

CRA Performance Evaluation:

PUBLIC DISCLOSURE

September 6, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Merrimack County Savings Bank
Certificate Number: 17960

89 North Main Street
Concord, New Hampshire 03301

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	11
NON-METROPOLITAN STATISTICAL AREA, NEW HAMPSHIRE (NH) – Full-Scope Review	12
MANCHESTER-NASHUA, NH METROPOLITAN STATISTICAL AREA (MSA) – Full- Scope Review.....	23
APPENDICES	35
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	35
GLOSSARY	36

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 more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in its assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, 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 areas 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 areas.

DESCRIPTION OF INSTITUTION

Background

Merrimack County Savings Bank (MCSB) is a state-chartered mutual savings bank headquartered in Concord, NH. MCSB is a subsidiary of New Hampshire Mutual Bancorp (NHMB), a three-bank holding company also headquartered in Concord, NH. NHMB also owns Meredith Village Savings Bank and Savings Bank of Walpole. The three banks operate in alliance under NHMB. NHMB also owns NH Trust Company, which offers wealth management services as an affiliate of the banks. MCSB received a Satisfactory rating at its prior evaluation, dated June 10, 2019, based on the Interagency Intermediate Small Institution (ISI) Examination procedures.

Operations

MCSB operates seven full-service branches, including the main office and primarily serves central and southern communities of NH. In addition to the main office in Concord, branches are located in Bow, Concord (2), Contoocook, Hooksett, and Nashua. Further, the bank operates one stand-alone deposit-taking Automated Teller Machine (ATM) in Penacook and five additional stand-alone cash-only ATMs in Concord (2), Henniker, Hopkinton, and Pittsfield. The bank closed two full-service branches and one stand-alone cash-only ATM since the prior evaluation. The bank did not open any branches and was not involved in any merger or acquisition activities since the prior evaluation.

MCSB offers residential, commercial, and consumer loans with a continued primary focus on residential and commercial lending. The bank offers various consumer and commercial deposit services including checking, savings, money market, certificates of deposit accounts, and individual retirement accounts. In addition to ATMs, alternative banking services include internet, mobile, and telephone banking; remote deposit capture; and person-to-person payment features.

Ability and Capacity

As of June 30, 2022, deposits totaled approximately \$1.0 billion and assets totaled approximately \$1.2 billion, which included total loans of \$1.0 billion and securities of \$141.9 million. Assets increased by approximately \$325.6 million, or 35.9 percent since March 31, 2019, (the last quarter utilized at the prior evaluation). An increase in the bank's loan and securities portfolios contributed to asset growth. Total loans increased approximately \$259.5 million, or 34.5 percent, and securities increased by approximately \$54.1 million, or 61.6 percent. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	62,164	6.2
Secured by Farmland	1,364	0.1
Secured by 1-4 Family Residential Properties	396,467	39.2
Secured by Multifamily (5 or more) Residential Properties	54,688	5.4
Secured by Nonfarm Nonresidential Properties	224,643	22.2
Total Real Estate Loans	739,326	73.1
Commercial and Industrial Loans	101,427	10.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	165,699	16.4
Obligations of State and Political Subdivisions in the U.S.	4,308	0.4
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,010,760	100.0
<i>Source: Reports of Condition and Income</i>		

The bank provides for the credit needs of its communities in a manner consistent with its size, financial condition, resources, and local economic conditions. Although examiners did not identify any financial or legal impediments that affect the bank's ability to meet the assessment areas' credit needs, several economic and demographic indicators, such as the COVID-19 pandemic, low interest rates, and economic relief packages affected lending opportunities.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. MCSB designated two non-contiguous assessment areas: the Non-Metropolitan Statistical Area, NH MSA (Non-MSA) assessment area and the Manchester-Nashua, NH MSA assessment area.¹ The combined assessment area includes all of Merrimack County and portions of Hillsborough County. MCSB has not changed its assessment areas since the prior evaluation. Please refer to the full-scope assessment area sections of this evaluation for more details on each assessment area's demographics.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated June 10, 2019, to the current evaluation dated September 6, 2022. Examiners used the ISI Examination Procedures to evaluate

¹ This document collectively refers to these areas as the combined assessment area.

MCSB’s CRA performance. As described in the Appendices, these procedures include the Lending Test and Community Development Test. Banks must achieve at least a satisfactory rating under each test to obtain an overall “Satisfactory” rating.

Examiners evaluate factors such as lending volume, deposit activity, and branch presence when determining which assessment area will receive the most weight when assigning the overall rating. Examiners conducted full-scope reviews on each assessment area. The Non-MSA assessment area warranted a full-scope review as the bank is headquartered in this area and contains a majority of its lending, deposits, and branch activity. The Manchester-Nashua, NH MSA assessment area also received a full-scope review as it has a significant level of need as evidenced by the number of low- and moderate-income census tracts. Examiners assigned greater weight to the bank’s performance in the Non-MSA assessment area in arriving at the overall rating. The Manchester-Nashua, NH MSA assessment area received less weight in this evaluation as it accounts for a smaller portion of the bank’s lending, deposits, and branch activity. The following table illustrates the distribution of home mortgage and small business loans, deposits, and branches across each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA	331,771	78.9	929,187	91.7	6	85.7
Manchester-Nashua, NH MSA	88,908	21.1	84,223	8.3	1	14.3
Total	420,679	100.0	1,013,410	100.0	7	100.0
<i>Source: Bank Data; FDIC Summary of Deposits (06/30/2022)</i>						

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Although the loan portfolio table illustrates some farm lending, the bank did not originate any farm loans during the evaluation period. Additionally, no other loan types, such as consumer loans represent a major product line; therefore, they provide no material support for conclusions or ratings and are not presented.

Examiners considered all home mortgage loans reported on the bank’s 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 364 home mortgage loans totaling \$97.7 million in 2019, 614 loans totaling \$169.1 million in 2020, and 477 loans totaling \$149.1 million in 2021. Home mortgage lending volume generally increased over the period of 2019 to 2021, with a peak in 2020. Sustained low mortgage interest rates and increased home sales during the review period contributed to the increase. Aggregate data and 2015 American Community Survey (ACS) data provided a standard of comparison for home mortgage loans. Although examiners analyzed 2019 home mortgage lending performance, 2019 lending was similar to 2020 and 2021 performance; therefore, this evaluation does not present 2019 performance under the Geographic Distribution and Borrower Profile criteria. However, examiners presented the bank’s 2019 lending activity under the Assessment Area Concentration criterion.

