

PUBLIC DISCLOSURE

March 4, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cornerstone Bank
Certificate Number: 90282

176 Main Street
Spencer, Massachusetts 01562

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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 concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **High Satisfactory**.

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

The following points summarize Cornerstone Bank's performance under Intermediate Small Institution examination standards.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated High Satisfactory.

- The bank demonstrated a good responsiveness to the assessment area's community development needs through qualified community development loans, investments, donations and services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development activities in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Cornerstone Bank is a mutual savings bank headquartered in Spencer, MA. Cornerstone Bank is a wholly-owned subsidiary of SSB Community Bancorp. The bank's CRA performance was last evaluated on November 1, 2021, and was rated a "High Satisfactory" using Intermediate Small Institution Examination procedures.

Operations

Cornerstone Bank operates 10 full-service branches in Worcester County, Massachusetts. The branches are located in Charlton, Holden, Leicester, Rutland, Southbridge, Spencer, Sturbridge, Webster, and Worcester (2). Since the previous examination, the bank has closed two full-service branches, a loan production office, and a stand-alone ATM. In May 2022, the bank closed its branch located at 72 West Main Street in Spencer, which was located in a middle-income census tract. In July 2022, the bank also closed its branch located at 968 Main Street in Warran, which was located in a middle-income census tract. The stand-alone ATM that the bank closed was located at Union Station in Worcester, located in a moderate-income census tract, while the loan production office was located in a middle-income census tract in Westborough.

The bank is a full-service financial institution offering a wide variety of products and services. The bank's deposit product offering consists of personal checking accounts, savings accounts, individual retirement accounts, and certificates of deposit. The bank also offers business checking accounts, savings accounts, and money market accounts. The bank's lending products include mortgages, home equity loans and lines of credit, and consumer loans. The bank also offers commercial loans and lines of credit, construction loans, commercial mortgages, SBA loans, equipment and vehicle financing, and business credit cards. The bank also offers multiple services for their customers such as Online Banking & Bill Pay, Mobile Banking, Telephone Banking, Digital Wallet, Overdraft Protection, and personal Debit and Credit Cards. The bank also provides investment options through Capstone Planning Group.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	12,635	1.0
Secured by Farmland	51	0.0
Secured by 1-4 Family Residential Properties	736,312	56.4
Secured by Multifamily (5 or more) Residential Properties	64,864	5.0
Secured by Nonfarm Nonresidential Properties	423,029	32.4
Total Real Estate Loans	1,236,891	94.7
Commercial and Industrial Loans	57,620	4.4
Consumer Loans	10,154	0.8
Other Loans	1,441	0.1
Total Loans	1,306,106	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Cornerstone Bank designated a single assessment area that comprises portions of Hampden, Hampshire and Worcester counties in Massachusetts and Windham County in Connecticut. Since the previous evaluation, the bank has added Woodstock, CT to its assessment area. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

Cornerstone Bank's assessment area includes 122 census tracts throughout Hampden, Hampshire, and Worcester Counties in Massachusetts, and Windham County in Connecticut. The bank's assessment area consists of the following towns: Auburn, Boylston, Brimfield, Brookfield, Charlton, Douglas, Dudley, East Brookfield, Grafton, Holden, Leicester, Millbury, Monson, North Brookfield, Oakham, Oxford, Palmer, Paxton, Rutland, Shrewsbury, Southbridge, Spencer, Sturbridge, Sutton, Wales, Ware, Warren, Webster, West Boylston, West Brookfield, and Worcester in Massachusetts. The assessment area also includes the towns of Thompson and Woodstock in Connecticut.

