



## PUBLIC DISCLOSURE

April 18, 2016

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Leader Bank, National Association  
Charter Number 24131

141 Massachusetts Avenue, Arlington, MA 02474

Office of the Comptroller of the Currency

99 Summer Street, 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 CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

The major factors that support this rating are:

- Leader Bank, National Association's level of lending, as indicated by the loan-to-deposit ratio, is more than reasonable.
- The majority of the originated and purchased loans are made within the Bank's assessment areas (AA).
- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels given the credit needs of AAs and market competition.
- The geographic distribution of loans reflects reasonable dispersion in low- and moderate-income census tracts (CTs) given the credit needs of AAs and market competition.
- The Bank's performance demonstrates excellent responsiveness to the community development (CD) needs in its AAs through their CD loans, qualified donations or investments, and services.

## **Scope of Examination**

Leader Bank, National Association ("LBNA" or "the Bank"), headquartered in Arlington, Massachusetts (MA), was evaluated using the Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development test. The lending test evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the Bank's responsiveness to CD needs in its AAs through CD lending, qualified donations/investments, and services.

The evaluation period for the lending test covers LBNA's performance from January 1, 2013 through December 31, 2015, as this timeframe is representative of the Bank's lending strategy since the previous CRA examination. The Bank's performance for the full evaluation period was compared to the 2010 U.S. Census data.

The evaluation period for the CD test is from June 24, 2013, the date of the last full CRA evaluation, through April 18, 2016. Community development loans, investments, and services submitted by management were verified to ensure they meet the regulatory definition to classify as CD activities.

As reported within the December 31, 2015 Uniform Bank Performance Report (UBPR), residential lending constitutes the majority of the Bank's lending operations, representing 74 percent of the overall loan portfolio. Based upon loans originated and

purchased during the evaluation period, LBNA's primary lending product is residential mortgage loans, consisting of home purchase, refinance, and improvement loans.

The Bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). We reviewed the data integrity results of LBNA's HMDA data for residential real estate (RRE) loans, both originated and purchased, and determined the data to be reliable. All RRE loans originated or purchased during the assessment period were included in our evaluation of the Bank's lending.

The scope of our CRA examination included an assessment of three delineated AAs as identified by OCC examination staff and in concert with senior bank management. These AAs included the counties of Middlesex (AA1), Norfolk (AA2), and Suffolk (AA3), all of which are within the state of MA. Of the Bank's seven full-service branches, six are located within AA1, while the final and most recently opened branch is located within AA3. During our evaluation period, approximately 59 percent of LBNA's loans were attributed to AA1, 24 percent were attributed to AA2, and 17 percent were attributed to AA3. Furthermore, the majority of the Bank's deposits are attributed to AA1. Consequently, we performed a full scope review of AA1 and limited scope reviews of AA2 and AA3.

## **Description of Institution**

As of December 31, 2015, LBNA is a \$977 million intrastate institution, wholly owned by Leader Bancorp Inc., a \$114 million, one-bank shell holding company. As previously stated, the Bank operates seven full service branches within the state of MA. The main office is located in Arlington, MA and the remaining six branches are located in Arlington Center; Arlington Heights; Belmont; Burlington; Cambridge (Central Square); and Boston (Seaport Innovation District). All branches are located within AA1 save for the Boston (Seaport Innovation District) branch, which is located in AA3 and opened in May 2015. The Belmont branch is located in an upper-income geography, while the remaining branches are located within middle-income geographies. No branches were closed during our evaluation timeframe. LBNA also operates an additional six LPOs in MA.

LBNA provides customers a standard array of traditional lending and deposit products, for both personal and business clients. The Bank's website provides a full listing and description of all deposit and loan services. Services include telephone banking, online banking with bill pay, e-message alerts, and mobile banking for all consumer accounts. Business customers are provided similar services as consumer customers, but also include eBusiness, remote deposit capture, ACH, and lockbox services. Full service, automated teller machines (ATMs) are located at all LBNA branches, and LBNA maintains membership in the SUM ATM Network, which enables customers to access their accounts from participating ATMs without charge. The Bank also maintains two cash dispensing only ATMs in Belmont and Arlington.

