

PUBLIC DISCLOSURE

November 2, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Haverhill Bank
Certificate Number: 26411

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Haverhill, Massachusetts 01830

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and commercial loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated March 5, 2018, to the current evaluation dated November 2, 2020. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the institution's performance according to the following criteria.

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, 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 obtain an overall Satisfactory rating.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and commercial loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

Haverhill Bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger volume when compared to commercial loans. No other loan types, such as small farm or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2018 and 2019 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 120 home mortgage loans totaling \$26.5 million in 2018 and 117 home mortgage loans totaling \$25.5 million in 2019. Examiners compared the bank's performance under the Geographic Distribution and Borrower Profile criteria to aggregate data and the 2015 American Community Survey (ACS) demographic data.

As an Intermediate Small Institution, the bank is not required to collect and report small business loan data and did not. As such, examiners selected a random sample of all commercial loans originated in 2019 to analyze the bank's performance. Examiners analyzed a sample of 41 commercial loans, totaling \$15.4 million, from a universe of 77 loans, totaling \$36.7 million. Examiners compared the bank's sampled commercial loans to D&B business demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and sampled commercial loans. Although number and dollar volume are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments and donations, and community development services since the prior CRA evaluation dated March 5, 2018.

DESCRIPTION OF INSTITUTION

Background

Haverhill Bank is a mutually owned co-operative bank headquartered in Haverhill, Massachusetts (MA). The bank operates in Essex County in northeastern MA, and Rockingham County in southeastern New Hampshire (NH). Haverhill Bank has one subsidiary, Haverhill Security Corporation, which buys and sells securities. The FDIC and Division of Banks assigned a Satisfactory rating at the institution's prior performance evaluation, dated March 5, 2018, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

The bank operates six full-service branches. Five branches, including the main office, are located in MA, in the towns of Haverhill (two), Bradford, Merrimac, and West Newbury; and one branch is located in Salem, NH. The bank also operates two limited service branches at Haverhill High School and Whittier Vocational School. Additionally, Haverhill Bank has two automated teller machines (ATM) in Haverhill, located at the Haverhill Country Club and Hilldale Shopping Center. The main office in Haverhill is located in a low-income census tract and the Bradford branch is in a moderate-income tract. The Haverhill High School limited service branch and Hilldale ATM are also located in moderate-income census tracts. The bank did not open or close any branches during the evaluation period and no merger or acquisition activity occurred.

Haverhill Bank is primarily a residential mortgage lender, with its commercial lending increasing since the previous evaluation. Lending products include residential fixed- and adjustable-rate mortgages, home equity loans and lines of credit, personal loans, automobile loans, commercial mortgages, equipment loans, business lines of credit, and construction loans. Deposit offerings include personal and business savings and checking accounts, individual retirement accounts, and certificates of deposit. Haverhill Bank offers various alternative banking services, including online, mobile, and telephone banking, and ATMs.

Ability and Capacity

Haverhill Bank's assets totaled approximately \$488.8 million as of September 30, 2020, and included total loans of \$331.5 million and securities of \$67.8 million. The bank also had \$412.1 million in total deposits. Examiners noted that the percentage of commercial and industrial loans more than doubled since the prior evaluation. This increase is partially attributable to the number of Payment Protection Plan (PPP) originations in 2020.¹ Although the percentage of 1-4 family residential properties decreased since the last evaluation, it continued to account for the largest portion of the portfolio. The following table illustrates the bank's loan portfolio.

¹ The Small Business Administration (SBA) administered these loans as part of the Coronavirus Aid, Relief, and Economic Security Act. PPP loans helped businesses retain workers and staff during the pandemic. The SBA will forgive loans if the borrower meets the employee retention and eligible expenses criterion.

