



## **PUBLIC DISCLOSURE**

July 15, 2013

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Winter Hill Bank, FSB  
Charter Number 701149

342 Broadway  
Somerville, MA 02145-2808

Office of the Comptroller of the Currency

99 Summer St  
Suite 1400  
Boston, MA 02110

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

**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Outstanding.**

The major factors supporting the institution's CRA ratings are:

- Winter Hill Bank, FSB's ("Winter Hill", or the "Bank") level of lending, as reflected in its quarterly average net loan-to-deposit ratio, is reasonable given the size, assessment areas (AAs) credit needs, and relevant competitive factors.
- A substantial majority of originated loans were made within the Bank's assessment areas.
- The distribution of residential mortgages reflects reasonable distribution among individuals of different income levels.
- The geographic distribution of loans reflects excellent distribution in the low- and moderate-income census tracts.
- Winter Hill demonstrates a strong commitment to its AA through community development (CD) activities; and qualified investments, loans, and services reflect the Bank's effort to actively enhance credit availability within its AA.

**SCOPE OF EXAMINATION**

Winter Hill was evaluated using Small Bank CRA examination procedures, which includes a lending test. The evaluation period for the lending test covers the Bank's performance from January 1, 2010, through December 31, 2012. For the period January 1, 2010, through December 31, 2011, the Bank's performance was compared to the 2000 U.S. Census Data. For the period from January 1, 2012, through December 31, 2012, performance was compared to the 2010 U.S. Census Data. The lending test evaluates the Bank's record of meeting the credit needs of its AA through its lending activities. The Bank also provided us with optional CD information to evaluate the Bank's efforts to enhance credit availability within its AA through these qualified CD investments, loans, and services. The evaluation period for the CD information is from June 28, 2010, the date of the prior Performance Evaluation (PE) through July 15, 2013. CD information submitted by management was verified to ensure it met the regulatory definition for community development.

Winter Hill's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans, including home purchase, home refinance, and home improvement loans. Although the March 31, 2013 Uniform Bank Performance Report shows that residential loans represent approximately 50% of the overall loan portfolio, over 80% of the loans originated during the evaluation period were residential mortgage loans.

The Bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). All residential real estate loans originated and purchased during the assessment period were included in our evaluation of the Bank's lending. We reviewed the testing results of the Bank's HMDA data and found the data was reliable.

Due to the October 2011 branch closing in Suffolk County, the Bank adjusted the AA in early 2013. However, in order to use the same AA delineations for the entire evaluation period, we used the Bank's AA prior to the 2013 change. The AA was evaluated as three AAs, which include all branches and deposit-taking ATMs, as well as the contiguous towns/cities around these offices. A full scope review was performed on AA 1 Middlesex County, while a limited scope review was performed on AA 2, which includes portions of Essex County and AA 3, which includes portions of Suffolk County. Currently, all four Bank branches are located within AA 1 and the majority of the Bank's deposits and over 80% of new originations are attributable to AA 1. Prior to October 2011, Winter Hill also had a branch in AA 3.

## **DESCRIPTION OF INSTITUTION**

Winter Hill is a federally chartered mutual thrift institution headquartered in Somerville, Massachusetts (MA). As of March 31, 2013, the Bank had total assets of \$266 million. Winter Hill continues to operate as a traditional thrift lender by promoting residential mortgage loan products and deposit services to its customers.

The Bank has three branches, two in Somerville and one in North Reading, as well as the main office location in Somerville. All locations are situated within Middlesex County. Branch hours are reasonable, as each location is open from 8:30 am to 4:00 pm Monday through Friday. Extended hours are available until 6:00 pm on Thursdays and Fridays, and on Saturdays from 8:30 am to 1:00 pm. During the evaluation period, Winter Hill closed one branch located in Suffolk County (AA 3). The branch was located in the city of Chelsea in a low-income tract. The branch closing did not have a material impact on the availability of credit and other banking services in the area; after the closing the city was served by nine remaining financial intuitions. No branches were opened during the evaluation period.