As an ISI, MCSB is not required to and does not report small business loans. However, MCSB collected all required data; therefore, examiners considered all small business loans for 2019, 2020, and 2021. The bank originated 215 small business loans totaling \$92.9 million in 2019, 810 loans totaling \$86.9 million in 2020, and 544 loans totaling \$113.9 million in 2021. The large increases in small business lending is due to the Small Business Administration's (SBA) Paycheck Protection Program (PPP). PPP was part of the Coronavirus Aid, Relief, and Economic Security Act of 2020 and was designed to provide businesses with access to low-interest forgivable loans. Loan proceeds assisted with payroll and other business-related costs during the COVID-19 pandemic. SBA discontinued the PPP in mid-2021. As the bank did not elect to report small business data, examiners did not use aggregate data as a standard of comparison. D&B data for 2019, 2020, and 2021 provided a standard of comparison for small business lending.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage and small business loans. Although the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. MCSB's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, investments, and services, since the prior evaluation date of June 10, 2019, to the current evaluation date of September 6, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MCSB demonstrated reasonable performance under the Lending Test. Reasonable performance under the Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is more than reasonable given the bank's size, financial condition, and assessment areas' credit needs. The bank's average net LTD ratio for the past 13 calendar quarters (beginning with quarter-end June 30, 2019, through quarter-end June 30, 2022), was 102.4 percent, as illustrated in the following table. The table also reflects comparable institutions' LTD ratios over the same timeframe. Examiners selected these institutions for comparison based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 06/30/2022 (\$000s)	Average Net LTD Ratio (%)
Merrimack County Savings Bank	1,013,410	102.4
Meredith Village Savings Bank	1,167,333	106.4
Northway Bank	1,039,863	83.1
<i>Source: Reports of Condition and 06/30/2019 -06/30/2022</i>		

During the evaluation period, the bank's quarterly LTD ratios varied from a low of 92.5 percent on September 30, 2021, to a high of 114.6 percent on March 31, 2020. MCSB ranked 2nd out of the similarly situated lenders over the same period. The LTD ratio increased gradually during 2019 and since that time, has been gradually declining. MCSB experienced a decline in lending and a significant increase in deposits due to federal and state government pandemic distributions, causing a downward trending LTD ratio during the review period.

Assessment Area Concentration

MCSB originated a majority of loans by both number and dollar volume within the combined assessment area. As previously explained, sustained low mortgage interest rates and increased home sales during the review period contributed to the increase. The substantial increase in small business lending volume in 2020 and 2021 was due to the bank's significant involvement with the PPP. See the following table.

Lending Inside and Outside of the Assessment Area Assessment Area: Combined										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	233	64.0	131	36.0	364	50,407	51.6	47,275	48.4	97,682
2020	431	70.2	183	29.8	614	108,007	63.9	61,010	36.1	169,017
2021	315	66.0	162	34.0	477	87,574	58.7	61,580	41.3	149,154
Subtotal	979	67.3	476	32.7	1,455	245,988	59.2	169,864	40.8	415,852
Small Business										
2019	131	60.9	84	39.1	215	44,019	47.4	48,896	52.6	92,915
2020	654	80.7	156	19.3	810	64,653	74.4	22,287	25.6	86,940
2021	418	76.8	126	23.2	544	66,019	58.0	47,877	42.0	113,896
Subtotal	1,203	76.7	366	23.3	1,569	174,691	59.5	119,060	40.5	293,751
Total	2,182	72.2	842	27.8	3,024	420,679	59.3	288,924	40.7	709,603
Source: Bank Data										
Due to rounding, totals may not equal 100.0%										

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable penetration of home mortgage and small business loans throughout the combined assessment area. Reasonable performance in the Non-MSA and Manchester-Nashua, NH MSA assessment areas support this conclusion. Tables illustrating the geographic distribution for each assessment area are included within the respective assessment area sections of this evaluation.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Reasonable performance in the Non-MSA and Manchester-Nashua, NH MSA assessment areas support this conclusion. Tables illustrating the borrower profile distribution for each assessment area are included within the respective assessment area sections of this evaluation.

Response to Complaints

The bank has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

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

Community Development Loans

MCSB exhibits adequate responsiveness to credit and community development needs. MCSB originated 63 community development loans totaling approximately \$13.4 million during the evaluation period, which represents 1.3 percent of average total assets and 1.5 percent of average total loans. Community development lending increased significantly since the prior evaluation, when the bank originated 12 loans totaling \$4.1 million. The bank's active participation in the SBA's 504 Certified Development Company (CDC) Program contributed to this increase. Of the 63 community development loans, 57 loans totaling approximately \$10.5 million were SBA 504 loans. The bank also provided approximately \$2.6 million in community development loans for affordable housing and community service initiatives, which examiners identified as significant need in the combined assessment areas. These funds created additional capacity for a homeless shelter and 55 affordable housing units.

Compared to similarly situated institutions, the bank's volume of community development loans compared favorably with one similarly situated institution by number and dollar amount and fell below two others.

As examiners determined that the bank sufficiently met the community development credit needs in the combined assessment area, they also considered the community development loans the bank made outside the assessment areas. Of the total 63 community development loans, 11 loans totaling approximately \$4.8 million were outside the assessment areas. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	1	477	0	0	1	477
2020	1	551	1	150	12	1,174	0	0	14	1,875
2021	3	1,908	0	0	38	5,488	0	0	41	7,396
YTD 2022	0	0	0	0	7	3,652	0	0	7	3,652
Total	4	2,459	1	150	58	10,791	0	0	63	13,400
<i>Source: Bank Data</i>										

Refer to the Community Development Loans discussion within each assessment area section of this evaluation for further details on community development loans.

Qualified Investments

MCSB exhibits adequate responsiveness to opportunities for qualified investments. MCSB made 159 qualified investments totaling approximately \$1.2 million. This total includes 15 equity investments totaling \$856,500 and 144 donations totaling \$371,372. Investment activity increased by dollar amount since the prior evaluation where the bank made 215 investments for approximately \$867,000. In total, the bank's investments represent 0.1 percent of average total assets and 1.2 percent of average total securities. When compared to similarly situated institutions, the bank's investment activity exceeded that of one institution and compared favorably to two others. The following table details qualified investments by assessment area and purpose for the combined assessment area.