Loan Portfolio Distribution as of 9/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	25,538	7.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	185,710	56.0
Secured by Multifamily (5 or more) Residential Properties	5,900	1.8
Secured by Nonfarm Nonresidential Properties	30,944	9.3
Total Real Estate Loans	248,092	74.8
Commercial and Industrial Loans	83,081	25.1
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	335	0.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	21	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	331,529	100.0
<i>Source Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate its CRA performance. The bank designated a single assessment area in the Boston-Cambridge-Newton, MA-NH Multistate Metropolitan Statistical Area (MSA) and the Manchester-Nashua, NH MSA. The assessment area contains three census tracts in the Manchester-Nashua, NH MSA and does not extend substantially beyond the Multistate MSA. Additionally, the bank does not operate a branch or deposit-taking ATM in the Manchester-Nashua, NH MSA. As Haverhill Bank's assessment area is located almost entirely within the Multistate MSA, and all branches are within the Multistate MSA, examiners presented a single rating and conclusions that apply to the overall and Multistate MSA performance. The following sections discuss demographic and economic information of the assessment area.

Economic and Demographic Data

Haverhill Bank's assessment area consists of 63 census tracts and encompasses the towns of Amesbury, Boxford, Groveland, Haverhill, Merrimac, Methuen, Newbury, Newburyport, North Andover, and West Newbury in Essex County, MA; Atkinson, Derry, Newton, Plaistow, Salem, and Windham in Rockingham County, NH; and Pelham in Hillsborough County, NH. The census tracts reflect the following income designations according to 2015 ACS data.

- 5 low-income census tracts,
- 10 moderate-income census tracts,
- 35 middle-income census tracts, and
- 13 upper-income census tracts.

The low- and moderate-income census tracts are primarily located in Haverhill, Methuen, and North Andover, MA. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the bank's assessment area. However, there are several opportunity zones. The opportunity zones are areas of economic need approved by the U.S. Department of Treasury. Within the bank's assessment area, there are four census tracts in Massachusetts and one in New Hampshire designated as opportunity zones. They are located in Haverhill (two), and Methuen (two) in MA and Derry, NH.

The following table illustrates 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)	63	7.9	15.9	55.6	20.6	0.0
Population by Geography	315,717	7.1	15.7	54.7	22.5	0.0
Housing Units by Geography	126,164	7.1	17.1	55.1	20.7	0.0
Owner-Occupied Units by Geography	86,941	2.6	12.7	58.6	26.1	0.0
Occupied Rental Units by Geography	32,507	18.0	28.2	46.3	7.4	0.0
Vacant Units by Geography	6,716	11.4	20.8	52.9	14.9	0.0
Businesses by Geography	24,398	5.8	14.2	55.9	24.2	0.0
Farms by Geography	652	1.8	9.7	60.7	27.8	0.0
Family Distribution by Income Level	83,687	21.2	18.1	22.0	38.6	0.0
Household Distribution by Income Level	119,448	24.0	15.9	18.4	41.7	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$312,237
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Gross Rent			\$1,116
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH		\$90,150	Families Below Poverty Level			5.5%
<i>Source 2015 ACS and 2019 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2019 D&B data, 24,398 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 86.6 percent have \$1.0 million or less,
- 5.6 percent have more than \$1.0 million, and
- 7.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 43.4 percent; followed by nonclassifiable establishments (13.8 percent); retail trade (13.1 percent); construction (9.8 percent); and finance, insurance, and real estate (8.4 percent). In addition, 93.6 percent of businesses operate from a single location, and 68.8 percent have four or fewer employees. Top employers in the area include Holy Family Hospital and Northern Essex Community College.

According to the U.S. Bureau of Labor Statistics, the 2019 annual average unemployment rate was 3.0 percent in Essex County, 2.7 percent in Rockingham County, and 2.6 percent in Hillsborough County. The unemployment rate has been declining throughout the evaluation period, but sharply

increased in March 2020 due to the COVID-19 pandemic.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Opportunities for home mortgage lending are slightly limited, as only 68.9 percent of the 126,164 housing units are owner-occupied. Additionally, housing costs are relatively expensive, with a median housing value of \$312,237. This is considerably higher than the median housing value of \$237,081 in NH and \$225,895 in the U.S.

