

PUBLIC DISCLOSURE

March 4, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cornerstone Bank
RSSD # 447100

176 Main Street
Spencer, Massachusetts 01562

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

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

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INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY.

The Lending Test is rated: SATISFACTORY

The Community Development Test is rated: SATISFACTORY

Cornerstone Bank (Cornerstone or the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following findings:

Lending Test

- The loan-to-deposit (LTD) ratio is more than reasonable (considering seasonal variations and taking into account lending-related activities) given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending related activities are in the bank's assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- There have been no complaints regarding the bank's CRA performance since the last CRA examination.

Community Development Test

- The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

Cornerstone's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions¹. These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment area concentration of loans, geographic distribution of loans, loan distribution according to the income of the borrower, and response to CRA-related complaints. The Community Development Test measures the number and amount of community development loans; the number and dollar amount of qualified investments; the extent to which the bank provides community development services, and the bank's responsiveness through such activities.

The data used for the evaluation and the applicable timeframes are discussed below.

The Lending Test evaluated residential loans and small business loans originated by the bank from January 1, 2021, to December 31, 2022. The two most recent calendar years of loan data, 2021 and 2022, are presented in the tables unless otherwise noted.

Home mortgage lending data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs record data for home purchase loans, home improvement loans, and refinance loans for one-to-four family and multifamily (five or more unit) properties. Changes in HMDA reporting requirements for 2018 included the determination of whether a loan is HMDA-reportable and includes the new loan type of "other purpose." "Other purpose" loans are for purposes other than home purchase, refinancing, or home improvement. This evaluation does not include analysis of "other purpose" loans reported on the bank's LARs.

Aggregate HMDA data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment area. The bank's residential loan performance was compared to applicable aggregate data that was obtained from the Consumer Finance Protection Bureau (CFPB). "Other purpose" loans were excluded from the aggregate. Finally, the bank's home mortgage lending performance was compared to demographics from the 2020 US Census Data (Census), unless otherwise noted.

Small business loans, for the purpose of this evaluation, include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. While the bank is not currently required to collect and report small business loan data, this data was obtained from bank records and reviewed given the proportion of the bank's loan portfolio comprised of commercial loans. The bank's 2021 and 2022 small business lending performance was compared to business demographics obtained from Dun & Bradstreet, Short Hills, NJ (D&B).

Given the composition of the bank's loan portfolio, more emphasis was placed on mortgage lending than small business lending in consideration of a rating for the Lending Test.

¹ "Intermediate small institution" means a bank or savings association with assets of at least \$391 million as of December 31 of both of the prior two calendar years and less than \$1.564 billion as of December 31 of either of the prior two calendar years.

The bank's net LTD ratio was calculated from FFIEC Call Reports from June 30, 2021, through December 31, 2023.

The Community Development Test included a review of community development loans, qualified investments, and community development services for the period of November 1, 2021, through March 4, 2024. The Community Development Test is evaluated in the context of the community needs and the capacity of the bank. Third-party community organizations were contacted to provide additional insight into the credit and community development needs of the assessment area.

Cornerstone's CRA performance was last evaluated by the Federal Reserve Bank of Boston on November 1, 2021, using intermediate small institution examination procedures. During that evaluation, the bank received an overall rating of "Satisfactory," with the Lending Test rated "Satisfactory" and the Community Development Test rated "Outstanding."

DESCRIPTION OF INSTITUTION

Cornerstone is a state-member bank with its main office located at 176 Main Street, Spencer, Massachusetts (MA). Cornerstone was formed in 2017 as a result of a merger between Southbridge Savings Bank and Spencer Bank. Cornerstone is a wholly owned subsidiary of SSB Community Bancorp, a mutual holding company.

The bank offers traditional loan and deposit products to consumers and businesses, such as checking and savings accounts, certificates of deposit, and consumer and business loans, including Mass Save HEAT loans and Small Business Administration (SBA) loans. The bank also offers online and mobile banking.

The bank operates 10 full-service branches, including its main office, throughout Worcester County, MA. The branches are in the following towns and cities; Charlton, Holden, Leicester, Rutland, Southbridge, Spencer, Sturbridge, Webster, and Worcester (2). Of the 10 full-service branches, one branch is in a low-income tract, two branches are in moderate-income tracts, two are in middle-income tracts, and five are in upper-income tracts.

The bank closed two branches, a loan production office (LPO), and an automated teller machine (ATM) during the evaluation period. In 2022, the bank closed branches in Spencer and in Warren, both located in middle-income census tracts, and the ATM in Worcester, located in a moderate-income census tract. In 2023, the bank closed the LPO in Westborough located in an upper-income census tract.

As of December 31, 2023, the bank's assets totaled \$1.6 billion, loans totaled \$1.3 billion, and deposits totaled \$1.3 billion. Since June 30, 2021, assets have increased by 14.4 percent, loans increased by 11.3 percent, and deposits increased by 13.3 percent.

Table 1 provides details of the bank's loan portfolio as of December 31, 2023.