Winter Hill offers a variety of different account access alternatives including online banking with bill pay options. The Bank operates automated teller machines (ATMs) at each of its branches and is a member of the SUM ATM network, which allows member customers to access their accounts from participating SUM network ATMs. The Bank also offers customers the ability to complete and submit loan applications online from the Bank's website, [www.winterhillbank.com](http://www.winterhillbank.com).

As of March 31, 2013, the Bank's loan portfolio totaled \$174.6 million, and represented 65.7% of total assets. The distribution of the Bank's loan portfolio as of March 31, 2013, is reflected in the table below.

<b>Loan Portfolio Summary by Loan Product March 31, 2013</b>	
<b>Loan Category</b>	<b>% of Total Loans and Leases</b>
1-4 Family Residential Mortgage	49.6%
Multifamily	24.6%
Other Real Estate	16.0%
Construction and Development	9.1%
Consumer	0.7%

*Source: March 2013 Call Report*

The Bank has no financial or legal impediments to meeting the credit needs of the community. The Bank was rated "Outstanding" using small bank procedures at the last CRA examination dated June 28, 2010.

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires a bank to define the AA in which it will be evaluated. Winter Hill has three AAs that include all branches, as well as the contiguous towns/cities around these offices. The Bank's AAs meet the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

### *Full Scope AA 1 – Middlesex County*

AA 1 is part of the Cambridge-Newton-Framingham MA MD (Metropolitan Division) Metropolitan Statistical Area (MSA) and comprises part of the Boston-Cambridge-Quincy, MA- New Hampshire (NH) MSA and Middlesex County. AA 1 includes the towns/cities of Somerville, Cambridge, Arlington, Medford, Everett, Malden, Melrose, Winchester, Woburn, Stoneham, Wakefield, Burlington, Wilmington, and Reading. During the assessment period, 84% of home mortgage loans were originated in Middlesex County. In 2010 & 2011, AA 1 was comprised of 132 census tracts. There were three low-income tracts, 40 moderate-income tracts, 75 middle-income tracts, and 14 upper-income tracts. In 2012, AA 1 was comprised of 143 census tracts. There were nine low-income tracts, 39 moderate-income tracts, 72 middle-income tracts, and 23 upper-income tracts.

Demographic Information for Winter Hill AA 1 2010-2011					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	132	2%	30%	57%	11%
Population by Geography	653,205	2%	31%	57%	10%
Owner-Occupied Housing by Geography	144,054	0%	21%	66%	13%
Family Distribution by Income Level	156,315	22%	20%	24%	34%
Distribution of LMI Families through AA Geographies	65,182	2%	41%	52%	5%
2000 Census Median Family Income (MFI)		\$74,121	2007- 2011 Median Housing Value*		\$437,850
HUD Updated MFI: 2011		\$105,000	Households Below Poverty Level		8%

Source: 2000 U.S. Census Data

\*Data from quickfacts.census.gov

Demographic Information for Winter Hill AA 1 2012					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	143	6%	27%	51%	16%
Population by Geography	669,562	5%	26%	55%	14%
Owner-Occupied Housing by Geography	152,774	2%	18%	62%	18%
Family Distribution by Income Level	157,591	24%	18%	24%	34%
Distribution of LMI Families through AA Geographies	65,780	8%	35%	49%	8%
2010 Census Median Family Income (MFI)		\$97,382	2012 Average Sale Price Through June 30, 2012		\$400,176
HUD Updated MFI: 2012		\$106,400	Households Below Poverty Level		9.0%
			Unemployment Rate**		5.1%

Source: 2010 U.S. Census Data

\*\*Data from U.S. Bureau of Labor Statistics as of 12/31/2012. Rate is for Middlesex County.