Examiners used the 2018 and 2019 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
Manchester-Nashua, NH MSA Median Family Income (31700)				
2018 (\$94,100)	<\$47,050	\$47,050 to <\$75,280	\$75,280 to <\$112,920	≥\$112,920
2019 (\$98,100)	<\$49,050	\$49,050 to <\$78,480	\$78,480 to <\$117,720	≥\$117,720
Rockingham County-Strafford County, NH MD Median Family Income (40484)				
2018 (\$101,300)	<\$50,650	\$50,650 to <\$81,040	\$81,040 to <\$121,560	≥\$121,560
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
<i>Source FFIEC</i>				

Competition

The bank operates in a highly competitive market for financial services. According to the 2019 deposit market share report, 25 financial institutions operated 97 branches in the assessment area. Haverhill Bank ranked 12th, with a 3.4 percent market share. TD Bank, National Association; Santander Bank, National Association; and Institution for Savings in Newburyport captured the highest percentages of the deposit market share.

There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 395 lenders reported 16,229 home mortgage loans in the assessment area. Haverhill Bank was among the top 11 percent of lenders, ranked 43rd, with a 0.6 percent market share. Top ranked lenders include large national banks and mortgage companies. Wells Fargo Bank, National Association; Quicken Loans, and CBNA were the highest ranked lenders.

The bank is not required to collect or report its small business lending and it has elected not to do so. Therefore, the analysis of sampled commercial loans under the Lending Test does not include comparisons to aggregate data.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities.

Examiners contacted a representative of a community organization that provides various services to low-income individuals in the assessment area. The contact discussed affordable housing challenges in the area, noting a decreasing supply of affordable housing; the high cost of housing compared to area wages; competition for properties and funding; and an increasing homeless population. The contact also explained that these housing problems are exacerbated by the redevelopment and displacement of low- and moderate-income residents from downtown Haverhill. The COVID-19 pandemic has further complicated housing and economic issues for low- and moderate-income residents. Furthermore, the contact stated that there is a significant need for financial donations, specifically housing stabilization funds tailored to smaller non-profits versus larger non-profits, and funding for affordable housing development. Finally, the contact indicated that opportunities exist for financial institutions to increase involvement with community service organizations.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary community development need of the assessment area. There is also a need for an increased supply and development of affordable housing, loan assistance, and rental assistance. Further, there is a need for more financial institution service involvement with community organizations.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Haverhill Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance, particularly in home mortgage lending support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Haverhill Bank's LTD ratio averaged 86.2 percent over 11 calendar quarters from March 31, 2018 to September 30, 2020. The ratio ranged from a low of 79.7 percent as of September 30, 2020, to a high of 90.8 percent as of June 30, 2019. Since June 30, 2019, the ratio has been gradually declining. Although Haverhill Bank's ratio is below that of comparable institutions, the LTD is reasonable given that most comparable institutions have ratios at or below 100.0 percent. Examiners selected comparable institutions based on asset size, lending focus, and geographic location.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 9/30/2020 (\$000s)	Average Net LTD Ratio (%)
BankGloucester	329,398	98.8
Northmark Bank	417,301	99.4
Salem Co-operative Bank	472,690	113.2
Haverhill Bank	488,757	86.2
<i>Source Reports of Condition and Income 3/31/2018 - 9/30/2020</i>		