Qualified Investments by Assessment Area Assessment Area: Combined										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA	26	164	61	119	5	47	0	0	92	330
Manchester-Nashua, NH MSA	20	105	22	30	1	25	1	10	44	170
Statewide Activities	6	596	14	92	2	25	1	15	23	728
Total	52	865	97	241	8	97	2	25	159	1,228
<i>Source: Bank Data</i>										

Qualified Investments Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	500	0	0	0	00	0	0	1	500
2019	0	0	0	0	2	40	0	0	2	40
2020	1	50	1	50	2	25	2	25	6	150
2021	3	94	0	0	0	0	0	0	3	94
YTD 2022	2	48	0	0	1	25	0	0	3	73
Subtotal	7	692	1	50	5	90	2	25	15	857
Qualified Grants & Donations	45	173	96	191	3	7	0	0	144	371
Total	52	865	97	241	8	97	2	25	159	1,228
Source: Bank Data										

Equity Investments

MCSB holds one prior period equity investment with a book value of approximately \$500,000. The bank made 14 new equity investments totaling \$356,500 during the evaluation period. The following are notable examples of qualified equity investments that benefitted a greater statewide area.

- ***New Hampshire Community Loan Fund (NHCLF)*** – The NHCLF lends to individuals and small businesses that cannot obtain conventional financing through financial institutions. The NHCLF provides affordable homeownership opportunities to low- and moderate-income families and flexible financing to small businesses. The current investment's book value is approximately \$500,000.
- ***Capitol Regional Development Council (CRDC)*** – The bank invested \$25,000 in the CRDC through the Community Development Finance Authority (CDFA) during the evaluation period. The CRDC provides various economic development services to businesses and local governments throughout NH, including small business lending, new market tax credits, and economic development consulting to local municipalities.

Qualified Donations

The total of \$371,372 in qualified donations represents a slight decline from the \$413,000 in qualified donations at the prior evaluation. The following are notable examples of qualified donations that benefitted a greater statewide area.

- ***NeighborWorks Southern New Hampshire (NeighborWorks)*** – MCSB donated \$10,000 in 2019 to NeighborWorks. NeighborWorks provides affordable housing and economic stability to low- and moderate-income individuals and families from NH's southern border to the Lakes Region. This includes developing new affordable rental units and providing homeownership and financial counseling services.

- **SEE Science Center** – MCSB donated \$2,000 in 2020 to SEE Science Center, a non-profit organization that provides science, technology, engineering, and mathematics (STEM) education to Title 1 elementary schools in NH. Title 1 elementary schools have the highest level of families living in poverty. The organization provided STEM education to 5,936 low-income students during the 2020-2021 school year.

Community Development Services

The bank exhibits adequate responsiveness to community development needs. During the evaluation period, the bank provided 1,544 hours of financial expertise or assistance to 21 community development organizations within the assessment areas. Overall, community development service activity decreased since the previous evaluation where the bank provided 2,291 hours to 26 organizations in the combined assessment area. When compared to similarly situated institutions, the bank outperformed two institutions and fell below one other in community development services. The following table details qualified community development services by assessment area and purpose for the combined assessment area.

Community Development Services Assessment Area: Combined					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA	78	355	59	414	906
Manchester-Nashua, NH MSA	60	242	0	0	302
Statewide Activities	9	255	72	0	336
Total	147	852	131	414	1,544
<i>Source: Bank Data</i>					

Community Development Services Assessment Area: Combined					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	14	121	38	47	220
2020	29	216	24	111	380
2021	63	356	64	240	723
YTD 2022	41	159	5	16	221
Total	147	852	131	414	1,544
<i>Source: Bank Data</i>					

Of the 1,544 hours of community services, 336 hours supported organizations that provide affordable housing, community services, and economic development to a greater statewide area that includes the combined assessment area. The following are examples of those community development services.

- ***Regional Economic Development Center (REDC)*** – The REDC supports economic development by providing technical assistance, financing through various funding sources, and business development training. As a Certified Community Development Financial Institution (CDFI), the REDC also provides financial services in low-income communities and to individuals who lack access to financing. A vice president served on the organization's finance committee
- ***21st Century Community Learning Centers (21st CCLC)*** – The 21st CCLC is a federal program funded under Title IV, Part B of the Elementary and Secondary Education Act. The 21st CCLC after school programs provide tutorial services and academic activities to children attending high poverty schools throughout NH. An employee teaches financial literacy as part of this program.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

NON-MSA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA

MCSB maintains 6, or 85.7 percent, of its 7 locations in the Non-MSA assessment area. MCSB closed two full-service branches in this assessment area since the previous evaluation. One branch was in a middle-income census tract in Concord and the other, in an upper-income census tract in Hooksett. In addition, the bank closed one stand-alone cash-only ATM in an upper-income census tract in Hooksett.

Economic and Demographic Data

The Non-MSA assessment area consists of all 36 census tracts in Merrimack County. The census tracts have the following income designations according to the 2015 ACS data:

- 0 low-income census tracts,
- 4 moderate-income census tracts,
- 18 middle-income census tracts, and
- 14 upper-income census tracts.

The moderate-income tracts are located in Concord (2) and Franklin (2). The assessment area contains two census tracts designated as Qualified Opportunity Zones (QOZ), both of which make up the town of Franklin. QOZs are economically distressed communities approved by the United States (U.S.) Department of Treasury, with the intent of spurring economic development and job creation. The following table illustrates select demographic characteristics of the Non-MSA assessment area.