Table 1 Loan Distribution as of December 31, 2023		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans (%)
Construction and Land Development	12,635	1.0
Revolving 1-4 Family Residential	34,102	2.6
Secured by Farmland	51	0.0
1-4 Family Residential	702,210	53.8
Multifamily (5 or more) Residential	64,864	5.0
Commercial RE	423,029	32.4
Total Real Estate Loans	1,236,891	94.7
Commercial and Industrial	57,620	4.4
Consumer	10,154	0.8
Other Loans	1,441	0.1
Less unearned income	0	0.0
Total Loans	1,306,106	100.0

Call Report as of December 31, 2023.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Cornerstone is primarily a residential lender. Residential loans, which include closed-end and revolving 1-4 family loans, as well as loans secured by multifamily properties, accounted for 61.4 percent of the bank's loan portfolio. Commercial loans, which include loans secured by commercial real estate and commercial and industrial loans, totaled 36.8 percent of the loan portfolio.

The bank operates in a competitive environment for home mortgage loans, competing against national banks, mortgage companies, community banks, and credit unions. HMDA aggregate data from 2021 showed 462 lenders had originated or purchased a home mortgage loan in the bank's CRA assessment area. Out of these 462 lenders, Cornerstone ranked 10th. In 2022, the bank ranked 5th out of 438 lenders. The top three lenders in the bank's assessment area in 2022 were Rocket Mortgage, LLC, Citizens Bank, NA, and Fairway Independent Mortgage Corporation.

The Federal Deposit Insurance Corporation's Deposit Market Share Report indicates that 20 institutions offered deposit services within the assessment area, as of June 30, 2023. The bank ranked 4th out of 20 institutions, with a 10.1 percent market share. The top three depository institutions were Bank of America, NA, Berkshire Bank, and TD Bank, NA.

Considering the bank's financial capacity, local economic conditions, assessment area demographics, and the competitive market in which it operates, the bank has demonstrated an ability to meet the credit needs of the assessment area. Furthermore, there are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Cornerstone has defined its CRA assessment area to include 34 contiguous towns and cities located in portions of Worcester County, MA; Hampden County, MA; Hampshire County, MA; and Windham County, CT. Worcester County and Windham County are part of the Worcester MA-CT Metropolitan Statistical Area (Worcester MSA), while Hampshire and Hampden Counties are within the Springfield, MA MSA (Springfield MSA). The following cities and towns are in Worcester County: Auburn, Boylston, Brookfield, Charlton, Dudley, Douglas, East Brookfield, Grafton, Holden, Leicester, Millbury, North Brookfield, Oakham, Oxford, Paxton, Rutland, Shrewsbury, Spencer, Southbridge, Sturbridge, Sutton, Warren, Webster, West Boylston, West Brookfield, and Worcester. The municipalities of Brimfield, Holland, Monson, Palmer, and Wales are in Hampden County. The town of Ware is in Hampshire County. The towns of Thompson and Woodstock are located Windham County. There have been no changes to the assessment area since the last examination.

Table 2 displays the relevant assessment area demographics.

Table 2 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	17	13.9	11,727	9.3	3,181	27.1	28,943	23.0
Moderate	19	15.6	16,064	12.8	2,235	13.9	21,021	16.7
Middle	52	42.6	56,670	45.0	2,483	4.4	25,342	20.1
Upper	31	25.4	40,808	32.4	1,039	2.5	50,497	40.1
Unknown	3	2.5	534	0.4	230	43.1	0	0.0
Total AA	122	100.0	125,803	100.0	9,168	7.3	125,803	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	28,006	4,072	3.2	14.5	21,124	75.4	2,810	10.0
Moderate	31,659	11,401	9.0	36.0	17,392	54.9	2,866	9.1
Middle	93,089	63,807	50.5	68.5	22,561	24.2	6,721	7.2
Upper	60,869	46,884	37.1	77.0	10,880	17.9	3,105	5.1
Unknown	1,599	138	0.1	8.6	1,328	83.1	133	8.3
Total AA	215,222	126,302	100.0	58.7	73,285	34.1	15,635	7.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2,750	13.5	2,452	13.1	281	18.1	17	11.4
Moderate	2,814	13.8	2,516	13.4	274	17.6	24	16.1
Middle	8,407	41.2	7,777	41.6	566	36.4	64	43.0
Upper	6,214	30.4	5,768	30.8	404	26.0	42	28.2
Unknown	236	1.2	203	1.1	31	2.0	2	1.3
Total AA	20,421	100.0	18,716	100.0	1,556	100.0	149	100.0
Percentage of Total Businesses:				91.7		7.6		0.7
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

The assessment area contains 122 census tracts, of which 17, or 13.9 percent, are low-income tracts, 19, or 15.6 percent, are moderate-income tracts, 52, or 42.6 percent, are middle-income tracts, 31, or 25.4 percent, are upper-income tracts, and 3, or 2.5 percent, are tracts with an unknown-income. The tracts with an unknown income are composed of The College of the Holy Cross, Clark University, and several parks.

Housing

The assessment area includes 215,222 housing units, of which 13.0 percent are in low-income tracts and 14.7 percent are in moderate-income tracts. Of the total housing units, 58.7 percent are

owner-occupied, 34.1 percent are rental, and 7.3 percent are vacant.

Based on 2020 census data, the median housing value in the Worcester MSA in 2020 was \$283,581, which was lower than the overall median housing value in the Commonwealth of Massachusetts, at \$398,800. Within the bank's assessment area, the 2020 median housing value was \$193,662 in low-income tracts, \$218,920 in moderate-income tracts, \$264,224 in middle-income tracts, and \$336,740 in upper-income tracts.

