percent of the families have incomes below the poverty level. The percentage of families living at or below the poverty level can be an indicator of a reduced capacity to borrow, which can limit a financial institution's ability to lend.

The assessment area contains 31,191 housing units, of which 63.9 percent are owner-occupied, 33.0 percent are rental-occupied, and 3.1 percent are vacant. According to the 2000 U.S. Census data the median housing value in the assessment area is \$157,700. More recent data obtained from The Warren Group, publisher of *Banker & Tradesman*, indicated the median sales price in the assessment area has been declining after several years of increases. According to The Warren Group data, the median sales price for Haverhill in 2006 was \$300,000 and \$302,500 in 2007. The median sales price fell to \$246,000 by 2009.

As previously mentioned, the Bank operates in a competitive environment. Some of the top lenders in the area in 2007 include Bank of America, N.A., Wells Fargo Bank, N.A., Countrywide Bank, FSB and Home Loans. These four financial institutions collectively account for 18 percent of the assessment area market share. In addition to these large, nationally based mortgage lenders, the Bank also faces local competition from Pentucket Bank, Haverhill, MA and Sovereign Bank. As previously mentioned, Haverhill

Bank ranked 17<sup>th</sup> in 2007 among the 214 mortgage lenders with 1.9 percent of the market. Based on the Bank's small asset size and limited assessment area, there are no banks that could be considered similarly situated in which to compare the Bank's overall performance. The 2008 market share rankings were also not available.

Because the Bank is not a small business reporter, comparisons to the aggregate performance were not possible. A review of certain business demographic data revealed 5,066 non-farm businesses within the Bank's assessment area, with 1,459 businesses located in the assessment area's moderate-income census tracts.

### **Community Contact**

As part of the evaluation process, third parties, active in community affairs, are contacted to assist in assessing the housing and business needs of the Bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available. A third party commented positively relative to the Bank's community development efforts. The contact stated that the Bank has been more than willing to listen and discuss their proposals and has been actively involved in the First Time Homebuyer programs.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT**

This performance criterion measures the extent to which the Bank's deposits are reinvested in the form of loans.

The average loan-to-deposit (LTD) ratio since the previous FDIC evaluation on May 17, 2004, was calculated at 75.1 percent. The Bank's LTD ratio as of March 30, 2009, was calculated at 87.9 percent which was the highest ratio for the period. The lowest LTD ratio for this period was 68.5 percent, as of June 30, 2005. The Bank's LTD ratio fluctuated from 69.1 percent in May 2004 to 87.9 percent in March 2009. Overall, the Bank's LTD ratio shows a positive trend and is reasonable given the institution's size, financial condition, and the assessment area's credit needs.

### **COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

The Bank originated a majority of its residential mortgages and small business loans within their delineated assessment area. Table 2 contains information concerning the distribution of the Bank's home mortgage and small business loans inside and outside the assessment area.

<b>Table 2 - Distribution of Loans Inside and Outside of the Assessment Area</b>										
Loan Category or Type	Number Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2007 Home Mortgage	59	68.6	27	31.4	86	8,363	66.0	4,314	34.0	12,677
2008 Home Mortgage	71	65.1	38	34.9	109	9,983	62.2	6,064	37.8	16,047
<b>Total Mortgage</b>	<b>130</b>	<b>66.7</b>	<b>65</b>	<b>33.3</b>	<b>195</b>	<b>18,346</b>	<b>63.9</b>	<b>10,378</b>	<b>36.1</b>	<b>28,724</b>
2007 Small Business	17	70.8	7	29.2	24	2,000	67.2	978	32.8	2,978
2008 Small Business	13	52.0	12	48.0	25	330	12.1	2,404	87.9	2,734
<b>Total Small Business</b>	<b>30</b>	<b>61.2</b>	<b>19</b>	<b>38.8</b>	<b>49</b>	<b>2,330</b>	<b>40.8</b>	<b>3,382</b>	<b>59.2</b>	<b>5,712</b>
<b>Grand Total</b>	<b>160</b>	<b>65.6</b>	<b>84</b>	<b>34.4</b>	<b>244</b>	<b>20,676</b>	<b>60.0</b>	<b>13,760</b>	<b>40.0</b>	<b>34,436</b>