### Limited Scope AA 2 – Portions of Essex County

AA 2 is part of the Peabody MA MSA-MD and Boston-Cambridge-Quincy MA-NH MSA and comprises part of Essex County. AA 2 includes the towns/cities of Lynn, Saugus, Lynnfield, Peabody, Middleton, Danvers, Andover, and North Andover. During the assessment period, 12.5% of home mortgage loans that were originated within the Bank's AA were originated in Essex County. In 2010 and 2011, AA 2 was comprised of

56 census tracts, with four low-income, 14 moderate-income, 22 middle-income, and 16 upper-income tracts. In 2012, AA 2 was comprised of 57 census tracts, with eight low-income, 13 moderate-income, 20 middle-income, and 16 upper-income tracts.

Demographic Information for Winter Hill AA 2 2010-2011					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	56	7%	25%	39%	29%
Population by Geography	266,204	5%	21%	43%	31%
Owner-Occupied Housing by Geography	65,744	1%	12%	49%	38%
Family Distribution by Income Level	68,622	19%	17%	22%	42%
Distribution of LMI Families through AA Geographies	24,761	9%	31%	43%	17%
2000 Census Median Family Income (MFI)	\$63,556	2007-2011 Median Housing Value*		\$394,867	
HUD Updated MFI: 2011	\$86,200	Households Below Poverty Level		9%	

Source: 2000 U.S. Census Data  
 \*Data from quickfacts.census.gov

Demographic Information for Winter Hill AA 2 2012					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	57	14%	23%	35%	28%
Population by Geography	276,837	10%	20%	42%	28%
Owner-Occupied Housing by Geography	69,119	3%	16%	47%	34%
Family Distribution by Income Level	69,757	23%	16%	20%	41%
Distribution of LMI Families through AA Geographies	27,092	18%	29%	37%	16%
2010 Census Median Family Income (MFI)	\$81,173	2012 Average Sale Price Through June 30, 2012		\$368,915	
HUD Updated MFI: 2012	\$87,300	Households Below Poverty Level		11%	
			Unemployment Rate**		7.1%

Source: 2010 U.S. Census Data  
 \*\*Data from U.S. Bureau of Labor Statistics as of 12/31/2012. Rate is for Essex County.

Limited Scope AA 3 – Suffolk County

AA 3 is in Boston-Quincy, MA MSA-MD and the broader Boston-Cambridge-Quincy MA-NH MSA and comprises part of Suffolk County. AA 3 includes the towns/cities of Chelsea, Charlestown, Revere, and Winthrop. During the assessment period, 3.5% of

home mortgage loans that were originated within the Bank's AA were originated in Suffolk County. In 2010 and 2011, AA 2 was comprised of 19 census tracts, with two low-income, nine moderate-income, and eight middle-income tracts. In 2012, AA 2 was comprised of 23 census tracts, with five low income, nine moderate-income, eight middle-income, and one upper-income tract.

Demographic Information for Winter Hill AA 3 2010-2011					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	19	11%	47%	42%	0%
Population by Geography	100,666	10%	59%	31%	0%
Owner-Occupied Housing by Geography	17,343	4%	54%	42%	0%
Family Distribution by Income Level	24,145	34%	21%	21%	24%
Distribution of LMI Families through AA Geographies	13,319	12%	65%	23%	0%
2000 Census Median Family Income (MFI)	\$62,948	2007-2011 Median Housing Value*		\$333,767	
HUD Updated MFI: 2011	\$87,600	Households Below Poverty Level		16%	

Source: 2000 U.S. Census Data

\*Data from quickfacts.census.gov

Demographic Information for Winter Hill AA 3 2012					
Borrower Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	23	22%	39%	35%	4%
Population by Geography	104,420	23%	43%	31%	3%
Owner-Occupied Housing by Geography	17,769	12%	43%	41%	4%
Family Distribution by Income Level	23,916	38%	20%	19%	23%
Distribution of LMI Families through AA Geographies	13,783	29%	45%	24%	2%
2010 Census Median Family Income (MFI)	\$83,664	2012 Average Sale Price Through June 31,2012		\$302,741	
HUD Updated MFI: 2012	\$88,800	Households Below Poverty Level		17%	
			Unemployment Rate**		6.3%

Source: 2010 U.S. Census Data

\*\*Data from U.S. Bureau of Labor Statistics as of 12/31/2012. Rate is for Suffolk County.