The Bank continues to provide traditional loan and deposit products, but maintains a significant mortgage banking operation and is growing its commercial real estate (CRE) portfolio. However, RRE lending remains LBNA's primary business focus, accounting for 74 percent of gross loans and leases as of December 31, 2015. Total assets have increased by \$390 million or 66 percent since the previous CRA examination. As of December 31, 2015, deposits totaled \$667 million and net Tier 1 capital totaled \$109 million. The loan portfolio totaled \$865 million, or 89 percent of total assets, as of the same date.

Table 1 reflects the composition of LBNA's loan portfolio as of December 31, 2015:

<b>Table 1: Loan Portfolio Summary by Loan Product December 31, 2015</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
Residential Mortgage Loans	63%
Commercial Real Estate	19%
Home Equity	11%
Construction and Development	4%
Commercial and Industrial	3%
Consumer Loans	<1%
<b>Total</b>	<b>100.00%</b>

(\*) Data obtained from the Uniform Bank Performance Report for the quarter ending December 31, 2015, Page 7A.

LBNA operates within a highly competitive financial services market, facing significant competition from nationwide, regional, and local financial institutions. As of the June 30, 2015 Federal Deposit Insurance Corporation (FDIC) Summary of Deposits Market Share Report, LBNA ranks 36<sup>th</sup> out of 139 deposit taking institutions in the Boston-Cambridge-Newton, Massachusetts-New Hampshire (MA-NH) Metropolitan Statistical Area (MSA) with 0.21 percent of total deposits. Primary competitors include State Street Bank and Trust Company, which ranked first with 36.1 percent deposit market share; Bank of America, National Association, ranked second with 17.95 percent; and Citizens Bank, National Association, ranked third with 8.87 percent. All remaining competitors individually maintain less than five percent deposit market share.

The Bank indicated that the primary credit need in its AAs is affordable housing. In response, LBNA participates in the Massachusetts Department of Housing's affordable housing program, which targets home loans for low- and moderate-income borrowers. LBNA also participates in the Small Business Administration (SBA) 504 and 7(a) loan programs. The SBA 504 program promotes economic development by supporting business financing, business growth, and job creation. The SBA 7(a) program works to support local community development.

As part of their business strategy, LBNA continues to originate and purchase loans for sale in the secondary market. Lending products consist of conventional mortgages, as well as, Federal Housing Authority (FHA), U.S. Department of Veterans Affairs (VA), and Massachusetts Housing loans. Additionally, the Bank also offers specific mortgage

products tailored towards first time homebuyers and provides first time homebuyer seminars and financial literacy courses on a routine basis.

The Bank has no financial or legal impediments in meeting the credit needs of its surrounding community. LBNA was rated "Satisfactory," using ISB procedures, at the last CRA examination dated June 24, 2013.

## **Description of Assessment Area**

The CRA requires banks to define the AAs in which they will be evaluated. Prior to the May 2015 Boston (Seaport Innovation District) branch opening, LBNA designated the counties of Middlesex and Norfolk, inclusive of all CTs, as its AA. With the opening of the new branch, the Bank incorporated the city of Boston, and all CTs within the city limits, into the Norfolk County AA, stating that since the city of Boston is within the same Boston-Cambridge-Newton, MA-NH MSA, the inclusion of these new tracts in the Norfolk County AA is appropriate, increasing CTs in the Bank's AAs to 629. Although the City of Boston is within the same MSA as Norfolk County, the city is actually located within Suffolk County and the inclusion of just CTs attributed to the city would improperly exclude CTs within this county that are located outside of the city limits. As a result, and in concert with bank management, we revised LBNA's AAs to include the whole of Suffolk County, inclusive of all CTs, as part of the Bank's AA. As previously discussed, this results in three AAs for the Bank; AA1, AA2, and AA3, resulting in 652 CTs. These three AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

### Full Scope AA1 – Middlesex County

The full scope AA1 is comprised of a single county, Middlesex County, located within the Cambridge-Newton-Framingham, MA Metropolitan Division (MD), a subdivision of the Boston-Cambridge-Newton, MA-NH MSA. As of the 2010 U.S. Census, Middlesex County is comprised of 318 CTs, which includes 12 low-income tracts, 64 moderate-income tracts, 127 middle-income tracts, and 114 upper-income tracts. Within the county, one CT has not been assigned an income level classification as of the 2010 U.S. Census. The 2010 U.S. Census indicates that approximately 35 percent of families in AA1 are considered low- or moderate-income and eight percent of the households are below the poverty line.