Source: HMDA LARs, Bank records

### **Home Mortgage Loans**

As displayed in Table 2, the Bank originated a majority of its mortgage loans, by number and dollar amount, within its assessment area in both 2007 and 2008. While the percentage of mortgage loans inside the area decreased slightly to 65 percent in 2008, the total number of loans made in the assessment area actually increased 20 percent. Analysis by dollar amount noted a similar performance with a 19 percent increase in dollar volume.

Additional analysis of the Bank's home mortgage lending was also conducted by loan purpose. Of the 59 home mortgage loans originated in 2007, 29 were for the purpose of refinance, 15 were home improvement loans, and 15 were home purchase loans. Each of these categories had 60 percent or more within the assessment area, with refinances achieving 78.4 percent inside the assessment area.

In 2008, the Bank originated 24 home purchase loans, 35 refinance loans, and 12 home improvement loans. While 77.8 percent of the refinance loans and 63 percent of the home purchase loans were originated inside the assessment area, home improvement loans were only 46 percent. In 2008, the Bank began pricing mortgage loans to their local market which created additional demand for home purchase and home refinance loans. Because equity lines of credit are tied to prime, they were less expensive than home improvement loans in 2008. Because equity lines can also be used for home improvement, the market chose the less expensive path which caused a reduction in home improvement loans.

As previously mentioned, Haverhill Bank was ranked 17<sup>th</sup> in 2007 among the 214 mortgage lenders with 1.9 percent of the market.

Given the competitive nature of the assessment area, combined with certain demographic constraints, including the cost of housing and the percentage of low- and moderate-income families, the Bank's ability to originate a majority of its loans inside the assessment area is considered reasonable.

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

A majority of the Bank's 2007 and 2008 small business loans, by number, were originated within the assessment area. Analysis of the small business loan activity, by dollar amount, revealed a majority in 2007, but a significant drop in 2008. The decline in dollar volume is attributed to competition in the area, and the origination of two larger loans outside the assessment area.

## **DISTRIBUTION OF LOANS AMONG DIFFERENT INCOME LEVELS**

The distribution of loans is reviewed by borrower income or revenue to determine the extent to which the Bank is addressing the credit needs of the area's residents and small businesses, particularly low- and moderate-income individuals and businesses with revenue under \$1 million. The distribution of borrowers reflects, given the demographics of the assessment areas, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

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

The individual borrowers' reported incomes for 2007 and 2008 were compared to the MFIs for the assessment area. The income figures are data collected during the 2000 U.S. Census. The income figures are adjusted annually by HUD to allow for factors such as inflation and other economic events.

Low-income is defined as income that is less than 50 percent of the MFI; moderate-income is defined as income that is at least 50 percent, but less than 80 percent of the MFI; middle-income is defined as income that is at least 80 percent, but less than 120 percent of the MFI; and upper-income is defined as income that is 120 percent or more of the MFI.

Table 3 breaks out the loans originated inside the assessment area in 2007 and 2008 categorized by the applicants' reported income in relation to the HUD-adjusted median family income for the respective year. The table also presents the distribution of families by income level and the aggregate market data for 2007. Aggregate data for 2008 is not yet available for comparison purposes.