Housing prices have increased since 2020 in the assessment area. Data obtained from The Warren Group, Boston, MA, shows that the median housing sales price in Worcester County in 2022 was \$396,000, and in 2021 was \$357,500; in Windham County, the median housing sales price in 2022 was \$260,000, and in 2021 was \$235,000; in Hampden County, the median housing sales price in 2022 was \$275,500, and in 2021 was \$250,000; in Hampshire County, the median housing sales price in 2022 was \$349,000, and in 2021 was \$315,000.

Business Characteristics

Based on 2022 D&B data, there were 20,421 businesses in the assessment area, of which 2,750, or 13.5 percent, were in low-income tracts, 2,814, or 13.8 percent, were in moderate-income tracts, 8,407, or 41.2 percent, were in middle-income tracts, 6,214, or 30.4 percent, were in upper-income tracts, and 236, or 1.2 percent, were in tracts with an unknown-income. Of the businesses in the assessment area, 18,716, or 91.7 percent, had gross annual revenues (GARs) of less than or equal to \$1 million, 1,556, or 7.6 percent, had GARs above \$1 million, and 149, or 0.7 percent, had unknown revenues.

The top industries in the Worcester MSA include education, healthcare, insurance, and retail. Top employers include the University of Massachusetts, MSC Industrial Supply Company, Community Healthlink Inc, Fallon Health, and Hanover Insurance Group Inc.

The top industries in the Springfield MSA include healthcare, insurance, government, and retail. Top employers include Baystate Health, C&S Wholesale Grocers LLC, General Dynamics Techsight, Hampden Correctional Facilities, and Massachusetts Mutual Life Insurance.

Population

The total population in the assessment area is 544,556 based on the 2020 census data. Of this total population, 13.5 percent reside in low-income tracts, 14.7 percent reside in moderate-income tracts, 41.1 percent reside in middle-income tracts, 29.3 percent reside in upper-income tracts, and 1.4 percent reside in tracts with unknown income.

The assessment area contains 125,803 families, of which 23.0 percent are low-income, 16.7 percent are moderate-income, 20.1 percent are middle-income, and 40.1 percent are upper income. The percentage of families below the poverty level is 7.3 percent.

Income

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on

estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper income is defined as 120 percent of median income and above. Table 3 displays the MFI incomes for the assessment area.

Table 3 Median Family Income Comparison					
Year	MSA/MD/Town/County/State	MFI	Year	MSA/MD/Town/County/State	MFI
2021	Worcester, MA-CT MSA	\$96,700	2022	Worcester, MA-CT MSA	\$107,900
2021	Springfield, MA MSA	\$81,300	2022	Springfield, MA MSA	\$91,300
2021	Commonwealth of Massachusetts	\$111,700	2022	Commonwealth of Massachusetts	\$119,400

FFIEC median family income estimates.

Table 3 shows the MFIs for the Worcester MSA, Springfield MSA, and the Commonwealth of Massachusetts. The MFIs in the Worcester MSA and Springfield MSA are below that of the Commonwealth of Massachusetts for both 2021 and 2022. From 2021 to 2022, the MFI for the Worcester MSA, Springfield MSA, and the Commonwealth of Massachusetts all saw a notable increase.

Employment Statistics

In 2021, the annual unemployment rate in the Worcester, MA-CT New England City and Town Statistical Areas (NECTA) was elevated, at 5.6 percent, due to economic shutdowns precipitated by the COVID-19 pandemic. Since then, the unemployment rate has trended downwards, reflecting improved economic conditions with the annual rate in 2022, at 3.9 percent.

The unemployment rate in the Springfield, MA-CT NECTA shows a similar trajectory to that in the Worcester MSA. In 2021, the annual unemployment rate was 6.3 percent and has shown a decreasing trend thereafter. The annual unemployment rate in 2022 was 4.4 percent, and in August 2021 was 6.4 percent.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit needs in 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 whether additional opportunities are available.

Examiners met with an organization that develops and preserves affordable housing throughout Worcester County. The contact stated that affordable housing for low-income individuals is the greatest community development need in the community. Home prices and rents have increased drastically in the Worcester area, exacerbated by the pandemic, which has caused tight housing inventory, aging housing stock, and higher homebuilding prices. Low- and moderate-income borrowers would benefit from greater access to subsidized homebuying loan programs and other

flexible forms of credit. Financial institutions can get involved by partnering with organizations such as MassHousing, or by creating loan products that target low- and moderate-income borrowers who do not qualify for traditional mortgage products.

In addition, the contact indicated there is an opportunity for banks to provide multilingual financial services, homeownership seminars, and other forms of technical assistance to their customers. These types of services could help improve access to credit for this underbanked population.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Cornerstone's performance under the Lending Test is rated Satisfactory.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans and evaluates its appropriateness. The bank demonstrates a more than reasonable LTD ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area.

The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 4 provides a comparison of the bank's average LTD over the past 11 quarters under evaluation to similarly situated institutions operating within the assessment area. The bank's average LTD ratio of 98.3 percent is higher than the average LTD ratios of similarly situated institutions.