The number of census tracts in the assessment area increased since the prior evaluation due to the updated 2020 U.S. Census data and the addition of Woodstock, CT to the assessment area. The 2020 U.S. Census data identifies the following census tract income designations:

- 17 low-income tracts,
- 19 moderate-income tracts,
- 52 middle-income census tracts,
- 31 upper-income census tracts, and
- 3 tracts with no income designation.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	122	13.9	15.6	42.6	25.4	2.5
Population by Geography	544,556	13.5	14.7	41.1	29.3	1.4
Housing Units by Geography	215,222	13.0	14.7	43.3	28.3	0.7
Owner-Occupied Units by Geography	126,302	3.2	9.0	50.5	37.1	0.1
Occupied Rental Units by Geography	73,285	28.8	23.7	30.8	14.8	1.8
Vacant Units by Geography	15,635	18.0	18.3	43.0	19.9	0.9
Businesses by Geography	46,652	14.1	14.5	40.1	30.1	1.2
Farms by Geography	1,323	3.2	6.5	49.6	40.4	0.4
Family Distribution by Income Level	125,803	23.0	16.7	20.1	40.1	0.0
Household Distribution by Income Level	199,587	27.2	15.2	16.2	41.5	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$79,907	Median Housing Value			\$272,197
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$96,860	Median Gross Rent			\$1,077
			Families Below Poverty Level			7.3%
Source: 2020 ACS, 2023 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. In 2022, of the 215,222 total housing units, 58.7 percent, or 126,302, were owner-occupied. Of the 126,302 owner-occupied units, 3.2 percent were located in low-income geographies and 9.0 percent were located in moderate-income geographies. Therefore, home mortgage lending opportunities in low-income and moderate-income geographies in the bank's assessment area are limited.

Examiners also used the FFIEC updated median family income to analyze the bank's performance in home mortgage lending under the Borrower Profile criterion. The following table reflects the low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2021 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
2022 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
2023 (\$94,600)	<\$47,300	\$47,300 to <\$75,680	\$75,680 to <\$113,520	≥\$113,520
Worcester, MA-CT MSA Median Family Income (49340)				
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
2022 (\$107,900)	<\$53,950	\$53,950 to <\$86,320	\$86,320 to <\$129,480	≥\$129,480
2023 (\$115,600)	<\$57,800	\$57,800 to <\$92,480	\$92,480 to <\$138,720	≥\$138,720
<i>Source: FFIEC</i>				

According to 2022 Dunn & Bradstreet (D&B) data, 42,545 non-farm businesses operate in the bank's assessment area. The following reflects the gross annual revenues (GARs) for these businesses:

- 87.7 percent have revenues \$1.0 million or less,
- 3.9 percent have revenues more than \$1.0 million, and
- 8.4 percent have unknown revenues.

Service industries represent the largest portion of businesses at 36.4 percent; followed by non-classifiable establishments (18.9 percent); retail trade (11.3 percent); finance, insurance, and real estate (10.3 percent); and construction (8.6 percent). In addition, 91.1 percent of area businesses operate from a single location and 64.6 percent of area businesses have four or fewer employees.

Data obtained from the U.S. Bureau of Labor Statistics indicates that in December of 2023, the unemployment rate was 3.2 percent in Massachusetts and 3.9 percent in Connecticut. The unemployment rates by Massachusetts county were 3.6 percent in Worcester County, 3.1 percent in Hampden County, and 4.4 percent in Hampden County, and 3.7 percent in Windham County, CT.

Competition

The bank operates in a fairly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 21 financial institutions operated 72 offices in the assessment area. Bank of America, N.A. ranked first with 14.2 percent market share, followed by Country Bank for Savings (12.4 percent), Santander Bank, N.A. (11.0 percent) and Cornerstone Bank (10.9 percent).

The bank also faces a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 433 lenders reported 15,854 originated or purchased residential mortgage loans. The three most prominent home mortgage lenders were Rocket Mortgage (4.1 percent), Citizens Bank, N.A. (3.9 percent) and Fairway Independent Mortgage Corporation (3.8 percent). Cornerstone Bank ranked 5th with 3.1 percent market share and was the highest ranked state-chartered institution.

The analysis of small business loans in this evaluation does not include comparisons to aggregate data, as the bank is not required to report small business loans. However, examiners referenced the data to determine the level of demand and competition in the area for small business lending. In 2022, 149 lenders reported 34,510 small business loans, indicating a high level of competition for small business lending in the assessment area. The top three small business lenders in the assessment area were American Express National Bank (23.5 percent), JPMorgan Chase Bank N.A. (10.6 percent), Citibank, N.A. (8.8 percent).