Median Family Income Level	2007 % Families	Aggregate Lending Data 2007		Bank 2007		Bank 2008		Bank Total	
		#	%	#	%	#	%	#	%
<b>Low</b>	18.9	157	5.1	4	6.8	3	4.2	7	5.4
<b>Moderate</b>	17.9	665	21.6	20	33.9	18	25.4	38	29.2
<b>Middle</b>	25.6	1,017	33.0	11	18.6	19	26.8	30	23.1
<b>Upper</b>	37.6	1,097	35.6	23	39.0	27	38.0	50	38.5
<b>NA</b>	0.0	145	4.7	1	1.7	4	5.6	5	3.8
<b>Total</b>	100.0	3,081	100.0	59	100.0	71	100.0	130	100.0

Source: Bank generated reports, 2000 U.S. Census data

As displayed above, the Bank's percentage of lending to low- and moderate-income borrowers in 2007, at 6.8 percent and 33.9 percent, respectively, exceeded the aggregate percentages. Given the competition in the assessment area, the Bank's performance is very good. The Bank's 2007 number and percentage of loans to low- and moderate-income borrowers declined in 2008, but there is no aggregate data for comparison purposes. For 2007, the Bank ranked 11<sup>th</sup> for loans to low-income borrowers and 8<sup>th</sup> for loans to moderate-income borrowers.

Analysis of the Bank's home mortgage lending, by loan purpose and type, revealed that the Bank made loans in each category to both low- and moderate-income borrowers with the exception of home improvement loans to low-income borrowers in 2008 (no loans).

Given the competitive nature of the assessment area, as well as the demographics of the area, including the cost of housing, percentage of low- and moderate-income families, and percentage of families below the poverty level, the Bank's distribution of home mortgage loans by borrower income reflects an excellent penetration.

### **Small Business Loans**

As shown in Table 4, in 2007 and 2008 the Bank originated 100 percent of its small business loans to businesses with gross annual revenues (GARs) of \$1 million or less. The Bank's percentages are also greater than the percentage of businesses in that revenue category located in the assessment area, which is estimated at 67.6 percent.

While emphasis is placed on loans to businesses with GARs under \$1 million, the dollar amount of those loans is also analyzed. Please note that the size of the loan is used as a proxy, with the assumption that the smaller the loan amount, the smaller the business being served. The Bank made 52.9 percent of their loans in amounts under \$100,000

and 41.2 percent of loans in amounts between \$100,000 and \$250,000 in 2007, reflective of an excellent penetration. While the percentages dropped slightly in 2008, the Bank still originated approximately 85 percent of its small business loans in amounts less than \$250,000.

Business Revenue	Bank Loans		Percent of Loans by Loan Size Category					
	#	%	\$100,000 and Less		Between \$100,001 and \$250,000		\$250,001 to \$1 million	
			#	%	#	%	#	%
\$1 Million and less	17	100.0	9	52.9	7	41.2	1	5.8
Over \$1 Million	0	0.0						
<b>Total 2007</b>	<b>17</b>	<b>100.0</b>	<b>9</b>	<b>52.9</b>	<b>7</b>	<b>41.2</b>	<b>1</b>	<b>5.8</b>
\$1 Million and less	13	100.0	6	46.2	5	38.5	2	15.4
Over \$1 Million	0	0.0						
<b>Total 2008</b>	<b>13</b>	<b>100.0</b>	<b>6</b>	<b>46.2</b>	<b>5</b>	<b>38.5</b>	<b>2</b>	<b>15.4</b>

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The institution's assessment area contains no low-income census tracts; however, there are 5 moderate-, 11 middle-, and 1 upper-income census tracts.

The geographic distribution of home mortgage and small business loans was reviewed to assess the Bank's performance in addressing credit needs throughout its assessment area. Emphasis was placed on lending in the moderate-income census tracts. Overall, the Bank's geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

Relative to home mortgage and small business lending, there were no conspicuous lending gaps noted during the evaluation period; however, not all moderate-income census tracts in the Bank's delineated assessment area experienced home mortgage and small business lending activity by the Bank. Of the five moderate-income census tracts, three showed mortgage lending activity in 2007. In 2008, all census tracts had mortgage activity. The two moderate-income census tracts without mortgage loans in 2007 were both in Haverhill. Analysis of these tracts revealed a limited number of owner-occupied housing units, ranging from 373 units to 491 units, respectively, and representing only 23 percent and 26 percent of the total housing units.