Demographic information for AA1 is further detailed in the table below:

Demographic Information for Full Scope Area: LBNA Middlesex AA 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	318	3.77	20.13	39.94	35.85	0.31
Population by Geography	1,503,085	3.06	19.03	41.88	36.03	0.00
Owner-Occupied Housing by Geography	366,303	1.00	12.38	43.88	42.74	0.00
Business by Geography	122,870	3.14	13.89	40.06	42.91	0.00
Farms by Geography	2,193	1.14	8.44	42.23	48.20	0.00
Family Distribution by Income Level	366,038	19.67	15.65	20.75	43.93	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	129,287	5.48	29.55	42.15	22.83	0.00
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below Poverty Level		\$90,625 \$101,700 8%	Median Housing Value State Unemployment Rate (Bureau of Labor Statistics-Dec. 2015)		\$446,997 4.9%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2015 HUD updated MFI

The Bank continues to operate within a highly competitive market with significant pressure from established credit unions, savings banks, and local commercial banks. As of the June 30, 2015 FDIC Summary of Deposit Market Share report for Middlesex County, LBNA was ranked 18<sup>th</sup> out of 54 deposit taking institutions that maintain a branch presence in the AA with 1.29 percent market share.

Competition within Middlesex County include: Middlesex Savings Bank (5.76 percent), Cambridge Savings Bank (4.41 percent), Century Bank and Trust Company (4.09 percent), Eastern Bank (3 percent), and Brookline Bank (1.82 percent). Larger institutions, with national footprints, introduce additional deposit competition within AA1, and include Bank of America, National Association (22.59 percent), Citizens Bank, National Association (13.97 percent), and TD Bank, National Association (5.59 percent). Leading lenders continue to account for the majority of deposits, with the top five lenders accounting for approximately 53 percent of the market.

The most recent economic indicators as of January 2016 illustrate that the Cambridge-Newton-Framingham MD has continued its recovery, although at a slower pace since the previous CRA examination. Job growth within the Cambridge-Newton-Framingham, MD is accelerated when compared to other major northeast areas, spurred by technology-producing industries creating stable and desired job opportunities in business, professional services, health services, and manufacturing. In addition, the greater Boston area has a highly skilled and educated workforce, making it a desirable location for a number of nationally recognized universities, hospitals, and technology

firms. Major employers within AA1 as indicated by the latest Labor and Workforce Development Report (mass.gov) include: Boston Children's Hospital, Massachusetts Institute of Technology, EMC Corporation, Staples Incorporated, ABM – Facility Services, ABT Associates Incorporated, Analog Devices Incorporated, Athenahealth Incorporated, and Bentley University.

The state unemployment rate of 4.9 percent as of December 31, 2015 is still above pre-recession levels; however, unemployment figures continue to improve from a peak of 8.9 percent attained during the recession. Within the full scope AA1, the unemployment rate has further improved to 3.7 percent as of December 31, 2015, which compares favorably to both the state average and the national average of 5.0 percent.

As part of performance context, we considered the disparity between the median income of families within each AA as compared to the median cost of housing and the impact this has on home ownership when evaluating lending performance. The median housing value in AA1 is \$447 thousand and the median family income is \$102 thousand. This means that a low-income family in this AA earns no more than \$50,840, and would have difficulty qualifying for home loans in the AA. Furthermore, a moderate-income family could also encounter difficulty qualifying for a home loan with an income range of at least \$50,841, but less than \$81,350. Consequently, high home prices limit the availability of affordable housing for low- and moderate-income groups, emphasizing the area's credit needs to support affordable housing.

As part of our review we contacted a local organization whose purpose is to provide hospitable and affordable housing units for low- and moderate-income groups within Arlington, MA and the surrounding area. The contact prescribed affordable housing as a significant credit need in Arlington as already higher median housing prices continue to appreciate. Additional needs referenced include financial literacy programs, homelessness outreach and prevention, and accessible banking products and services for low- and moderate-income individuals.

#### Limited Scope AA2 – Norfolk County

The limited scope AA2 is comprised of a single county, Norfolk County, located within the Boston, MA MD, a subdivision of the Boston-Cambridge-Newton, MA-NH MSA. Norfolk County contains 28 cities/towns across 130 census tracts within the state of MA as of the 2010 U.S. Census. Among the 130 tracts within the county, there are two low-income tracts, seven moderate-income tracts, 55 middle-income tracts, and 66 upper-income tracts. The 2012 U.S. Census indicates that approximately 11 percent of families in AA2 are considered low- or moderate-income and seven percent of households are below the poverty line.