Demographic Information of the Assessment Area Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	11.1	50.0	38.9	0.0
Population by Geography	147,262	0.0	10.4	48.1	41.5	0.0
Housing Units by Geography	63,653	0.0	11.3	49.6	39.1	0.0
Owner-Occupied Units by Geography	40,881	0.0	8.5	46.0	45.5	0.0
Occupied Rental Units by Geography	15,824	0.0	18.5	55.4	26.1	0.0
Vacant Units by Geography	6,948	0.0	11.5	57.3	31.2	0.0
Businesses by Geography	16,599	0.0	13.4	44.1	42.5	0.0
Farms by Geography	700	0.0	8.4	50.1	41.4	0.0
Family Distribution by Income Level	37,926	16.6	14.4	22.1	46.9	0.0
Household Distribution by Income Level	56,705	20.3	15.0	17.1	47.7	0.0
Median Family Income Non-MSAs - NH		\$71,699	Median Housing Value			\$225,697
			Median Gross Rent			\$944
			Families Below Poverty Level			6.1%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown in the previous table, 64.2 percent of the 63,653 housing units are owner-occupied, slightly limiting the bank's opportunities for home mortgage lending in the assessment area. Additionally, only 8.5 percent of owner-occupied units are located in the moderate-income census tracts, further limiting the bank's home mortgage lending opportunities in those areas.

According to 2021 D&B data, 16,599 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 85.9 percent have \$1.0 million or less,
- 4.4 percent have more than \$1.0 million, and
- 9.7 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 36.6 percent, followed by non-classifiable establishments at 18.0 percent, and retail trade at 10.2 percent. The majority of the small businesses in the assessment area are small, with the majority (89.9 percent) of businesses operating with nine or fewer employees, and the majority (90.2 percent) operating from a single location. Additionally, 83.4 percent of the businesses in the assessment area have GARs of less than \$0.5 million.

Examiners used the 2020 and 2021 Federal Financial Institutions Examination Council (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 for the Non-MSA assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Non-MSA Median Family Income				
2020 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
2021 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation period. The increase resulted from the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, the unemployment rate in Merrimack County was 14.2 percent. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Merrimack County	2.3	5.9	3.2
New Hampshire	2.6	6.7	3.5
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

According to Moody's Analytics, NH's economy is strengthening and payroll growth is surpassing both the national and regional rates in 2022. As a result, employment has nearly returned to its pre-pandemic peak. Leisure and hospitality is the largest contributor to the growth, though business and professional services and construction are also faring well. In addition, technology-related manufacturing accounts for a larger share of employment in NH than in any other state and is a key source of the better paying jobs. NH's housing crisis will persist, despite new supply coming onto the market. A full recovery will be on par with the nation as tourism and high technology expand, but the lack of affordable housing will limit the work force for lower-wage industries. The Non-MSA assessment area's top employers include the State of New Hampshire, Concord Hospital, and GE Aviation.

Competition

The bank operates in a modestly competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 16 financial institutions operated 49 branches within the Non-MSA assessment area. Of these institutions, MCSB ranked 2nd with a 14.2 percent deposit market share. TD Bank, N.A., ranked 1st with a market share of 37.7 percent.

The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and other community banks. In 2020, aggregate home mortgage lending data showed 262 lenders originated or purchased 8,122 home mortgage loans in the assessment area. MCSB ranked 4th with a 4.5 percent market share. The top three lenders, CMG Mortgage, Inc.; Quicken Loans, LLC; and Residential Mortgage services collectively held a 22.9 percent market share.

MCSB is not required to collect or report its small business lending and elected not to do so. Therefore, the small business loan analysis under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans and is included for performance context. In 2019, aggregate data showed 64 lenders originated or purchased 3,454 small business loans. The top three lenders, JPMorgan Chase Bank, N.A.; American Express National Bank; and Citibank, N.A. collectively held 39.7 percent of the market share. In 2020, the number significantly increased to 91 lenders originating or purchasing 3,462 small business loans within the assessment area. American Express National Bank had the greatest market share, followed by Citizens Bank, N.A.; and TD Bank, N.A. The top three lenders captured a combined market share of 34.8 percent.

Community Contact

Examiners contacted an affordable housing organization in Merrimack County. The contact stated that there is a significant need for affordable rental housing, particularly multifamily housing. The organization relies on state funds for its affordable housing development projects. However, due to the high development costs for housing, there is a need for additional funding, such as low-income housing tax credits (LIHTCs) or other investments. The contact noted that the high competition level and lengthy application process for the limited supply of LIHTC awards, causes delays in completing affordable housing projects. Lastly, the contact indicated there is opportunity and need for community banks to invest in affordable housing projects.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and bank management, as well as economic and demographic data, examiners determined that affordable housing, home mortgage and small business loans, and essential services for low- and moderate-income individuals represent the area's primary credit and community development needs. The significant number of businesses with GARs of \$1.0 million or less, increased unemployment levels due to the pandemic, and the decrease of available affordable housing support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA

LENDING TEST

MCSB demonstrated reasonable performance under the Lending Test in the Non-MSA assessment area. The bank's reasonable performance under Geographic Distribution and Borrower Profile criteria support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Non-MSA assessment area. The bank's reasonable dispersion of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the assessment area. As shown in the following table, in 2020, the bank's performance in moderate-income census tracts was below demographics and aggregate performance. In 2021, lending decreased slightly and remained below demographics.

Geographic Distribution of Home Mortgage Loans Assessment Area: Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2020	8.5	7.0	23	6.3	3,823	4.2
2021	8.5	--	17	6.5	4,681	6.7
Middle						
2020	46.0	41.7	152	41.3	36,100	39.9
2021	46.0	--	105	40.2	24,698	35.2
Upper						
2020	45.5	51.3	193	52.4	50,568	55.9
2021	45.5	--	139	53.3	40,782	58.1
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	368	100.0	90,491	100.0
2021	100.0	--	261	100.0	70,162	100.0
Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. The following table shows that in 2019, the bank's performance in moderate-income census tracts was below demographics. In 2020 and 2021, due to the PPP, the bank's lending activity increased and exceeded demographics.

Geographic Distribution of Small Business Loans Assessment Area: Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Moderate					
2019	14.0	9	8.3	2,003	6.3
2020	13.6	88	15.3	8,999	16.1
2021	13.4	54	14.6	10,346	26.3
Middle					
2019	43.6	44	40.4	15,485	48.8
2020	43.7	252	43.7	25,589	45.9
2021	44.1	156	42.2	17,109	43.6
Upper					
2019	42.3	56	51.4	14,258	44.9
2020	42.7	237	41.1	21,137	37.9
2021	42.5	160	43.2	11,815	30.1
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2019	100.0	109	100.0	31,746	100.0
2020	100.0	577	100.0	55,725	100.0
2021	100.0	370	100.0	39,270	100.0
<i>Source: 2019, 2020 & 2021 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 in the Non-MSA assessment area. The bank's reasonable performance in home mortgage and small business lending supports this conclusion.