## Home Mortgage Loans

Table 5 shows the Bank's lending, by census tract income level, in the assessment area.

Table 5 – Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2007 Aggregate Lending Data		2007		2008		Total	
		#	%	#	%	#	%	#	%
Moderate	14.8	679	22.1	9	15.2	14	19.7	23	17.7
Middle	74.9	2,141	69.5	46	78.00	54	76.1	100	76.9
Upper	10.3	260	8.4	4	6.8	3	4.2	7	5.4
<b>Total*</b>	<b>100.0</b>	<b>3,080</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>

Source: U.S. Census, HMDA LAR (2007-2008), and 2007 HMDA Aggregate Data. Does not include one loan with NA income in 2007 aggregate.

As Table 5 indicates, the Bank's mortgage lending activity in the five moderate-income census tracts was comparable to the aggregate. Further, the number of mortgage loans increased by 55.6 percent from 2007 to 2008 in those census tracts. The Bank's 2007 and 2008 performance in the moderate-income tracts also exceeded the percentage of total occupied housing units in those geographies. The Bank's market share within the moderate-income census tracts for 2007 was 25<sup>th</sup>.

The Bank's mortgage loans were further analyzed by loan category. As reflected in Table 6, home purchase loans were the only loan type where the Bank's performance exceeded aggregate.

Table 6 2007 Distribution of Home Mortgage Loans by Product Type and Census Tract Income							
Loan Category	# of Bank Loans	Percent of Bank Loans By Census Tract Income			Percent of Aggregate Lending By Census Tract Income		
		Moderate	Middle	Upper	Moderate	Middle	Upper
Home Purchase	15	26.7	73.3	0.0	25.0	67.4	7.7
Refinance	29	10.3	75.9	13.8	17.8	73.2	9.0
Home Improvement	15	13.3	86.7	0.0	20.8	70.4	8.9
<b>Total 2007</b>	<b>59</b>	<b>15.2</b>	<b>78.0</b>	<b>6.8</b>	<b>22.1</b>	<b>69.5</b>	<b>8.4</b>
Home Purchase	24	33.3	66.7	0.0	N/A	N/A	N/A
Refinance	35	8.6	82.9	8.6	N/A	N/A	N/A
Home Improvement	12	25.0	75.0	0.0	N/A	N/A	N/A
<b>Total 2008</b>	<b>71</b>	<b>19.7</b>	<b>76.1</b>	<b>4.2</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

Note: Aggregate lending data is not available for 2008.

Considering the level of competition in the area, comparison to the aggregate, and the Bank's percentages compared to the percentages of owner-occupied housing, the Bank's overall level of lending is considered adequate.

### **Small Business Loans**

Table 7 reflects the Bank's small business lending activity by census tract income level. As reflected, the Bank's percentage of small business loans made in the moderate-income census tracts in 2007 was more than twice the percentage of businesses in the moderate-income census tracts. The 2008 percentages also exceeded the percentage of businesses in the moderate-income census tracts. While the trend was down in 2008, it must be remembered that this is a random statistical sample of small business loans. With only five moderate-income census tracts in the Bank's assessment area, there is strong competition for loans in these areas.

<b>Table 7 - Distribution of Small Business Loans by Income Category of the Census Tract</b>								
<b>Census Tract Income Level</b>	<b>2007 Non-Farm Businesses</b>		<b>2007</b>		<b>2008</b>		<b>Total</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Moderate</b>	1459	28.8	11	64.7	5	38.5	16	53.3
<b>Middle</b>	3128	61.7	6	35.3	8	61.5	14	46.7
<b>Upper</b>	479	9.5	0	0.0	0	0.0	0	0.0
<b>Total*</b>	<b>5,066</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>

*Source: Bank files and 2000 U.S.Census*

### **Response to CRA Complaints**

The fifth performance criterion in the Lending Test pertains to the Bank's record of responding to CRA-related complaints. A review of FDIC and Division records, as well as the Public File maintained by the Bank pursuant to CRA regulations, disclosed no complaints. Management has written policies and procedures in place if a complaint is received.