Assessment Area Concentration

The bank made a majority of combined home mortgage and sampled commercial loans, by number and dollar volume, inside the assessment area. However, the majority by number and dollar of commercial loans were outside the assessment area. This is due in part to the bank's relationship lending practices. Specifically, a portion of the bank's business customers borrow frequently and operate throughout NH and MA. Please see the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	91	75.8	29	24.2	120	18,317	69.0	8,219	31.0	26,537
2019	84	71.8	33	28.2	117	16,777	65.8	8,706	34.2	25,484
Subtotal	175	73.8	62	26.2	237	35,095	67.5	16,926	32.5	52,020
Commercial										
2019	20	48.8	21	51.2	41	5,818	37.8	9,594	62.3	15,411
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent performance of home mortgage and commercial lending supports this conclusion. Examiners focused on the percentage of loans in low- and moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows the bank's lending in low-income census tracts exceeded aggregate performance and the percentage of owner-occupied housing units in 2018 and 2019. Lending in low-income tracts increased slightly by number and percentage in 2019. The bank's lending in moderate-income census tracts outperformed aggregate and demographic data in 2018. Lending declined in moderate-income tracts in 2019, following a decline in total lending in the assessment area. Despite the decline, lending was only slightly less than aggregate and the percentage of owner-occupied housing units.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	2.6	4.3	7	7.7	1,197	6.5
2019	2.6	3.7	8	9.5	1,167	7.0
Moderate						
2018	12.7	14.1	15	16.5	1,880	10.3
2019	12.7	12.8	10	11.9	1,350	8.0
Middle						
2018	58.6	56.4	54	59.3	10,669	58.2
2019	58.6	57.1	51	60.7	10,156	60.5
Upper						
2018	26.1	25.2	15	16.5	4,572	25.0
2019	26.1	26.5	15	17.9	4,104	24.5
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
Totals						
2018	100.0	100.0	91	100.0	18,317	100.0
2019	100.0	100.0	84	100.0	16,777	100.0
<i>Source 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Commercial Loans

The geographic distribution of sampled commercial loans reflects excellent dispersion. Examiners compared the bank's lending activity to business demographic data. In 2019, the bank's percentage of loans significantly exceeded the percent of businesses in both low- and moderate-income census tracts.

Geographic Distribution of Commercial Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	5.8	4	20.0	986	17.0
Moderate					
2019	14.2	5	25.0	970	16.7
Middle					
2019	55.9	11	55.0	3,861	66.4
Upper					
2019	24.2	0	0.0	0	0.0
Not Available					
2019	0.0	0	0.0	0	0.0
Totals					
2019	100.0	20	100.0	5,817	100.0
<i>Source 2019 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance in home mortgage and poor performance in commercial lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and commercial loans to businesses with gross annual revenues (GARs) of \$1.0 million or less.

Home Mortgage Loans

The distribution of borrowers reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's lending to low-income borrowers substantially exceeded aggregate performance in 2018. Performance improved in 2019, increasing to more than double aggregate and rising above the percentage of low-income families in the assessment area. The percentage of low-income families is typically higher than lending to these families, as a low-income family in the assessment area, earning less than \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$312,287. Haverhill Bank's lending to moderate-income borrowers substantially exceeded aggregate performance and the percentage of moderate-income families in 2018 and 2019.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	21.2	8.8	13	14.3	1,715	9.4
2019	21.2	7.5	19	22.6	1,986	11.8
Moderate						
2018	18.1	23.5	29	31.9	3,858	21.1
2019	18.1	22.5	26	31.0	4,759	28.4
Middle						
2018	22.0	24.2	19	20.9	4,119	22.5
2019	22.0	24.9	22	26.2	4,526	27.0
Upper						
2018	38.6	30.8	30	33.0	8,625	47.1
2019	38.6	31.7	17	20.2	5,506	32.8
Not Available						
2018	0.0	12.7	0	0.0	0	0.0
2019	0.0	13.4	0	0.0	0	0.0
Totals						
2018	100.0	100.0	91	100.0	18,317	100.0
2019	100.0	100.0	84	100.0	16,777	100.0
<i>Source 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Commercial Loans

The distribution of sampled commercial loans reflects poor penetration to businesses of different sizes with GARs of \$1 million or less. As shown in the following table, the bank's lending by number and dollar was substantially less than the percentage of small businesses operating in the assessment area.

Distribution of Commercial Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	86.6	6	30.0	1,628	28.0
>\$1,000,000					
2019	5.6	14	70.0	4,190	72.0
Revenue Not Available					
2019	7.7	0	0.0	0	0.0
Totals					
2019	100.0	20	100.0	5,817	100.0
<i>Source 2019 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Haverhill Bank’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability for community development activity within the assessment area.