Table 4 Loan-to-Deposit Ratio Comparison		
Institutions	Total Assets* \$(000)	Average LTD Ratio** (%)
<i>Cornerstone Bank</i>	<i>1,595</i>	<i>98.3</i>
Florence Bank	1,909	63.2
Main Street Bank	1,727	88.0
Clinton Savings Bank	714	81.9

*Call Report as of December 31, 2023

**Call Reports from September 30, 2021 to December 31, 2023.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, a majority of its loans and as appropriate, other lending-related activities, are in its assessment area. Table 5 presents the bank's levels of lending inside and outside the assessment area for the entire evaluation period.

Table 5 Lending Inside and Outside Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase - Conventional	293	56.0	94,986	45.5	230	44.0	113,951	54.5
Home Improvement	243	87.7	19,475	83.8	34	12.3	3,751	16.2
Multi-Family Housing	34	87.2	36,459	75.6	5	12.8	11,790	24.4
Refinancing	433	79.7	91,550	67.5	110	20.3	43,999	32.5
Total HMDA related	1,003	72.6	242,470	58.3	379	27.4	173,491	41.7
Total Small Business	116	73.4	27,546	63.3	42	26.6	16,003	36.7
TOTAL LOANS	1,119	72.7	270,016	58.8	421	27.3	189,494	41.2

HMDA and small business for 2021 & 2022. Small business data is bank provided.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Residential Lending

Cornerstone originated a total of 1,382 HMDA loans, of which 1,003, or 72.6 percent, were inside the assessment area. By dollar volume, the bank originated 58.3 percent of its HMDA loans inside the assessment area.

By product type, home improvement and multi-family loans had the greatest concentration inside the assessment area, at over 87.0 percent each, while home purchases had the lowest concentration, at 56.0 percent.

Small Business Lending

The bank originated a total of 158 small business loans, of which 116, or 73.4 percent, were inside the assessment area by number, and 63.3 percent by dollar volume.

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The bank demonstrates a distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the bank's assessment area.

Residential Lending

Table 6 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further

outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

Table 6 Distribution of 2021 and 2022 Home Mortgage Lending By Borrower Income Level Assessment Area: Cornerstone AA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	# %	# %	\$ (000)	\$ %	\$ %	#	# %	# %	\$ (000)	\$ %	\$ %	
Home Purchase Loans													
Low	10	7.7	6.1	1,535	3.9	3.6	7	4.3	4.9	1,146	2.1	2.5	23.0
Moderate	19	14.6	25.1	4,767	12.0	20.9	28	17.2	24.2	6,713	12.2	19.1	16.7
Middle	32	24.6	23.9	8,152	20.5	24.2	47	28.8	25.6	13,312	24.1	25.1	20.1
Upper	57	43.8	28.6	21,833	54.9	34.5	79	48.5	29.7	33,568	60.8	36.8	40.1
Unknown	12	9.2	16.4	3,457	8.7	16.8	2	1.2	15.6	503	0.9	16.4	0.0
Total	130	100.0	100.0	39,744	100.0	100.0	163	100.0	100.0	55,242	100.0	100.0	100.0
Refinance Loans													
Low	17	5.5	6.1	2,163	3.2	3.8	12	9.7	9.7	1,122	4.9	6.2	23.0
Moderate	69	22.3	19.3	10,473	15.3	15.6	36	29.0	26.1	6,643	28.8	22.6	16.7
Middle	97	31.4	24.5	19,369	28.3	23.1	26	21.0	25.2	4,567	19.8	24.3	20.1
Upper	124	40.1	33.8	35,677	52.1	40.2	50	40.3	26.8	10,760	46.6	32.4	40.1
Unknown	2	0.6	16.2	776	1.1	17.3	0	0.0	12.2	0	0.0	14.5	0.0
Total	309	100.0	100.0	68,458	100.0	100.0	124	100.0	100.0	23,092	100.0	100.0	100.0
Home Improvement Loans													
Low	7	6.0	6.1	279	3.0	4.3	8	6.3	6.6	534	5.3	4.7	23.0
Moderate	23	19.7	18.3	1,228	13.0	14.9	25	19.8	20.8	1,450	14.5	16.5	16.7
Middle	31	26.5	22.7	2,091	22.1	21.9	42	33.3	28.3	2,637	26.3	25.8	20.1
Upper	56	47.9	50.7	5,854	61.9	55.3	49	38.9	41.8	5,137	51.3	49.9	40.1
Unknown	0	0.0	2.2	0	0.0	3.7	2	1.6	2.6	265	2.6	3.0	0.0
Total	117	100.0	100.0	9,452	100.0	100.0	126	100.0	100.0	10,023	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	34	6.1	6.1	3,977	3.4	3.7	27	6.5	6.8	2,802	3.2	3.7	23.0
Moderate	111	20.0	21.1	16,468	14.0	17.6	89	21.5	24.0	14,806	16.8	19.8	16.7
Middle	160	28.8	24.2	29,612	25.2	23.4	115	27.8	25.8	20,516	23.2	24.8	20.1
Upper	237	42.6	32.6	63,364	53.9	38.1	178	43.1	30.8	49,465	56.0	36.5	40.1
Unknown	14	2.5	16.1	4,233	3.6	17.1	4	1.0	12.6	768	0.9	15.2	0.0
Total	556	100.0	100.0	117,654	100.0	100.0	413	100.0	100.0	88,357	100.0	100.0	100.0

Source: 2022 FFIEC Census Data, 2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.