The Federal Deposit Institution Corporation's Deposit Share Report for June 30, 2012, indicates that 146 financial institutions operate within the Boston-Cambridge-Quincy MA-NH MSA. At June 30, 2012, Winter Hill ranks 77<sup>th</sup> with 0.1% of the market share.

The Bank's local competitors include, but are not limited to Leader National Bank, Century Bank, Eastern Bank, Salem Five Cents Savings Bank, Cambridge Savings Bank, Rockland Trust, East Boston Savings Bank, East Cambridge Savings Bank, Reading Co-operative Bank, and Stoneham Savings Bank. Larger regional banks that provide further competition and dominate the deposit market share include Bank of America, National Association (N.A.); RBS Citizens, N.A.; Sovereign Bank, N.A.; and TD Bank, N.A.

Competition for the Bank's primary loan product is high as many nationwide lenders without offices inside the AA are present in the area's lending market. These lenders include: Wells Fargo Bank, N.A.; JPMorgan Chase Bank, N.A.; Ally Bank; and US Bank, N.A. Also competing heavily are the previously mentioned nationwide, regional, and local institutions, as well as large mortgage companies such as GMAC Mortgage LLC, CitiMortgage, Inc., and Mortgage Master, Inc. Peer Mortgage 2011 Market Share data indicates that Winter Hill competes with 408 lenders within the Middlesex County AA, and the top ten lenders control the market with an overall market share of approximately 48%. Winter Hill ranks 45<sup>th</sup> with a market share of less than 1%.

The January 2013 Moody's Analytics report shows that as part of the Boston-Cambridge-Quincy MA-NH MSA, the economies of Middlesex, Essex, and Suffolk County are recovering at a rapid pace. In the Bank's Full Scope AA, which is part of the Cambridge-Newton-Framingham MA MSA-MD, the high technology industry has remained the primary driver of the recovery in this market with residential construction also playing a large role. In 2012, nearly \$797 million was invested in 121 software firms statewide and in the fourth quarter of 2012, single-family housing starts reached their highest level in five years. Financial services employment has also been rising quickly. The significant turnaround over the last few years has boosted consumer services, increasing payrolls substantially. With stability from education/healthcare and strong growth in the technology sector, the Cambridge-Newton-Framingham MSA is expected to continue growing at a healthy pace; however, large defense spending cuts and high business and living costs will likely result in employment gains that are below the national average.

During our evaluation, we held a discussion with a local community organization to identify the area's primary credit needs and the opportunities for financial institutions to assist in the community. Our contact is the Chairman of a community development organization that has programs that support affordable housing development, community organizing, homelessness prevention, asset building, and school- and community-based mediation in the city of Somerville. The contact discussed several opportunities for participation by local financial institutions and the continued need for flexible financing opportunities for affordable housing among low- and moderate-income borrowers and financing for small businesses. The community contact stated that local financial institutions adequately meet the credit needs of the community; however, there are additional opportunities for more involvement.



## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Winter Hill's performance under the lending test is outstanding. Winter Hill's loan-to-deposit ratio is reasonable and a substantial majority of the Bank's loans were originated inside the Bank's AA. Overall, the distribution of loans reflects a reasonable distribution among individuals of different income levels. The geographic distribution of loans reflects excellent distribution in low- and moderate-income census tracts.

### Loan-to-Deposit Ratio

The Bank's net loan-to-deposit (LTD) ratio is reasonable given the Bank's size, AA credit needs, significant market competition, and current economic factors. The ratio averaged 74% over the last 12 quarters and ranged from a high of 77% at March 31, 2010, to a low of 70% at March 31, 2011. The ratio stands at 77% at March 31, 2013. Winter Hill's LTD ratio is lower than the quarterly average for peer institutions of 83% over the same period. The lower than peer loan-to-deposit ratio reflects the Bank's competitive market area. In addition, the ratio does not include loans sold to the secondary market, which totaled \$135 million since the previous examination. Approximately 60% of HMDA loans originated during the evaluation period were sold. If the Bank had retained these loans over the 12 quarters, the additional \$11.2 million in loans outstanding each quarter would have increased the Bank's average LTD for the 12 quarters from 74% to 106%.