Community Development Loans

The bank originated 134 community development loans totaling approximately \$20.7 million during the evaluation period. This activity level equates to 5.0 percent of average total assets and 6.7 percent of average net loans. Community development lending represents an increase by number and dollar volume since the prior evaluation. At the prior evaluation, the bank originated 13 community development loans for \$2.4 million. This increase is primarily due to the bank originating 112 PPP loans for \$14.8 million in 2020. Additionally, as the bank met the community development needs of its assessment area, examiners considered 10 community development loans for approximately \$1.1 million outside the assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	1	32	11	3,958	1	10	13	4,000
2019	0	0	0	0	1	71	0	0	1	71
YTD 2020	0	0	2	550	115	16,033	3	48	120	16,631
Totals	0	0	3	582	127	20,062	4	58	134	20,702
<i>Source Bank Data</i>										

The following describes a sample of the bank’s community development loans inside the assessment area:

- In 2019, the bank originated four participation loans to a Community Development Financial Institution that provides loan financing and technical assistance to small businesses in low- and moderate-income communities. The bank’s portion of the four participation loans totaled \$57,500.
- The bank originated five loans under the SBA 504 Certified Development Company (CDC) Program for \$3.3 million. The SBA 504 CDC Program is an economic development program offering small business financing while promoting job growth and creating jobs. This program provides approved small businesses with long-term, fixed-rate financing for acquiring fixed assets for business expansion or modernization.
- The bank originated one loan through the Massachusetts Capital Access Program (MassCap) for \$60,000. MassCAP is a loan guarantee program to help small businesses obtain loans from participating banks. Loan guarantees may be used to start or expand businesses or provide permanent working capital.

Qualified Investments

Haverhill Bank made 123 qualified donations totaling approximately \$191,000. The bank neither held any prior period investments, nor made any new qualified equity investments during the review period. In addition, as the bank met the community development needs of its assessment area, examiners considered three qualified donations outside the assessment area. The total dollar amount of all qualified donations equates to 0.05 percent of average total assets and 0.3 percent of average total securities. This represents a decrease in the number of qualified grants and donations by number, but an increase by dollars since the prior evaluation. At the prior evaluation, the bank had 173 donations totaling \$179,000. Of the 123 current evaluation donations, 2.4 percent benefited affordable housing organizations and 97.6 percent benefited community service organizations. The following table details qualified donations by year and purpose.

Qualified Investments										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	1	6	49	56	0	0	0	0	50	62
2019	2	2	52	82	0	0	0	0	54	84
YTD 2020	0	0	19	45	0	0	0	0	19	45
Total	3	8	120	183	0	0	0	0	123	191
<i>Source Bank Data</i>										

The following are notable examples of the bank’s qualified donations.

- *Rebuilding Together Greater Haverhill* – This organization, operating within the Merrimack Valley and Southern NH areas, repairs homes and revitalizes communities for income-challenged homeowners, especially older adults, veterans, disabled, or families with children with a mission of becoming more independent.
- *Ruth’s House* – This 501(c)(3) nonprofit provides clothing, low-cost household goods, and employment training opportunities as well as a children’s reading program to low- and moderate-income individuals and families in need throughout the Greater Merrimack Valley. The bank’s donations benefited community service needs within the bank’s assessment area.
- *YMCA of Greater Haverhill (YMCA)* - Operating under the YMCA of the North Shore’s umbrella, this YMCA center offers housing, food, and activities for low- and moderate-income adults and families. The bank’s donations were responsive to identified community needs.

Community Development Services

During the review period, 9 bank employees provided 522 hours of financial expertise or technical assistance to 10 different community development-related organizations in the assessment area. These community development services included employee or executive management involvement in community service organizations as well as financial education for low- and moderate-income individuals. The following table illustrates community development services by year and purpose.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2018	78	106	45	0	229
2019	64	80	41	0	185
YTD 2020	42	38	28	0	108
Total	184	224	114	0	522
<i>Source Bank Data</i>					

Employee Involvement

Bank employees participate in local community development organizations and provide financial or other technical expertise. The following organizations are examples of organizations benefitting from employee involvement.