In 2021, the bank's lending to low-income borrowers was at 6.1 percent, matching the aggregate, at 6.1 percent, but well below the percentage of low-income families, at 23.0 percent. For the same year, the bank originated 20.0 percent of its loans to moderate-income borrowers, which is below the aggregate, at 21.1 percent, but above the percentage of moderate-income families, at 16.7 percent. The bank originated 28.8 percent of loans to middle-income borrowers, which is higher than the aggregate, at 24.2 percent, and the percentage of families, at 20.1 percent. Cornerstone originated 42.6 percent of loans to upper-income borrowers, which is higher than the aggregate, at 32.6 percent, and higher than the percentage of families, at 40.1 percent. The bank originated 2.5 percent of loans to borrowers with an unknown income, which is lower than

the aggregate, at 16.1 percent.

In 2022, Cornerstone's performance increased to 6.5 percent of loans originated to low-income borrowers, which was in line with the aggregate, at 6.8 percent, and the percentage of low-income families, at 23.0 percent. The bank's lending to moderate-income borrowers for 2022 was at 21.5 percent, which was below than the aggregate, at 24.0 percent, and above the percentage of moderate-income families, at 16.7 percent. Cornerstone originated 27.8 percent of loans to middle-income borrowers, which is higher than the aggregate, at 25.8 percent, and the percentage of families, at 20.1 percent. The bank originated 43.1 percent to upper-income borrowers, which is higher than both the aggregate, at 30.8 percent, and the percentage of families, at 40.1 percent. Cornerstone originated 1.0 percent of loans to borrowers with an unknown income, which is lower than the aggregate, at 12.6 percent.

As mentioned, the bank's lending to low-income borrowers was well below the percentage of families for both years. This is not unexpected due to the relatively high housing values as compared to median family incomes, which makes it difficult to qualify for mortgage financing for these borrowers. As noted by the community contact, there is a need for subsidized homebuying loan programs and other flexible forms of credit to make mortgage financing accessible to low-income borrowers. As further noted by the community contact and as reflected in the *Housing* section, home prices have substantially increased year over year in the assessment area, particularly during the pandemic, resulting in further barriers to homeownership for low-income borrowers. Therefore, comparisons of the bank's lending to aggregate serves as a better indicator of the bank's performance.

Moderate-income borrowers also face challenges in obtaining mortgages due to rising housing values. Cornerstone was able to lend to these borrowers at a rate comparable to the aggregate and exceeding the percentage of families for both 2021 and 2022.

By dollar volume, a significant percentage of loans were originated to upper-income borrowers in both 2021 and 2022. This is not unexpected due to the expanded financial capacity that these borrowers often have.

There was a large decrease in refinance loans from 309 loans in 2021, to 124 loans in 2022, as consumers were impacted by the increasing interest rate environment. Refinance loans made up 55.6 percent of the bank's HMDA lending in 2021, and the performance within this product category was consistent with the overall HMDA performance under this criterion. For 2022 in this loan category, the bank originated 9.7 percent of its refinance loans to low-income borrowers, which is consistent the aggregate, at 9.7 percent, and below the demographics, at 23.0 percent. Cornerstone originated 29.0 percent of its refinance loans to moderate-income borrowers, which is higher than the aggregate, at 26.1 percent, and the demographics, at 16.7 percent.

The bank's performance in the other home mortgage product categories is consistent with the overall HMDA performance under this criterion.

Small Business Lending

The bank's small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 7 details the bank's lending to small businesses according to revenue size. The bank's performance in lending to businesses with GARs of \$1 million or less is reasonable.

Table 7									
Distribution of 2021 and 2022 Small Business Lending By Revenue Size of Businesses									
Assessment Area: Cornerstone AA									
	Bank And Aggregate Loans By Year								Total Businesses %
	2021				2022				
	Bank		Bank		Bank		Bank		
	#	%	\$(000)	%	#	%	\$(000)	%	
By Revenue									
\$1 Million or Less	34	56.7	8,889	59.8	29	51.8	5,696	44.9	91.7
Over \$1 Million	26	43.3	5,968	40.2	26	46.4	6,643	52.4	7.6
Revenue Unknown	0	0.0	0	0.0	1	1.8	350	2.8	0.7
Total	60	100.0	14,857	100.0	56	100.0	12,689	100.0	100.0
By Loan Size									
\$100,000 or Less	28	46.7	1,308	8.8	20	35.7	1,108	8.7	
\$100,001 - \$250,000	13	21.7	2,263	15.2	16	28.6	2,781	21.9	
\$250,001 - \$1 Million	19	31.7	11,286	76.0	20	35.7	8,800	69.4	
Total	60	100.0	14,857	100.0	56	100.0	12,689	100.0	
By Loan Size and Revenues \$1 Million or Less									
\$100,000 or Less	16	47.1	411	4.6	11	37.9	645	11.3	
\$100,001 - \$250,000	5	14.7	850	9.6	9	31.0	1,422	25.0	
\$250,001 - \$1 Million	13	38.2	7,628	85.8	9	31.0	3,629	63.7	
Total	34	100.0	8,889	100.0	29	100.0	5,696	100.0	

Source: 2022 FFIEC Census Data, 2022 D & B Data, 2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 56.7 percent of loans to businesses with GARs of \$1 million or less, as compared to the percentage of businesses, at 91.7 percent. In 2022, the bank originated 51.8 percent of loans to businesses with GARs of \$1 million or less, as compared to the percentage of businesses, at 91.7 percent. While below the percentage of businesses, it is worth noting that the bank's percentage of loans to businesses with GARs of \$1 million or less is in line with aggregate performance, which was 53.8 percent in 2022.