### Lending in Assessment Area

A substantial majority of the Bank's primary loan products were originated within its assessment areas during our review period and as a result, the Bank meets the standard for outstanding performance. During the review period, 75% of the Bank's primary loan product was originated within its AAs, representing 74% of the total dollar amount.

The following table details the Bank's lending within its AAs by number and dollar amount of loans:

Table 1 - Lending in Winter Hill's AAs (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	117	71%	47	36%	164	35,421	72%	13,651	28%	\$49,072
Home Refinance	392	75%	129	35%	521	108,460	75%	35,270	25%	\$143,730
Home Improvement	91	80%	23	23%	114	23,197	72%	8,947	28%	\$32,144
Totals	600	75%	199	25%	799	167,078	74%	57,868	26%	\$224,946

Source: HMDA-reported data

## **Lending to Borrowers of Different Incomes**

The distribution of home loans to borrowers reflects reasonable distribution among borrowers of different income levels.

### *Conclusions for Full Scope AA 1 – Middlesex County*

There is a reasonable distribution of home loans to borrowers of different income levels for loans originated in 2010 and 2011. The percent of home purchase loans made to moderate-income borrowers significantly exceeds the percent of aggregate lending data, which is our primary comparator, as well as the percent of moderate-income families in the AA. The percent of home purchase loans made to low-income borrowers is below the percent of aggregate lending data and is significantly below the percent of low-income families in the AA. The percent of home improvement loans made to moderate-income borrowers is significantly below the percent of aggregate lending data and is near to the percent of moderate-income families in the AA. The percent of home improvement loans made to low-income borrowers is equal to the percent of aggregate lending data and is significantly below the percent of low-income families in the AA. The percent of home refinance loans made to moderate-income borrowers is significantly below the percent of aggregate lending data as well as the percent of moderate-income families in the AA. The percent of home refinance loans made to low-income borrowers is near to the percent of aggregate lending data and is significantly below the percent of low-income families in the AA.

Winter Hill's performance is considered satisfactory given the high competition and lack of affordable housing within the AA. According to the U.S. Census Bureau median housing price from 2007-2011 of \$437,850, housing costs are high relative to the HUD adjusted median family income. For 2011, the HUD adjusted median family income was \$105,000, which means the maximum income for low-income families is \$52,500, making it difficult to qualify for loans. Additionally, moderate-income families also could encounter difficulty qualifying for mortgage loans with an income range of \$52,500 to a maximum income of \$84,000.

Market competition for home mortgage loans is significant. According to 2011 Mortgage Market Share data, mortgage lending in AA 1 is dominated by larger institutions with the top ten institutions holding approximately 48% of the market share. Winter Hill ranks 45<sup>th</sup> with a market share of less than 1%. The bank's performance is considered satisfactory given the high cost of housing and the strong level of competition.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Table 2 – Aggregate Lending Data for Borrower Distribution in AA 1 (2010 & 2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	10%	6%	25%	30%	30%	32%	35%	32%
Home Improvement	10%	10%	25%	15%	31%	27%	34%	48%
Home Refinance	6%	3%	21%	10%	33%	35%	40%	42%

Table 2A - Borrower Distribution of Residential Real Estate Loans in AA 1 (2010 & 2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	22%	6%	20%	30%	24%	32%	34%	32%
Home Improvement	22%	10%	20%	15%	24%	27%	34%	48%
Home Refinance	22%	3%	20%	10%	24%	35%	34%	42%

Source: HMDA-reported data from 1/1/2010-12/31/2011; 2000 U.S. Census Data

There is excellent distribution of home loans to borrowers of different income levels originated during 2012. The data used for the Bank's primary comparator, aggregate HMDA data, was unavailable at the time of our analysis. Therefore, we used the percentage of families by income level as the comparator for this analysis. The percent of home purchase, home improvement, and home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. The Bank's percentage of home purchase and home refinance loans made to moderate-income borrowers significantly exceeds the percentage of moderate-income families within the AA. The Bank's percentage of home improvement loans made to moderate-income borrowers exceeds the percentage of moderate-income families within the AA.