Home Mortgage

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. As shown in the following table, lending to low-income borrowers in 2020, exceeded aggregate performance, but remained well below demographics. In 2021, the bank's performance remained stable and was below demographics. The difference between demographic figures and aggregate performance for low-income borrowers highlights the difficulty for low-income borrowers to obtain affordable housing within the assessment area.

The bank's lending performance to moderate-income borrowers was below demographics and aggregate performance in 2020. In 2021, lending performance was comparable to demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	16.6	3.2	13	3.5	1,472	1.6
2021	16.6	--	9	3.4	1,109	1.6
Moderate						
2020	14.4	15.9	51	13.9	8,011	8.9
2021	14.4	--	37	14.2	6,453	9.2
Middle						
2020	22.1	24.2	84	22.8	16,894	18.7
2021	22.1	--	67	25.7	14,604	20.8
Upper						
2020	46.9	41.7	202	54.9	59,658	65.9
2021	46.9	--	134	51.3	43,240	61.6
Not Available						
2020	0.0	14.9	18	4.9	4,456	4.9
2021	0.0	--	14	5.4	4,757	6.8
Totals						
2020	100.0	100.0	368	100.0	90,491	100.0
2021	100.0	--	261	100.0	70,162	100.0
Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The distribution of small business loans reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. In 2019, the bank's lending to businesses with GARs of \$1.0 million or less fell below demographics. Although the bank's lending was below area demographics, not all businesses in the assessment area are in the market for a loan.

As shown in the following table, the bank originated a large number of loans in 2020 and 2021 where GAR information was not available. PPP loans comprised a significant portion of these loans since PPP applicants were not required to provide revenue information. The large number of small business loans in the "Revenue Not Available" category distorts the results. Therefore, examiners could not conduct a meaningful analysis of lending to businesses of different sizes for 2020 and 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	81.5	54	49.5	10,185	32.1
2020	85.3	59	10.2	6,539	11.7
2021	85.9	64	17.3	10,537	26.8
>\$1,000,000					
2019	6.2	33	30.3	13,171	41.5
2020	4.8	20	3.5	5,021	9.0
2021	4.4	19	5.1	6,704	17.1
Revenue Not Available					
2019	12.3	22	20.2	8,390	26.4
2020	9.9	498	86.3	44,165	79.3
2021	9.7	287	77.6	22,029	56.1
Totals					
2019	100.0	109	100.0	31,746	100.0
2020	100.0	577	100.0	55,725	100.0
2021	100.0	370	100.0	39,270	100.0
<i>Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Instead, examiners evaluated PPP loans using loan size as a proxy for those with revenues not available. As illustrated in the following table, in 2020 and 2021, a majority of PPP loans by number had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. Examiners also noted that the bank made a majority of loans with available revenue information to businesses with GARs of \$1 million or less.

Distribution of PPP Loans By Loan Size Assessment Area: Non-MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	358	74.1	11,099	27.0
2021	222	78.7	6,583	30.9
\$100,000 - \$249,999				
2020	87	18.0	13,601	33.1
2021	43	15.3	6,599	30.9
\$250,000 - \$1,000,000				
2020	38	7.9	16,405	39.9
2021	17	6.0	8,148	38.2
Totals				
2020	483	100.0	41,105	100.0
2021	282	100.0	21,330	100.0
Source: 1/1/2020 – 12/31/2021 Bank Data Due to rounding, totals may not equal 100.0				

COMMUNITY DEVELOPMENT TEST

MCSB's community development performance demonstrates adequate responsiveness to community development needs in the Non-MSA 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 assessment area.

Community Development Loans

MCSB originated 41 community development loans totaling approximately \$6.1 million in the Non-MSA assessment area during the evaluation period. The following table illustrates the community development lending activity by year and purpose for this assessment area.

Community Development Lending Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	1	477	0	0	1	477
2020	0	0	1	150	7	646	0	0	8	796
2021	2	608	0	0	27	3,313	0	0	29	3,921
YTD 2022	0	0	0	0	3	860	0	0	3	860
Total	2	608	1	150	38	5,296	0	0	41	6,054
Source: Bank Data										

- The following are notable examples of community development loans that benefitted the Non-MSA assessment area.

- During the evaluation period, the bank originated 37 SBA 504 loans totaling approximately \$5.0 million. The SBA 504 loan program offers small businesses financing, while promoting business growth and job creation. Each loan promoted economic development in the assessment area by providing financing for a small business.
- In 2021, the bank made two loans totaling approximately \$608,000 to a non-profit that develops affordable housing units and advocates to end homelessness. The organization used the proceeds to acquire new properties and fund general operations.

Qualified Investments

MCSB made 92 qualified investments totaling approximately \$330,012 in the Non-MSA assessment area during the evaluation period. This total includes four equity investments totaling \$84,000 and 88 donations totaling \$246,012. The following table illustrates the qualified investment activity by year and purpose for this assessment area.

Qualified Investments Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	1	15	0	0	1	15
2021	2	44	0	0	0	0	0	0	2	44
YTD 2022	0	0	0	0	1	25	0	0	1	25
Subtotal	2	44	0	0	2	40	0	0	4	84
Qualified Grants & Donations	24	120	61	119	3	7	0	0	88	246
Total	26	164	61	119	5	47	0	0	92	330
<i>Source: Bank Data</i>										

The following are notable examples of qualified investments that benefitted the Non-MSA assessment area.

Equity Investments

- ***Friends Program*** – In 2021, MCSB made two investments totaling \$44,000 in the Friends Program through the CDFA. The Friends Program is a non-profit community service program that operates an emergency homeless shelter in Concord, NH and other support programs, which include youth mentoring, Foster Grandparents, and Retired and Senior Volunteer Services. This investment provided funding for the organization to renovate its emergency housing shelter.