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to census tracts of all income levels. The bank demonstrates a reasonable geographic distribution of loans given the bank's assessment area.

Residential Lending

Table 8 provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank's geographic distribution of residential loans is reasonable.

Table 8 Distribution of 2021 and 2022 Home Mortgage Lending By Income Level of Geography Assessment Area: Cornerstone AA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2021						2022						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	# %	# %	\$ (000)	\$ %	\$ %	#	# %	# %	\$ (000)	\$ %	\$ %	
Home Purchase Loans													
Low	9	6.9	7.3	2,597	6.5	7.5	7	4.3	6.7	1,772	3.2	6.5	3.2
Moderate	21	16.2	14.7	5,379	13.5	12.8	4	2.5	12.3	767	1.4	11.0	9.0
Middle	63	48.5	47.9	19,263	48.5	44.6	95	58.3	48.0	29,677	53.7	45.7	50.5
Upper	37	28.5	29.9	12,505	31.5	34.9	57	35.0	32.5	23,026	41.7	36.4	37.1
Unknown	0	0.0	0.2	0	0.0	0.1	0	0.0	0.5	0	0.0	0.5	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	130	100.0	100.0	39,744	100.0	100.0	163	100.0	100.0	55,242	100.0	100.0	100.0
Refinance Loans													
Low	8	2.6	4.2	1,715	2.5	4.0	0	0.0	4.9	0	0.0	6.3	3.2
Moderate	34	11.0	10.2	6,369	9.3	8.4	6	4.8	11.4	1,032	4.5	10.3	9.0
Middle	160	51.8	47.1	30,891	45.1	42.6	87	70.2	48.3	15,940	69.0	44.1	50.5
Upper	106	34.3	38.4	29,437	43.0	44.9	31	25.0	34.9	6,120	26.5	38.9	37.1
Unknown	1	0.3	0.1	46	0.1	0.0	0	0.0	0.4	0	0.0	0.4	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	309	100.0	100.0	68,458	100.0	100.0	124	100.0	100.0	23,092	100.0	100.0	100.0
Home Improvement Loans													
Low	1	0.9	2.3	254	2.7	3.5	0	0.0	2.6	0	0.0	2.7	3.2
Moderate	20	17.1	8.3	1,697	18.0	8.2	3	2.4	8.6	340	3.4	8.8	9.0
Middle	60	51.3	50.2	4,667	49.4	45.1	87	69.0	45.7	6,259	62.4	42.5	50.5
Upper	36	30.8	39.2	2,834	30.0	43.2	36	28.6	42.8	3,424	34.2	45.7	37.1
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.3	0	0.0	0.4	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	117	100.0	100.0	9,452	100.0	100.0	126	100.0	100.0	10,023	100.0	100.0	100.0
	Multifamily Loans												Multi-family Units %
Low	11	55.0	27.7	20,931	78.7	20.9	3	21.4	46.1	1,580	16.0	34.9	31.1
Moderate	5	25.0	38.2	4,067	15.3	23.1	2	14.3	20.4	996	10.1	33.6	23.8
Middle	2	10.0	19.1	385	1.4	17.0	9	64.3	21.0	7,303	73.9	11.9	27.3
Upper	2	10.0	13.3	1,197	4.5	35.5	0	0.0	12.6	0	0.0	19.7	15.5
Unknown	0	0.0	1.7	0	0.0	3.6	0	0.0	0.0	0	0.0	0.0	2.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	20	100.0	100.0	26,580	100.0	100.0	14	100.0	100.0	9,879	100.0	100.0	100.0
	Total Home Mortgage Loans												Owner Occupied Units %
Low	29	5.0	5.3	25,497	17.7	6.3	10	2.3	5.8	3,352	3.4	9.6	3.2
Moderate	80	13.9	11.8	17,512	12.1	10.9	15	3.5	11.4	3,135	3.2	13.3	9.0
Middle	285	49.5	47.4	55,206	38.3	42.0	278	65.1	47.6	59,179	60.2	41.1	50.5
Upper	181	31.4	35.4	45,973	31.9	40.6	124	29.0	34.8	32,570	33.2	35.7	37.1
Unknown	1	0.2	0.1	46	0.0	0.3	0	0.0	0.4	0	0.0	0.4	0.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	576	100.0	100.0	144,234	100.0	100.0	427	100.0	100.0	98,236	100.0	100.0	100.0

Source: 2022 FFIEC Census Data, 2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

In 2021, Cornerstone's lending in low-income tracts was at 5.0 percent, which was slightly below the aggregate, at 5.3 percent, but above the percentage of owner-occupied units, at 3.2

percent. For the same year, the bank originated 13.9 percent of its loans in moderate-income tracts, which was slightly above the aggregate, at 11.8 percent, and above the percentage of owner-occupied units, at 9.0 percent. In middle-income tracts, the bank originated 49.5 percent of loans, which is higher than the aggregate, at 47.4 percent, and slightly lower than the percentage of owner-occupied units, at 50.5 percent. The bank originated 31.4 percent of loans in upper-income tracts, which is lower than the aggregate, at 35.4 percent, and percentage of owner-occupied units, at 37.1 percent.