Winter Hill's performance in 2012 is considered excellent given the continued level of competition and lack of affordable housing within AA 1. Low-income borrowers continued to have difficulties affording home loans during this period. The 2012 HUD

adjusted median income was \$106,400; this income level indicates that low-income families earn a maximum income of \$53,200, while the average home sale price for the first six months in 2012 was \$400,176.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	24%	10%	18%	24%	24%	43%	34%	23%
Home Improvement	24%	9%	18%	21%	24%	33%	34%	37%
Home Refinance	24%	6%	18%	27%	24%	29%	34%	38%

Source: HMDA-reported data from 1/1/2012-12/31/2012; 2010 U.S. Census Data

#### Conclusion for Limited Scope AA 2 – Essex County

Based on a limited-scope review, Winter Hill's borrower distribution of home loans in AA 2 is not inconsistent with the Bank's overall performance in the full scope area.

#### Conclusion for Limited Scope AA 3 – Suffolk County

Based on a limited-scope review, Winter Hill's borrower distribution of home loans in AA 3 is not inconsistent with the Bank's overall performance in the full scope area.

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion in the low- and moderate-income tracts in AA 1. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

#### Conclusions for Full Scope AA 1 – Middlesex County

The Bank's geographic distribution of home loans reflects excellent dispersion within the moderate-income census tracts. The percent of Winter Hill's lending for home purchase, improvement, and refinance loans significantly exceeds the percent of aggregate lending data as well as the percent of owner-occupied housing located in moderate-income geographies. In 2010 and 2011, none of the owner-occupied units within the Bank's AA were located in low-income tracts. In addition, the aggregate lending data supports the limited lending opportunities within the low-income

geographies of the Bank's AA. Winter Hills's performance is notable given the significant market competition.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner-occupied housing units in each census tract income level.

<b>Table 4 – Aggregate Lending Data for Geographic Distribution in AA 1 (2010 &amp; 2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	1%	0%	24%	42%	62%	54%	13%	4%
Home Improvement	1%	0%	18%	37%	66%	51%	15%	12%
Home Mortgage Refinance	1%	0%	17%	43%	66%	45%	16%	12%

<b>Table 4A - Geographic Distribution of Residential Real Estate Loans in AA 1 (2010 &amp; 2011)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	21%	42%	66%	54%	13%	4%
Home Improvement	0%	0%	21%	37%	66%	51%	13%	12%
Home Mortgage Refinance	0%	0%	21%	43%	66%	45%	13%	12%

Source: HMDA reported data from 10/1/2009 to 12/31/2011; 2000 U.S. Census Data

The Bank's geographic distribution of home loans reflects excellent distribution within the low- and moderate-income census tracts during 2012. The data used for the Bank's primary comparator, aggregate HMDA data, was unavailable at the time of our analysis. Therefore, we used the percentage of owner occupied housing as the comparator for this analysis. The percent of lending for home purchase loans significantly exceeds the percent of owner-occupied housing located in both low- and moderate-income geographies. The percent of lending for home improvement loans exceeds the percent of owner-occupied housing located in both low- and moderate-income geographies. The percent of lending for home refinance loans exceeds the percent of owner-occupied housing located in low-income geographies and significantly exceeds the percent of owner-occupied housing located in moderate-income geographies. Winter Hill's performance is considered notable given the significant market competition.

The following table details the Bank's performance compared to the percent of owner-occupied housing units in each census tract income level.