Qualified Donations

- ***CATCH Neighborhood Housing*** – CATCH Neighborhood Housing is non-profit community service organization that builds new affordable housing units and revitalizes existing housing in areas where affordable rental options are limited. The organization currently owns 379 affordable units providing housing to low- and moderate-income individuals. During the evaluation period, the bank donated \$15,500 to CATCH Neighborhood Housing.
- ***Concord Coalition to End Homelessness (CCEH)*** – CCEH’s works with local community partners to build a network of resources to support individuals experiencing homelessness. CCEH runs an emergency winter shelter and a resource center that helps homeless individuals with their immediate needs and connects them with other resources that are available to them. During the evaluation period, the bank donated \$75,500 to CCEH.
- ***Local Food Pantries*** – During the evaluation period, MCSB donated \$31,400 to various food pantries and organizations that support food insecurity initiatives in the assessment area.

Community Development Services

During the evaluation period, the bank provided 906 hours of financial expertise or assistance to nine community development organizations within the Non-MSA assessment area. The following table details community development services by year and purpose for this assessment area.

Community Development Services Assessment Area: Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	14	69	14	47	144
2020	9	56	0	111	176
2021	36	95	40	240	411
YTD 2022	19	135	5	16	175
Total	78	355	59	414	906
<i>Source: Bank Data</i>					

The following are notable examples of community service activities that benefitted the Non-MSA, assessment area.

- ***NH Jump\$tart Coalition*** – NH Jump\$tart Coalition is an alliance of organizations and individuals that advocate for and provide financial literacy resources and programs for children and young adults. A vice president served on the organization’s Board.

- ***InTown Concord*** – InTown Concord is a non-profit organization that works to attract and retain businesses in Concord, NH and helps to revitalize the historic downtown. A vice president served on the organization's Board.

MANCHESTER-NASHUA, NH MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MANCHESTER-NASHUA, NH MSA

MCSB maintains one, or 14.3 percent, of its 7 branches in the Manchester-Nashua, NH MSA assessment area. Examiners placed less weight on the bank's performance in this assessment area as it accounts for the smaller portion of the bank's lending, deposits, and branch activity. The bank did not open or close any branches in this assessment area during the evaluation period.

Economic and Demographic Data

The Manchester-Nashua, NH MSA assessment area consists of two non-contiguous portions of Hillsborough County (27 of 86 census tracts). The assessment area primarily consists of the city of Nashua and the contiguous towns. It also contains the non-contiguous town of Weare, which is contiguous to the bank's Non-MSA assessment area. The census tracts in the bank's Manchester-Nashua, NH MSA assessment area have the following income designations according to the 2015 ACS data:

- 4 low-income census tracts,
- 3 moderate-income census tracts,
- 11 middle-income census tracts, and
- 9 upper-income census tracts.

The low- and moderate-income census tracts are all located in the city of Nashua. The following table illustrates select demographic characteristics of the Manchester-Nashua, NH MSA assessment area.

Demographic Information of the Assessment Area Assessment Area: Manchester-Nashua, NH MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	14.8	11.1	40.7	33.3	0.0
Population by Geography	154,003	12.2	8.1	40.9	38.8	0.0
Housing Units by Geography	62,756	13.9	8.6	42.0	35.5	0.0
Owner-Occupied Units by Geography	40,388	3.5	6.3	42.1	48.1	0.0
Occupied Rental Units by Geography	18,620	34.2	14.1	41.0	10.7	0.0
Vacant Units by Geography	3,748	25.5	6.4	45.5	22.6	0.0
Businesses by Geography	16,229	16.3	8.3	40.3	35.1	0.0
Farms by Geography	394	7.4	5.6	39.6	47.5	0.0
Family Distribution by Income Level	40,346	19.0	16.9	22.0	42.1	0.0
Household Distribution by Income Level	59,008	21.4	15.2	18.0	45.3	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Housing Value			\$237,203
			Median Gross Rent			\$1,142
			Families Below Poverty Level			5.1%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Based on the data shown in the table above, 64.3 percent of the 62,756 housing units are owner-occupied, slightly limiting the bank's opportunities for home mortgage lending in the assessment area. Additionally, only 9.8 percent of owner-occupied units are located in the low- and moderate-income census tracts, further limiting the bank's home mortgage lending opportunities in those areas.

According to 2021 D&B data, 16,229 non-farm businesses operate in the assessment area. The following reflects the gross annual revenues (GARs) for these businesses.

- 87.5 percent have \$1.0 million or less,
- 4.3 percent have more than \$1.0 million, and
- 8.2 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criteria compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 36.9 percent, followed by non-classifiable establishments at 18.7 percent, and retail trade at 11.2 percent. The majority of the small businesses in the assessment area are small, with the majority (90.7 percent) of businesses operating with nine or fewer employees, and the majority (91.0 percent) operating from a single location. Additionally, 84.8 percent of the businesses in the assessment area have GARs of less than \$0.5 million.

Examiners used the 2020 and 2021 FFIEC updated median family income levels to analyze home mortgage loans under the Borrower Profile criteria. The following table presents the low-, moderate-, middle-, and upper-income categories for the Manchester-Nashua, NH MSA assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Manchester-Nashua, NH MSA Median Family Income				
2020 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000
2021 (\$101,900)	<\$50,950	\$50,950 to <\$81,520	\$81,520 to <\$122,280	≥\$122,280
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation period. The increase resulted from the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, the unemployment rate in Hillsborough County was 16.3 percent. The following table reflects the unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Hillsborough County	2.7	7.8	3.6
New Hampshire	2.6	6.7	3.5
National Average	3.7	8.1	5.3
<i>Source: Bureau of Labor Statistics</i>			

According to Moody's Analytics, the Manchester-Nashua, NH MSA economy is strengthening in 2022, with job growth catching up to the national rate. A key economic driver in the area continues to be high-technology industries, which offer high wages and employ more than twice the national share of the workforce. The assessment area's top employers include Dartmouth-Hitchcock Health, Demoulas & Market Basket, and BAE Systems Electronic Solutions. BAE Systems supports hiring in both high-technology services and manufacturing as it expands engineering and manufacturing into its new Manchester facility. The housing shortage and high rental costs will continue, as zoning restrictions keeping housing options extremely limited.

Competition

The bank operates in a modestly competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 17 financial institutions operated 36 branches within the Manchester-Nashua, NH MSA assessment area. Of these institutions, MCSB ranked 8th with a 2.0 percent deposit market share. TD Bank, N.A.; Citizens Bank, N.A.; and Bank of America, N.A., the top three ranked institutions, hold a combined market share of 71.0 percent.