Community Contact

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

Examiners contacted a representative from a local community development organization that provides affordable housing in the bank's assessment area. During the interview, the contact discussed several challenges in providing affordable housing in the organizations service area. The contact discussed the lack of available affordable housing units in the area and the age of the stock that is currently available. The contact discussed the demand for access to capital for investing in affordable housing. The contact also spoke about the need for financial literacy, especially for the Spanish speaking community.

Community Development and Credit Needs

Examiners considered economic and demographic data, information gathered from the community contact, and discussions with bank management to determine the assessment area's primary credit and community development needs. Examiners determined that access to affordable housing is the primary community development and credit need. Examiners also identified financial literacy opportunities to assist consumers in understanding the home buying process and how to pursue affordable housing programs and grants.

SCOPE OF EVALUATION

This evaluation covers the period from the prior evaluation date of November 1, 2021, to the current evaluation date of March 4, 2024. The Division used the FFIEC Interagency Intermediate-Small Institution Examination Procedures to evaluate the institution's performance. These procedures include two tests, the Lending Test and Community Development Test.

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

- Loan-to-Deposit ratio,
- Assessment Area Concentration,
- Geographic Distribution,
- Borrower Profile,
- Response to CRA-related complaints

The Community Development Test considers the following factors:

- The number and dollar amount of community development loans, qualified investments and donations, and community development services.
- The responsiveness of such activities to the community development needs of the assessment area.

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

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgages and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank does not originate small farm loans; as such, they were not included in the analysis of the bank's CRA Performance.

Examiners considered all home mortgage loans reported on the bank's 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR). The bank reported 831 home mortgage loans totaling \$230.8 million in 2021 and 700 home mortgage loans totaling \$205.7 million in 2022. Examiners compared the bank's performance in 2021 and 2022 to aggregate home mortgage data. Examiners also compared the bank's performance in 2021 to ACS demographic data and 2022 performance to the 2020 U.S. Census Data.

Although Cornerstone Bank is not required to collect small business loan data, the bank did collect small business loan data for 2021 and 2022. Therefore, examiners evaluated the full universe of small business loans originated in 2021 and 2022. Examiners compared the bank's performance to 2021 and 2022 D&B demographic data.

The bank's home mortgage loan originations received more weight when determining overall conclusions due to the bank's business strategy and the larger loan volume as compared to small business loan originations. Bank records indicated that the product mix and lending focus has

remained consistent throughout the evaluation period.

For the Lending Test, examiners analyzed the number and dollar volume of loans. The evaluation presents the number and the dollar volume of loans, but examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and business served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from the prior CRA evaluation dated November 1, 2021 through March 4, 2024.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Cornerstone Bank demonstrated reasonable performance under the Lending Test. The bank's reasonable performance under the Lending Test criterion supports this conclusion.

Loan-to -Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.

Cornerstone Bank's loan-to-deposit ratio, calculated from the data presented from the last 10 quarterly call reports, averaged 98.6 percent from September 30, 2021, to December 31, 2023. The bank's LTD ratio ranged from a low of 92.3 percent as of March 31, 2022, to a high of 102.1 percent as of September 30, 2023. Examiners compared Cornerstone Bank to three similarly situated institutions based on asset size, geographic location, and loan portfolio. As illustrated below, the bank's LTD ratio is higher than its peers. Cornerstone Bank saw limited fluctuation of its LTD ratio and maintained an LTD ratio over 97.0 percent for a majority of the examination period.