In 2022, the bank's performance fell to 2.3 percent of loans originated in low-income tracts, which was below both the aggregate, at 5.8 percent, and the percentage of owner-occupied units, at 3.2 percent. The bank's lending in moderate-income tracts was 3.5 percent, which was lower than the aggregate, at 11.4 percent, and the percentage of owner-occupied units, at 9.0 percent. In middle-income tracts, the bank originated 65.1 percent of loans, which is higher than the aggregate, at 47.6 percent, and higher than the percentage of owner-occupied units, at 50.5 percent. The bank originated 29.0 percent of loans in upper-income tracts, which is lower than the aggregate, at 34.8 percent, and lower than the percentage of owner-occupied units, at 37.1 percent.

By dollar volume, the bank originated a majority of loans in middle- and upper-income tracts for both 2021 and 2022. As discussed in the Description of the Assessment Area, home values in middle-income tracts and upper-income tracts are much higher than the home values in low-income tracts and moderate-income tracts and would generally necessitate larger loan amounts.

As mentioned under the Borrower Profile section, the bank had a significant decrease in refinance loans from 2021 to 2022. The decrease in refinance loans was most notable in low- and moderate-income census tracts, decreasing from eight loans in low-income tracts in 2021, to zero loans in 2022. The decrease in refinance loans in moderate-income tracts was similar from 34 loans in 2021, to six loans in 2022. The decrease in refinance activity is primarily due to the increasing interest rate environment.

Market share data helps to contextualize the bank's performance. In 2021, the bank ranked 12th of 199 lenders in low-income census tracts, decreasing slightly to 14th of 185 lenders in 2022. In 2021, the bank ranked 8th of 246 lenders in moderate-income census tracts, decreasing to 22nd out of 210 lenders in 2022. Therefore, while the bank trailed aggregate in the percentage of loans in low- and moderate-income census tracts in 2022, the bank was still in approximately the top 10 percent of lenders in those census tracts.

There were no conspicuous gaps in loans in low- or moderate-income tracts unexplained by performance context. The bank had a relatively even dispersion of loans throughout the assessment area. In low- and moderate-income tracts in which the bank did not originate or purchase a HMDA loan, the low level of owner-occupied housing limits opportunities for home mortgage lending. Of owner-occupied housing units, 3.2 percent are in low-income tracts, and 9.0 percent in moderate-income tracts, as compared to 50.5 percent in middle-income tracts, and 37.1 percent in upper-income tracts.

Small Business Lending

Table 9 represents the distribution of small business loans by census tract income level. The bank's geographic distribution of small business loans is reasonable.

Table 9									
Distribution of 2021 and 2022 Small Business Lending By Income Level of Geography									
Assessment Area: Cornerstone AA									
Geographic Income Level	Bank And Aggregate Loans By Year								Total Businesses %
	2021				2022				
	Bank		Bank		Bank		Bank		
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	6	10.0	2,568	17.3	5	8.9	1,084	8.5	13.5
Moderate	9	15.0	1,146	7.7	6	10.7	1,974	15.6	13.8
Middle	19	31.7	3,944	26.5	32	57.1	5,920	46.7	41.2
Upper	24	40.0	6,059	40.8	12	21.4	3,511	27.7	30.4
Unknown	2	3.3	1,140	7.7	1	1.8	200	1.6	1.2
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	60	100.0	14,857	100.0	56	100.0	12,689	100.0	100.0

Source: 2022 Dun & Bradstreet Data, 2022 D&B Data, 2016-2020 U.S. Census Bureau: American Community Survey

Note: Percentages may not total 100.0 percent due to rounding.

In 2021, the bank originated 10.0 percent of loans in low-income tracts, which was lower than the percentage of businesses in low-income tracts, at 13.5 percent. For the same year, the bank originated 15.0 percent of loans in moderate-income tracts, which was higher than the percentage of businesses, at 13.8 percent. The bank originated 31.7 percent of loans in middle-income tracts, which is lower than the demographics, at 41.2 percent. The bank originated 40.0 percent of loans in upper-income tracts, which is lower compared to the demographics, at 30.4 percent. Cornerstone originated 3.3 percent of loans in unknown-income census tracts, which is higher than the percentage of businesses, at 1.2 percent.

In 2022, the bank originated 8.9 percent of loans in low-income tracts, which was lower than the percentage of businesses, at 13.5 percent. The bank originated 10.7 percent of loans in moderate-income tracts, which was lower than the percentage of small businesses, at 13.8 percent. For the same year, Cornerstone originated 57.1 percent of loans to middle-income tracts, which is higher than the percentage of small businesses, at 41.2 percent. The bank originated 21.4 percent of loans in upper-income tracts, which is higher than the percentage of small businesses, at 30.4 percent. The bank originated 1.8 percent of loans in unknown-income tracts, which is higher than demographics, at 1.2 percent.