The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and other community banks. In 2020, aggregate home mortgage lending data showed 294 lenders originated or purchased 7,832 home mortgage loans in the assessment area. MCSB ranked 37th with a 0.6 percent market share. The top five lenders, Quicken Loans, LLC; Residential Mortgage Services; Digital Federal Credit Union; Citizens Bank, N.A.; and CMG Mortgage, Inc., collectively held a 28.0 percent market share.

MCSB is not required to collect or report its small business lending, and elected not to do so. Therefore, the small business analysis under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans and is included here for performance context. In 2019, aggregate data showed that 92 lenders originated or purchased 9,104 small business loans. The top three lenders, American Express National Bank; JPMorgan Chase Bank, N.A.; and Bank of America, N.A. collectively held 45.1 percent of the market share. In 2020, the number of lenders significantly increased to 133 lenders originating or purchasing 9,757 small business loans within the assessment area. American Express National Bank had the greatest market share, followed by Citizens Bank, N.A.; and TD Bank, N.A. The top three lenders captured a combined market share of 39.4 percent.

Community Contact(s)

Examiners referenced a recent community contact with a non-profit organization providing a wide variety of services to low-income individuals residing in Hillsborough and Rockingham Counties. The contact recently completed a community needs assessment that identified a need for funding for services related to affordable housing, dental care, transportation, mental health, childcare, nutrition, legal services, and substance abuse treatment. The contact indicated that affordable housing is the most pressing community need currently exacerbated by high rents, low wages, and a general lack of affordable housing units.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and bank management, as well as economic and demographic data, examiners determined that affordable housing and essential services for low- and moderate-income individuals represent the primary credit and community development needs in the area. The high percentage of low- and moderate-income families in the assessment area (35.9 percent), including those families living below poverty (5.1 percent), supports this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE MANCHESTER-NASHUA, NH MSA

LENDING TEST

MCSB demonstrated reasonable performance under the Lending Test in the Manchester-Nashua, NH MSA assessment area. The bank's reasonable performance under Geographic Distribution and Borrower Profile criteria support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the Manchester-Nashua, NH MSA assessment area. The bank's reasonable dispersion of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Manchester-Nashua MSA assessment area. As illustrated in the following table, in 2020, lending in the low- and moderate-income census tracts was below the aggregate and demographics. In 2021, lending increased by one loan in the low-income tracts and slightly exceeded demographics. Lending declined in the moderate-income tracts by one loan and remained below demographics in 2021. As noted previously, the bank faces a high level of competition with in the Manchester-Nashua MSA assessment area and maintains a limited presence with one branch. Specifically, in 2020, market share data showed 112 home mortgage lenders originated 490 loans in the low-income census tracts and 118 lenders originated 488 loans in the moderate-income tracts.

Geographic Distribution of Home Mortgage Loans Assessment Area: Manchester-Nashua, NH MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	3.5	5.2	1	1.6	551	3.1
2021	3.5	--	2	3.7	287	1.6
Moderate						
2020	6.3	5.6	2	3.2	510	2.9
2021	6.3	--	1	1.9	210	1.2
Middle						
2020	42.1	41.7	41	65.1	9,291	53.0
2021	42.1	--	29	53.7	8,516	48.9
Upper						
2020	48.1	47.5	19	30.2	7,164	40.9
2021	48.1	--	22	40.7	8,400	48.2
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	63	100.0	17,516	100.0
2021	100.0	--	54	100.0	17,413	100.0
Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. The following table shows that during the evaluation period, the bank's performance in low-income census tracts consistently exceeded demographics. In 2019 and 2021, the bank did not originate any small business loans in moderate-income census tracts. Conversely, in 2020, the bank's performance in the moderate-income census tracts exceeded demographics. The significant increase in the bank's small business lending is due to bank's active participation in the SBA's PPP.

Geographic Distribution of Small Business Loans Assessment Area: Manchester-Nashua, NH MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	15.7	5	22.7	3,200	26.1
2020	16.3	14	18.2	2,207	24.7
2021	16.3	13	27.1	19,732	73.8
Moderate					
2019	8.6	0	0.0	0	0.0
2020	8.3	7	9.1	1,013	11.3
2021	8.3	0	0.0	0	0.0
Middle					
2019	41.4	11	50.0	7,630	62.2
2020	40.6	33	42.9	3,552	39.8
2021	40.3	16	33.3	2,275	8.5
Upper					
2019	34.3	6	27.3	1,443	11.8
2020	34.8	23	29.9	2,156	24.1
2021	35.1	19	39.6	4,742	17.7
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2019	100.0	22	100.0	12,273	100.0
2020	100.0	77	100.0	8,928	100.0
2021	100.0	48	100.0	26,749	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Manchester-Nashua, NH MSA assessment area. The bank's reasonable performance in home mortgage and small business lending supports this conclusion.

Home Mortgage

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. As shown in the following table, the bank did not make any loans to low-income borrowers in 2020 and 2021; however, aggregate data shows

some demand and opportunity, although limited. A low-income family in the Manchester-Nashua MSA assessment area earning less than \$52,500 would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$237,203. The bank's lending performance to moderate-income borrowers exceeded demographics and aggregate market performance in 2020 and continued to exceed demographics in 2021.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Manchester-Nashua, NH MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.0	5.4	0	0.0	0	0.0
2021	19.0	--	0	0.0	0	0.0
Moderate						
2020	16.9	20.9	14	22.2	2,842	16.2
2021	16.9	--	11	20.4	2,319	13.3
Middle						
2020	22.0	26.5	15	23.8	3,616	20.6
2021	22.0	--	14	25.9	3,291	18.9
Upper						
2020	42.1	32.8	30	47.6	9,930	56.7
2021	42.1	--	29	53.7	11,802	67.8
Not Available						
2020	0.0	14.4	4	6.3	1,128	6.4
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	63	100.0	17,516	100.0
2021	100.0	--	54	100.0	17,413	100.0
Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business

The distribution of small business loans reflects, given the demographics of the assessment area, reasonable penetration of loans to businesses with GARs of \$1.0 million or less. In 2019, lending fell below demographics. Although lending to small businesses with GARs of \$1 million or less was below area demographics, not all businesses in the assessment area are in the market for a loan.