### **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS**

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

**APPENDIX A**  
**Fair Lending Policies and Practices – Massachusetts Division of Banks**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

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

Within the Bank's loan and compliance policies, fair lending and fair housing are adequately addressed. The Board has reviewed and approved these policies since the previous examination. The Bank provides annual fair lending training to all employees with any responsibilities in the lending area through online computerized materials. In-house training for Board members has taken place twice during the time period covered by this evaluation.

**MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed, the Bank received ten HMDA-reportable mortgage applications from racial minority groups within its assessment area of which five were originated. Refer to the following table for further details.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Bank 2007</b>		<b>2007 Aggregate Data</b>		<b>Bank 2008</b>		<b>Bank TOTAL</b>	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	1	1.3	3	0.1	0	0.0	1	0.6
<i>Asian</i>	0	0.0	26	0.8	1	1.1	1	0.6
<i>Black/ African American</i>	0	0.0	39	1.3	3	3.2	3	1.7
<i>Hawaiian/Pac Isl.</i>	0	0.0	4	0.1	0	0.0	0	0.0
<i>2 or more Minority</i>	0	0.0	3	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	1.3	28	0.9	2	2.1	3	1.7
<b>Total Minority</b>	<b>2</b>	<b>2.6</b>	<b>103</b>	<b>3.3</b>	<b>6</b>	<b>6.4</b>	<b>8</b>	<b>4.6</b>
<i>White</i>	76	97.4	2,656	86.2	86	91.5	162	94.2
<i>Race Not Available</i>	0	0.0	322	10.5	2	2.1	2	1.2
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>3,081</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>172</b>	<b>100.0</b>
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	0	0.0	189	6.1	1	1.1	1	0.6
<i>Not Hispanic or Latino</i>	78	100.0	2,539	82.4	90	95.7	168	97.6
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	0	0.0	30	1.0	1	1.1	1	0.6
<i>Ethnicity Not Available</i>	0	0.0	323	10.5	2	2.1	2	1.2
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>3,081</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>172</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 racial and ethnic composition of the assessment area and the 2007 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 residential loan applicants. According to 2000 Census Data, the Bank's assessment area contained a total population of 78,932 individuals, 10.8 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment area's minority population is as follows: 6.8 percent Hispanic, 1.5 percent Black, 1.2 percent Asian, 0.1 percent American Indian/ Alaska Native and 1.2 percent "other race." Aggregate lending data for 2007 indicates that 3.3 percent of all applications were from minority applicants and 6.1 percent were from Hispanic or Latino applicants.

The Bank received eight minority applications and only one application from a Hispanic or Latino applicant over the two year period representing 4.6 percent and 0.6 percent of all applications, respectively. The percentage of applications the Bank received from minority and Hispanic or Latino individuals was below the minority composition of the assessment area and aggregate performance levels for 2007. The Bank's performance level of attracting minority and Hispanic or Latino applicants improved in 2008 whereby minority applications represented 6.4 percent of all applications and Hispanic or Latino applicants amounted to one or 1.1 percent. The Bank's level of minority applications is considered marginally adequate. The level of applications from Hispanic or Latinos, when compared to the ethnic composition of the assessment area and aggregate performance levels of all other lenders, reflects poor penetration into this segment of the community.

## **APPENDIX B DEFINITIONS**

### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions 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. They 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.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **HOUSING TERMS**

**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).

**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.

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

**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.

## **INCOME TERMS**

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

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

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

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

**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.

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

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

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

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

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

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

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

## 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 days of receipt of the CRA evaluation of their institution:

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 180 Merrimack St, Haverhill, MA 01830."

- 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.