<b>Table 5 - Geographic Distribution of Residential Real Estate Loans in AA 1 (2012)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	3%	15%	18%	29%	61%	50%	18%	6%
Home Improvement	3%	6%	18%	21%	61%	70%	18%	3%
Home Mortgage Refinance	3%	5%	18%	26%	61%	60%	18%	9%

Source: HMDA-reported data from 1/1/2012-12/31/2012; 2010 U.S. Census Data

Conclusion for Limited Scope AA 2 – Essex County

Based on a limited-scope review, Winter Hill's geographic distribution of home loans in AA 2 is not inconsistent with the Bank's overall performance in the full scope area.

Conclusion for Limited Scope AA 3 – Suffolk County

Based on a limited-scope review, Winter Hill's geographic distribution of home loans in AA 3 is not inconsistent with the Bank's overall performance in the full scope area.

**Qualified Investments, Loans, and CD Services**

Winter Hill demonstrates a strong commitment to its assessment area through CD activities. The following qualified investments, loans, and services reflect the Bank's effort to enhance the credit availability within its AA.

During the evaluation period, Winter Hill made 30 contributions to 11 different nonprofit organizations whose primary purpose is community development. Of the \$22,500 provided, \$7,750 was contributed to organizations that work to provide housing for LMI (low-to moderate-income) individuals and \$14,750 was contributed to organizations that provide community services targeted to LMI individuals. While the actual level of Bank donations made within the AA was higher, these donations met the definition of community development.

The Bank originated two CD loans to two CD organizations during the assessment period totaling \$1,036,000. The first loan of \$708,000 proved eight affordable housing units for previously homeless families. The second loan of \$328,000 promoted economic development and was to purchase, renovate, and provide permanent financing for a commercial building used by a small business in a moderate-income tract.

The Bank's CD services in the AA promote the availability of credit within the AA. Accessibility to the Bank's delivery systems in the AA is good. Winter Hill's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The Bank has four full-service branch locations within the AA. Of the four branches, the main office is located in a moderate-income tract, while the other two Somerville branches and the North Reading Branch are located in middle-income tracts. The branches are easily accessible to all residents and the Bank has Albanian, Italian, Portuguese, and Spanish speaking employees to help communicate those less fluent in English. Winter Hill is involved in the Basic Banking for Massachusetts Program, which expands access to bank products and services and encourages those with modest income to establish banking relationships. The Bank offers savings and free checking accounts that meet the reduced fee guidelines established by the Massachusetts Community and Banking Council.

Winter Hill also has loan programs which are designed to help meet the needs of low-to-moderate income individuals obtain affordable housing, an identified need in the area. The Bank participates in the following programs:

- Low down payment options through Mass Housing Finance Agency's mortgage programs.
- Home Saver Program, a Mass Housing Finance Agency and Fannie Mae joint foreclosure prevention program.
- Home Start Program, a lending program that provides flexible underwriting and interest rates for first time homebuyers.
- Preapproval services to income restricted First Time Home Buyer 40 B lottery candidates in Somerville, Cambridge, and Everett. This program allows developers to override local zoning laws in order to increase the stock of affordable housing.

During the evaluation period, officers of the Bank had an active role in a number of programs targeted to meeting the affordable housing needs of residents in the Bank's AA. The Bank participated in a first time homebuyer-training seminar and a homebuyer fair targeted to low-and moderate-income homebuyers. Members of the Bank also worked with organizations that provide housing and community services to LMI individuals in the AA. A senior member of the Bank serves on the Board for a nonprofit organization that provides housing, financial and medical services to LMI individuals and serves on the Board of a non-profit organization that provides housing for low-income individuals. A Vice President of the Bank serves as the Treasurer of an organization that provides housing and workshops to developmentally disabled LMI individuals. Twice a year, members of the Bank assist elderly LMI individuals on financial matters at an elder fair.

### **Responses to Complaints**

There were no CRA complaints received by the Bank or the agency during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 195.28(c), in determining a federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.