- *Penacook Place* – Operating in a low-income neighborhood within the assessment area, Penacook Place provides short- and long-term skilled nursing and rehabilitation care for the elderly especially the poor, vulnerable, and suffering. An executive officer served on the organization’s Board in 2018, 2019, and 2020.
- *Boys and Girls Club of Greater Salem, NH (BGC)* – BGC serves children in the assessment area, particularly those from low- and moderate-income families. This community service organization provides important support programs and nutrition programs including healthy meals during the summer months to children who rely on subsidized school lunch programs during the school year. A vice president served on the BGC Board and Finance Committee in 2018, 2019, and 2020.
- *Elder Services of the Merrimack Valley* – The Lawrence, MA-based organization serves Northeastern MA and is a federally designated Area Agency on Aging and an elder protective service agency for the region. They collaborate with housing authorities to build supportive housing and address fresh food needs, necessities, and financial management services. Monthly volunteers work one-on-one with low- and moderate-income seniors to budget, sort financial mail, balance checkbooks, and perform other financial-related assistance. A bank assistant vice president conducted the FDIC Money Management program at Elder Services of the Merrimack Valley in 2018 and 2019.

Financial Services Education

Haverhill Bank also provided first time homebuyers programs geared toward low- and moderate-income individuals in its assessment area.

- *Community Action, Inc. (CAI)* – In 2018, the bank partnered with CAI to sponsor three first time homebuyer programs within the assessment area. The Massachusetts Citizens Housing and Planning Association as well as MassachusettsHousing certified the

organization's prepurchase class. The class teaches potential homebuyers about the home purchasing process and how to obtain a mortgage. Two vice presidents presented the course material.

In addition, Haverhill Bank operates one branch in a low-income census tract and two branches in moderate-income census tracts of the assessment area. These branches demonstrate the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDIX

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. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2018 and 2019 HMDA LARs to determine if the application flow from different racial groups within the bank’s assessment area reflected assessment area demographics. Examiners compared the bank’s 2018 and 2019 residential lending to 2018 and 2019 aggregate data. This comparison assists in deriving reasonable expectations for the minority application rate. Considering the assessment area’s demographic composition and the bank’s strategies, the bank’s minority application flow is considered adequate.

Refer to the following table for information on the bank’s minority application flow as well as aggregate data in the bank’s assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2018		2018 Aggregate Data	Bank 2019		2019 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	0	0.0	0.2
Asian	1	0.8	2.3	1	0.9	2.2
Black/ African American	0	0.0	2.2	1	0.9	2.0
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	4	3.2	1.2	1	0.9	1.1
Total Minority	5	3.9	6.3	3	2.8	5.8
White	96	75.6	74.0	75	68.8	73.9
Race Not Available	26	20.5	19.7	31	28.4	20.3
Total	127	100.0	100.0	109	100.0	100.0
ETHNICITY						
Hispanic or Latino	3	2.4	7.2	0	0.0	7.4
Joint (Hisp/Lat /Not Hisp/Lat)	4	3.2	1.4	0	0.0	1.2
Total Hispanic Minority	7	5.5	8.6	0	0.0	8.7
Not Hispanic or Latino	89	70.1	71.7	78	71.6	71.2
Ethnicity Not Available	31	24.4	19.7	31	28.4	20.1
Total	127	100.0	100.0	109	100.0	100.0

Source ACS US Census 2015, HMDA Aggregate Data 2018 and 2019, HMDA LAR Data 2018 and 2019.

According to 2015 ACS US Census data, the bank's assessment area contained a total population of 315,717 individuals of which 14.2 percent are minorities. The assessment area's minority and ethnic population is 1.1 percent Black/African American, 2.4 percent Asian, 0.1 percent American Indian, 9.2 percent Hispanic or Latino, and 1.5 percent other.

In 2019, the bank received 109 HMDA reportable loan applications. Of these, the bank received 3, or 2.8 percent, from racial minority applicants. The bank's application flow was below aggregate performance of 5.8 percent for applications from racial minority applicants. Of the three applications to racial minorities, the bank originated one.

Application flow with respect to ethnicity was below aggregate for Hispanic borrowers. It should be noted that the bank operates in a highly competitive area for financial offerings. The bank should continue to monitor its minority application flow and outreach efforts to Hispanic applicants.

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.

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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 on 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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 Areas (CBSAs): 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).

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

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

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

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 180 Merrimack Street, Haverhill, Massachusetts 01830."

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

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

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.