Loan-to-Deposit Ratio Comparison		
Institution	Total Assets (\$)	Average LTD Ratio (%)
Cornerstone Bank	1,492,221	98.6
Country Bank for Savings	1,753,909	91.2
Webster Five Cents Savings Bank	1,116,506	87.0
Fidelity Co-operative Bank	1,369,722	85.6
Source: Reports of Income and Condition 09/30/2021 through 12/31/2023		

Assessment Area Concentration

The bank originated a majority of home mortgage loans and small business loans, by number and dollar volume, within its assessment area. Please refer to the table below for details.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	612	73.6	219	26.4	831	143,133	62.0	87,700	38.0	230,833
2022	475	67.9	225	32.1	700	100,175	48.7	105,580	51.3	205,755
Subtotal	1,087	71.0	444	29.0	1,531	243,308	55.7	193,280	44.3	436,588
Small Business										
2021	60	73.2	22	26.8	82	14,857	67.9	7,028	32.1	21,885
2022	56	73.7	20	26.3	76	12,689	58.6	8,975	41.4	21,664
Subtotal	116	73.4	42	26.6	158	27,546	63.3	16,003	36.7	43,549
Total	1,203	71.2	486	28.8	1,689	270,854	56.4	209,283	43.6	480,137
Source: Bank Data; Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution reflects reasonable dispersion throughout the assessment area. The bank's reasonable home mortgage and adequate small business lending performance supports this conclusion.

Home Mortgage

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Although the following table shows that the bank falls behind aggregate and demographic data in 2022, the bank's performance in 2021, demographic data, and market share reports support a reasonable conclusion.

In 2021, the bank made 25 or 4.1 percent of loans in low-income census tracts, which was below the aggregate's performance of 5.4 percent and above the percentage of owner-occupied housing units within low-income census tracts within the assessment area. The bank also originated 79 or 12.9 percent of loans in moderate-income geographies, which was above both the aggregate performance and demographic data.

In 2022, the bank's performance in both low- and moderate-income census tracts trailed that of both aggregate performance and demographic data. According to market share reports, the bank ranked 16th out of 491 lenders that originated or purchased a home mortgage loan within low-income census tracts, with a 1.3 percent market share. The top ten lenders in low-income census tracts made up 33.7 percent of the market share and all were national banks and mortgage lenders. Of the lenders that ranked higher than Cornerstone Bank, only one was a community bank or credit union. In addition, the bank ranked 24th out of 491 lenders with 1.0 percent of the market share. The top ten lenders in moderate-income census tracts made up 32.5 percent of the overall market share and were all national banks and mortgage lenders. Of the lenders above Cornerstone Bank, only two were community banks or credit unions.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	3.7	5.4	25	4.1	23,519	16.4
2022	3.2	5.7	10	2.1	2,952	2.9
Moderate						
2021	10.9	11.6	79	12.9	15,969	11.2
2022	9.0	11.2	19	4.0	3,403	3.4
Middle						
2021	50.6	47.1	316	51.6	58,454	40.8
2022	50.5	48.1	307	64.6	60,033	59.9
Upper						
2021	34.7	35.8	191	31.2	45,146	31.5
2022	37.1	34.7	139	29.3	33,787	33.7
Not Available						
2021	0.1	0.1	1	0.2	46	0.0
2022	0.1	0.4	0	0.0	0	0.0
Total						
2021	100.0	100.0	612	100.0	143,133	100.0
2022	100.0	100.0	475	100.0	100,175	100.0
Source: 2020 ACS; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The geographic distribution of small business loans reflects adequate dispersion throughout the assessment area. In 2021, the bank was in line with the percentage of businesses in low- and moderate-income census tracts. In 2022, the bank's performance trailed slightly behind the percentage of businesses in both low and moderate-income census tracts. While the bank collects but does not report small business lending, examiners did not compare the bank's performance to aggregate.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	9.9	6	10.0	2,568	17.3
2022	14.0	5	8.9	1,084	8.5
Moderate					
2021	15.0	9	15.0	1,146	7.7
2022	14.5	6	10.7	1,974	15.6
Middle					
2021	41.4	19	31.7	3,944	26.5
2022	40.2	32	57.1	5,920	46.7
Upper					
2021	29.1	24	40.0	6,059	40.8
2022	30.1	12	21.4	3,511	27.7
Not Available					
2021	4.5	2	3.3	1,140	7.7
2022	1.3	1	1.9	200	1.6
Totals					
2021	100.0	60	100.0	14,857	100.0
2022	100.0	56	100.0	12,689	100.0
Source: 2021 & 2022 D&B Data, 2021 & 2022 Bank Data. Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable home mortgage and adequate small business lending performance support this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels is reasonable.