There were no conspicuous gaps in the distribution of small business loans unexplained by performance context. The bank's small business loans are concentrated around branches and in the City of Worcester, a large population center where the majority of low- and moderate-income

tracts are located.

Response to Complaints

There have been no complaints regarding the bank's CRA performance since the previous CRA examination.

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area is demonstrated by the more than reasonable average LTD ratio, the majority of its loans originated or purchased inside the assessment area, the reasonable penetration among individuals and businesses of different income levels, and the reasonable dispersion of loans throughout the assessment area. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect an adequate level of responsiveness, and is therefore rated Satisfactory.

COMMUNITY DEVELOPMENT TEST

Cornerstone's performance under the Community Development Test is rated Satisfactory. The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

During the evaluation period, the bank extended 15 community development loans, totaling \$26.6 million. Twelve of the community development loans, totaling \$9.9 million, were located within the bank's assessment area. Three community development loans originated in the broader statewide or regional area, totaling \$16.7 million, were also given consideration as the bank was responsive to the needs within the assessment area.

The community development loans helped to provide affordable housing to low- and moderate-income individuals, facilitated economic development, and helped to revitalize and stabilize low- and moderate-income geographies. The following is a sample of organizations that received qualified loans from the bank.

- In 2023, the bank originated a loan for \$1.5 million to facilitate the expansion of a health care facility which will also result in economic development through permanent low- and moderate-income job creation.
- In 2023, the bank originated a loan for \$6.9 million for the redevelopment of a vacant mill building which will help revitalize and stabilize a designated Opportunity Zone. The Opportunity Zone Program is a federally established program to provide investment incentives for certain census tracts. This is a tool to encourage growth in low-income communities.

- In 2021, the bank originated two SBA 504 loans, totaling \$2.0 million. SBA 504 loans help promote economic development.

The bank maintained five prior period equity investments with current book values, totaling \$4.9 million. All five equity investments were in Small Business Investment Companies (SBICs). SBICs are privately owned and managed investment funds that make equity and debt investments in qualifying small businesses. The bank's equity investments promote economic development and target the assessment area.

Cornerstone made a total of 172 qualified donations totaling approximately \$684,825 during the evaluation period. A majority of the donations went to organizations that provide community services to low- and moderate-income individuals.

The following is a sample of organizations that received qualified donations from the bank.

- **Worcester Community Action Council (WCAC)** – WCAC is a federally-designated anti-poverty agency that seeks to break the cycle of poverty through programs such as energy assistance, early education and care, financial literacy, youth services, and workforce development.
- **Center of Hope Foundation** - Based in Southbridge, this organization provides people with disabilities and their families the resources, services, and opportunities to be contributing members of their communities, and to achieve the most fulfilling and meaningful lives possible.
- **YMCA of Central Massachusetts** – Located in a low-income census tract, the YMCA provides a variety of community and social services to the community.
- **Worcester County Food Bank** - This food bank, along with a network of more than 100 local food pantries and community meal programs, helps distribute food to low- and moderate-income individuals and families throughout Worcester County.

In addition to providing financial support to local organizations, bank employees have lent their financial expertise to organizations in the assessment area. Bank employees engaged in 189 instances of financial expertise or technical assistance to 45 different community development-related organizations through participation on boards and committees of community development organizations. Further, several employees provided financial literacy seminars and first-time homebuyer programs.

The following is a sample of the bank's involvement during the evaluation period.

- **Rainbow Child Development Center** - Based in Worcester, this organization works to transform the lives of at-risk and low-income children and their families by providing quality educational and therapeutic programs and services. A bank assistant vice president serves on the board.

- **Big Brothers/Big Sisters of Central Mass & Metrowest** - This organization provides social services to low-income and at-risk youth. The bank's president serves as treasurer and as a member of the board and the executive committee.
- **Elder Services of Worcester Area** - This organization, headquartered in a moderate-income tract, works to provide eligible clients with a range of services which will enhance their quality of life and allow them to live as independently as possible in dignity and respect. A vice president advises the agency, helping to fulfill their mission.
- **United Way of Central Massachusetts** - This is a volunteer-driven organization that supports local agencies that provide health, education and financial stability services that profoundly affect the lives of those who live and work in the communities the organization serves. Numerous bank employees have served on the board and in various roles.

CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

Cornerstone has demonstrated adequate responsiveness to community development needs in the assessment area considering the bank capacity and available opportunities. The bank used community development loans, donations, equity investments, and services to meet the needs of its assessment area. Therefore, the bank's Community Development Test rating is Satisfactory.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Concurrent with this CRA evaluation, a review of the bank's compliance with consumer protection laws and regulations was conducted, and no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified.

APPENDIX

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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

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

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the FDIC have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

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

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

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 who do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application. (e.g., approved, denied, and withdrawn).

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

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

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

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

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

Median family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

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

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

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

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

Nonmetropolitan statistical area (non-MSA): Not part of a metropolitan area. (See metropolitan area.)

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

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

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

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

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

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

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

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.

For additional information, please see the Definitions section of Regulation BB at 12 C.F.R. 228.12