As shown in the following table, the bank originated a large number of loans in 2020 and 2021 where GAR information was not available. PPP loans comprised a significant portion of the loans without revenue information since PPP applicants were not required to provide revenue information. The large number of small business loans in the "Revenue Not Available" category

distorts the results. Therefore, examiners could not conduct a meaningful analysis of lending to businesses of different sizes for 2020 and 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Manchester-Nashua, NH MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	82.9	11	50.0	6,182	50.4
2020	86.5	11	14.3	1,461	16.4
2021	87.5	8	16.7	296	1.1
>\$1,000,000					
2019	6.5	9	40.9	5,851	47.7
2020	4.9	8	10.4	1,861	20.8
2021	4.3	11	22.9	23,881	89.3
Revenue Not Available					
2019	10.6	2	9.1	240	2.0
2020	8.6	58	75.3	5,606	62.8
2021	8.2	29	60.4	2,572	9.6
Totals					
2019	100.0	22	100.0	12,273	100.0
2020	100.0	77	100.0	8,928	100.0
2021	100.0	48	100.0	26,749	100.0
Source: 2019, 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%					

Instead, examiners evaluated PPP loans using loan size as a proxy for those with revenues not available. In 2020 and 2021, a majority of PPP loans by number had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. Examiners also noted that a majority of loans with available revenue information were to businesses with GARs of \$1 million or less.

Distribution of PPP Loans By Loan Size Assessment Area: Manchester-Nashua, NH MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	43	74.1	1,177	21.0
2021	23	85.2	670	45.2
\$100,000 - \$249,999				
2020	9	15.6	1,322	23.6
2021	3	11.1	473	31.9
\$250,000 - \$1,000,000				
2020	6	10.3	3,107	55.4
2021	1	3.7	340	22.9
Totals				
2020	58	100.0	5,606	100.0
2021	27	100.0	1,483	100.0
Source: 1/1/2020 – 12/31/2021 Bank Data Due to rounding, totals may not equal 100.0				

COMMUNITY DEVELOPMENT TEST

MCSB's community development performance demonstrates adequate responsiveness to community development needs in the Manchester-Nashua, NH MSA 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 assessment area.

Community Development Loans

MCSB originated 11 community development loans totaling approximately \$2.6 million in the Manchester-Nashua, NH MSA assessment area during the evaluation period. The following table illustrates the community development lending activity by year and purpose for this assessment area.

Community Development Lending Assessment Area: Manchester-Nashua, NH MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	0	0	0	0
2020	1	551	0	0	4	367	0	0	5	918
2021	1	1,300	0	0	5	359	0	0	6	1,659
YTD 2022	0	0	0	0	0	0	0	0	0	0
Total	2	1,851	0	0	9	726	0	0	11	2,577
Source: Bank Data										

The following are notable examples of community development loans that benefitted the Manchester-Nashua, NH MSA assessment area.

- The bank originated nine SBA 504 loans totaling \$726,000. Each loan promoted economic development in the assessment area by providing financing for a small business.
- In 2021, the bank originated a \$1.3 million loan to convert a former elementary school into a 91-bed transitional shelter. The new facility will provide a clean safe environment for up to 32 individuals and 12 families and will support permanent affordable housing for 11 low-income individuals.

Qualified Investments

MCSB made 44 qualified investments totaling \$170,160 in the Manchester-Nashua, NH MSA assessment area during the evaluation period. This total includes four equity investments totaling \$90,000 and 40 donations totaling \$80,160. The following table illustrates the qualified investment activity by year and purpose for this assessment area.

Qualified Investments										
Assessment Area: Manchester-Nashua, NH MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	1	25	0	0	1	25
2020	1	50	0	0	0	0	1	10	2	60
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	1	5	0	0	0	0	0	0	1	5
Subtotal	2	55	0	0	1	25	1	10	4	90
Qualified Grants & Donations	18	50	22	30	0	0	0	0	40	80
Total	20	105	22	30	1	25	1	10	44	170
<i>Source: Bank Data</i>										

The following are notable examples of qualified investments that benefitted the Manchester-Nashua, NH MSA assessment area.

Equity Investments

- ***Regional Economic Development Center of Southern NH (REDC)*** – MCSB invested \$25,000 in 2019 in the REDC of Southern NH. The REDC is a non-profit organization that provides alternative business financing and business development training, helping to create jobs for low- and moderate-income individuals. The majority of businesses served are small businesses with GARs of less than \$1 million. This investment directly benefitted the Manchester-Nashua, NH MSA assessment area.

Qualified Donations

- ***Harbor Care (aka Harbor Homes Inc.)*** – MCSB donated \$34,280 to Harbor Care during the evaluation period. Harbor Care is a non-profit organization that provides vital services, including healthcare, veteran services, mental illness support, and transitional and income-based rental housing. The majority served are low- and moderate-income individuals and families.
- ***Nashua Soup Kitchen and Shelter (NSKS)*** – The bank donated \$6,400 to the NSKS during the evaluation period. NSKS provides food, emergency shelter, and a wide range of supportive services, including educational, employment, and financial services. The majority served are low-income individuals and families throughout greater Nashua.

Community Development Services

During the evaluation period, the bank provided 302 hours of financial expertise or assistance to four community development organizations within the Manchester-Nashua, NH MSA assessment area. The following table details community development services by year and purpose.

Community Development Services					
Assessment Area: Manchester-Nashua, NH MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	42	0	0	42
2020	20	70	0	0	90
2021	18	120	0	0	138
YTD 2022	22	10	0	0	32
Total	60	242	0	0	302
<i>Source: Bank Data</i>					

The following are notable examples of community service activities that benefitted the Manchester-Nashua, NH MSA assessment area.

- ***Greater Nashua Habitat for Humanity (GNHH)*** – GNHH is a non-profit housing organization that addresses the housing needs of low-income families in Nashua, by building new homes and renovating existing homes. A manager served on the organization's Board.
- ***Bridges Domestic & Sexual Violence Support Services (Bridges)*** – Bridges is a non-profit community service organization that provides free and confidential services to victims and survivors of domestic and sexual violence. The center is in a low-income neighborhood in Nashua and predominantly serves low- and moderate-income clientele. A vice president served on the organization's Board.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

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

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

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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