In 2021, the bank originated 34 or 5.6 percent of loans to low-income borrowers, which was in line with the aggregate performance of 6.0 percent. Additionally, the bank originated 125 or 20.4 percent of loans to moderate-income borrowers, which was also in line with the aggregate performance of 20.9 percent and above the percentage of moderate-income families within the assessment area.

In 2022, the bank originated 30 or 6.3 percent of loans to low-income borrowers, which was in line with the aggregate performance of 6.7 percent and a slight increase in performance from 2021.

Additionally, the bank originated 97 or 20.4 percent of loans to moderate-income borrowers, which was below the aggregate performance of 23.6 percent. While below the aggregate performance, the bank maintained its performance from 2021 and continued to be above demographic data.

The following table illustrates the distribution of home mortgage loans by borrower income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	23.3	6.0	34	5.6	3,970	2.8
2022	23.0	6.7	30	6.3	3,015	3.0
Moderate						
2021	16.9	20.9	125	20.4	17,936	12.5
2022	16.7	23.6	97	20.4	15,430	15.4
Middle						
2021	20.2	24.2	168	27.5	30,124	21.0
2022	20.1	25.6	132	27.8	21,586	21.5
Upper						
2021	39.6	32.7	259	42.3	63,532	44.4
2022	40.1	30.8	198	41.7	49,499	49.4
Not Available						
2021	0.0	16.2	26	4.2	27,570	19.3
2022	0.0	13.2	18	3.8	10,645	10.6
Total						
2021	100.0	100.0	612	100.0	143,133	100.0
2022	100.0	100.0	475	100.0	100,175	100.0
Source: 2020 ACS; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The distribution of small business loans reflects adequate penetration of loans to businesses with GARs of \$1 million or less. In 2021, the bank originated 34 or 56.7 percent of loans to businesses with GARs of \$1 million or less. In 2022, the bank originated 41 or 57.8 percent of loans to businesses with GARs of \$1.0 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	86.6	34	56.7	8,889	59.8
2022	87.7	29	51.8	5,696	45.0
>\$1,000,000					
2021	4.4	26	43.3	5,968	40.2
2022	3.9	26	46.4	6,643	52.3
Revenue Not Available					
2021	9.1	0	0.0	0	0.0
2022	8.4	1	1.8	350	2.7
Totals					
2021	100.0	60	100.0	14,857	100.0
2022	100.0	56	100.0	12,689	100.0
Source: 2021 & 2022 D&B Data, 2021 & 2022 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

Minority Application Flow

According to the 2020 US Census Data, the bank's assessment area contained a total population of 544,556 individuals, of which 30.7 percent are minorities. The minority population represented is 7.3 percent Black/African American, 6.5 percent Asian, 0.2 percent American Indian, 13.8 percent Hispanic or Latino, and 0.9 percent other.

In 2021, the bank received 759 HMDA reportable loan applications within its assessment area. Of these applications, 29 or 3.8 percent were received from minority applicants, 24 or 82.8 percent of which resulted in originations. The aggregate received 12.4 percent of its applications from minority consumers, of which 59.1 percent were originated. For the same period, the bank received 35 or 4.6 percent of all applications from ethnic groups of Hispanic origin within its assessment

area, of which 22 or 62.9 percent of loans were originated. This was compared to an aggregate ethnic minority application rate of 9.3 percent with a 60.0 percent origination rate.

In 2022, the bank received 685 HMDA reportable loan applications within its assessment area. Of these applications, 29 or 4.2 percent were received from minority applicants, of which 19 or 65.5 percent resulted in originations. The aggregate received 13.8 percent of its applications from minority consumers, of which 55.7 percent were originated. For the same period, the bank received 37 or 5.4 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 21 or 56.8 percent were originated. This was compared to an aggregate ethnic minority application rate of 10.1 percent with a 55.1 percent origination rate.

The bank's level of lending in 2021 and 2022 was compared with that of the 2021 and 2022 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	2021		2021 Aggregate Data	2022		2022 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	3	0.4	0.3	2	0.3	0.4
Asian	7	0.9	5.0	17	2.5	5.8
Black/ African American	7	0.9	5.7	4	0.6	6.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.2
2 or more Minority	2	0.3	0.2	2	0.3	0.1
Joint Race (White/Minority)	10	1.3	1.1	4	0.6	1.3
Total Racial Minority	29	3.8	12.4	29	4.3	13.8
White	573	75.5	62.1	579	84.5	61.5
Race Not Available	157	20.7	25.6	77	11.2	24.7
Total	759	100.0	100.0	685	100.0	100.0
ETHNICITY						
Hispanic or Latino	23	3.0	8.2	22	3.2	8.6
Joint (Hisp/Lat /Not Hisp/Lat)	12	1.6	1.1	15	2.2	1.5
Total Ethnic Minority	35	4.6	9.3	37	5.4	10.1
Not Hispanic or Latino	550	72.5	66.0	563	82.2	65.9
Ethnicity Not Available	174	22.9	24.6	85	12.4	24.0
Total	759	100.0	100.0	685	100.0	100.0
Source: ACS Census 2015, US Census 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022. Due to rounding, totals may not equal 100.0%						

The bank's HMDA LARs for 2021 and 2022 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics. Considering the demographic composition of the assessment area, comparisons to aggregate data, lending trends, and outreach efforts, the bank's minority application flow is adequate.

COMMUNITY DEVELOPMENT TEST

Cornerstone Bank demonstrated good responsiveness to the assessment area's community development needs through qualified community development loans, investments and donations, and services in the assessment area. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Cornerstone Bank originated 15 community development loans totaling approximately \$26.6 million during the evaluation period. This level of activity represents 1.8 percent of total average assets and 2.2 percent of total average loans over the evaluation period. This level of lending represents a decrease in the number and dollar volume of community development loans since the last exam, when the bank originated 942 community development loans for \$64.9 million. During the previous evaluation, the bank did originate a significant amount of SBA Paycheck Protection Program loans that were unavailable during this evaluation, which explains the decrease in overall community development lending.

The following table illustrates the bank's community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
11/2/2021-12/31/2021	0	0	0	0	0	0	2	1,969	2	1,969
2022	5	4,324	0	0	1	5,776	1	4,095	7	14,195
2023	1	50	0	0	1	1,500	2	8,380	4	9,930
YTD 2024	0	0	1	30	1	525	0	0	2	555
Total	6	4,374	1	30	3	7,801	5	14,440	15	26,649
<i>Source: Bank Data</i>										

The following are examples of the bank's qualified community development loans:

- In 2022, the bank originated an \$825,000 loan for the purchase of a 13-unit residential building that will provide affordable housing. All 13 units will be rented below the HUD fair market rents.
- In 2022, the bank originated a \$2.0 million loan located in a moderate-income census tract for the purchase of a 34-unit multi-family affordable housing building. All of the building's 34 units will be rented below the HUD fair market rates.
- In 2022, the bank originated a \$4.0 million loan in a low-income census tract that is also an opportunity zone. The building collateralized by the loan is occupied by businesses in the manufacturing industry. The business will help revitalize or stabilize the opportunity zone through the creation and retention of low- and moderate-income jobs.
- In 2023, the bank originated a \$6.9 million loan for the revitalization and stabilization of an

opportunity zone outside the bank's assessment area. The loan will be used for the purchase of a vacant mill building to be repurposed as residential and commercial space.

Qualified Investments

Cornerstone Bank made 177 qualified investments and donations for approximately \$5.6 million consisting of five previous period equity investments and 172 donations totaling \$684,825. The bank's number and dollar volume of qualified investments and donations decreased since the previous evaluation. The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	0	0	5	4,914,807	0	0	5	4,917,807
11/2/2021-12/31/2021	0	0	10	77,450	0	0	0	0	10	77,450
2022	4	14,000	82	296,125	0	0	1	1,000	87	311,125
2023	5	19,500	62	270,050	1	100	1	1,500	69	291,150
YTD 2024	0	0	6	5,100	0	0	0	0	6	5,100
Total	9	33,500	160	648,725	6	4,915,907	1	2,500	177	5,602,632
<i>Source: Bank Data</i>										

The following are examples of the bank's qualified community development investments and donations:

Equity Investments

- The bank maintains five prior period equity investments in SBIC funds. These SBIC investments increase access to capital for small businesses, providing economic development opportunities throughout the assessment area and the broader regional area.

Donations

- **Worcester Community Action Council** – During the evaluation period, the bank made multiple donations to the WCAC. These donations help create economic mobility opportunities for low- and moderate-income individuals and families through programs that provide early education, energy assistance, financial empowerment and youth development.
- **Worcester County Food Bank** – During the evaluation period, the bank made multiple donations to the Worcester County Food Bank. The food bank provides access to food for 115 local pantries and community meal programs for those living with food insecurity.
- **United Way of Central Massachusetts** – The United Way of Central Massachusetts works to end the cycle of poverty through education, family stability, and health care.

Community Development Services

Cornerstone Bank employees provided 189 instances of financial expertise or technical assistance to 45 different community development-related organizations in the assessment area. These services include involvement in community development organizations as well as financial literacy and other financial services for low- and moderate-income individuals and families.

The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
11/2/2021-12/31/2021	0	25	0	0	25
2022	0	58	0	0	58
2023	0	89	2	0	91
YTD 2024	0	15	0	0	15
Total	0	187	2	0	189
<i>Source: Bank Data</i>					

The following are examples of community development services:

Board Service

- **Worcester Community Action Council (WCAC)** – A Senior Vice President served on the Board of WCAC in 2021 and 2022. The organization provides community services to low- and moderate-income individuals and families in the Worcester area. Services include early education and care, energy and fuel assistance, job training and financial education.
- **Elder Services of Worcester Area** – In 2021, a Vice President of the bank served as an advisor. The organization, which is located in a moderate-income census tract, provides seniors with services which include home care, nutritional assistance, money management and personal care management programs.
- **Charlton REAS Foundation** – A Senior Vice President served as treasurer for the Charlton REAS Foundation in 2021 and 2022. This organization provides low- and moderate-income seniors assistance in obtaining low-cost energy through grants paid directly to utility providers and to heating and cooling utility providers.
- **Federal Home Loan Bank** – A Senior Vice President served on the organization’s advisory panel in 2021 and 2022 and as a board member in 2023. The Federal Home Loan Bank provides programs used for housing and community development of affordable housing throughout the bank’s assessment area.

Financial Literacy

- **Angel Net Foundation** – The Angel Net Foundation is a community service organization that assists new immigrants and refugees in the Worcester area navigate

living in a new country. The bank conducted multiple financial education courses at Angel Net Foundation during the evaluation period.

- **In the Hour of Need Family Shelter (IHN)**– IHN is a local community service organization that works to provide shelter and assistance to families with children who are experiencing homelessness in the Greater Worcester area. The bank conducted 20 financial literacy seminars through IHN.
- **Our Bright Future** – Our Bright Future focuses on empowering youth and fostering the emergence of future leaders through Science, Technology, Engineering, Art, and Mathematics. The organization, which is located in a low-income census tract, brings educational opportunities through courses such as robotics, 3D printing, Bioscience and Financial Literacy. Cornerstone Bank provided 25 financial literacy courses through the organization during the evaluation period.

Other Services

- ***Massachusetts Community and Banking Council's (MCBC) Basic Banking*** - The MCBC Basic Banking is a statewide program designed to offer low-cost checking and saving accounts to low- and moderate-income individuals. The bank makes these products available to eligible customers through this program.
- ***Massachusetts IOLTA*** – This program requires lawyers and law firms to establish interest-bearing accounts for client deposits. The interest earned from these accounts is used to fund law-related public service programs to help low-income clients.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

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

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

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

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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