Demographic information for AA2 is further detailed in the table below:

Demographic Information for Limited Scope Area: LBNA Norfolk AA 2015						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	130	1.54	5.38	42.31	50.77	0.00
Population by Geography	670,850	1.11	4.30	44.39	50.20	0.00
Owner-Occupied Housing by Geography	179,764	0.52	3.59	43.38	52.50	0.00
Business by Geography	55,017	0.77	3.29	41.99	53.95	0.00
Farms by Geography	971	0.51	3.30	38.93	57.26	0.00
Family Distribution by Income Level	168,233	15.05	14.07	19.96	50.92	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	48,986	2.45	8.13	54.99	34.42	0.00
Median Family Income HUD Adjusted Median Family Income for 2015 Households Below Poverty Level		\$83,664 \$90,000 7%	Median Housing Value State Unemployment Rate (Bureau of Labor Statistics-Dec. 2015)		\$453,103 4.9%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2015 HUD updated MFI

As LBNA does not maintain any branches within AA2, the Bank does not have any deposit market share within the AA. However, as indicated by the Norfolk County, June 30, 2015 FDIC Summary of Deposit Market Share report, competition within the county remains significant, as the top five leading lenders secure approximately 54 percent of deposits within the market.

Major employers within AA2 as indicated by the latest Labor and Workforce Development Report (mass.gov) include: Advantage Resourcing, Analog Devices Incorporated, Boston Financial Data Services, Clean Harbors Incorporated, Dunkin' Brands Group Incorporated, Harvard Pilgrim Healthcare, Hollingsworth & Vose Company, Invensys Systems North America, and the Justice Resource Institute.

As of December 31, 2015, the unemployment rate within the limited scope AA2 improved to 4.0 percent, which compares favorably to both the state average and the 5.0 percent national average. Median housing prices continue to rise within AA2. The median housing value in AA2 of \$453 thousand is significantly higher when compared to the median family income of \$90 thousand, emphasizing the AA's affordable housing needs as a low-income family earning less than \$44,991 would have difficulty purchasing a home.

Limited Scope AA3 – Suffolk County

The limited scope AA3 is comprised of a single county, Suffolk County, located within the Boston, MA MD, a subdivision of the Boston-Cambridge-Newton, MA-NH MSA. Suffolk County is comprised of four cities within MA, including Chelsea, Revere, Winthrop, and the state capital, Boston. As of the 2010 U.S. Census, Suffolk County is comprised of 204 CTs, which includes 53 low-income tracts, 57 moderate-income tracts, 46 middle-income tracts, and 36 upper-income tracts. Within the county, 12 CTs have not been assigned an income level classification. The 2010 Census illustrates that approximately 76 percent of families in AA3 are considered low- or moderate-income and 20 percent of households are below the poverty line.

Demographic information for AA3 is further detailed in the table below:

<b>Demographic Information for Limited Scope Area: LBNA Suffolk AA 2015</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	204	25.98	27.94	22.55	17.65	5.88
Population by Geography	722,023	27.04	33.21	23.64	15.89	0.23
Owner-Occupied Housing by Geography	103,662	12.94	30.60	30.90	25.51	0.05
Business by Geography	56,790	16.59	20.44	15.52	46.30	1.16
Farms by Geography	337	10.68	27.30	31.16	30.86	0.00
Family Distribution by Income Level	139,420	37.71	17.61	17.17	27.51	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	77,128	38.43	37.49	18.21	5.85	0.03
Median Family Income		\$83,664	Median Housing Value		\$407,700	
HUD Adjusted Median Family Income for 2015		\$90,000	State Unemployment Rate (Bureau of Labor Statistics-Dec. 2015)		4.9%	
Households Below Poverty Level		20%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2010 US Census and 2015 HUD updated MFI

Competition for local deposits within AA3 remains considerable. As of the June 30, 2015 FDIC Summary of Deposit Market Share report for Suffolk County, LBNA was ranked 36<sup>th</sup> out of 44 deposit taking institutions that maintain a branch presence in the AA with less than one percent. Leading lenders continue to account for the majority of deposits, with the top five lenders accounting for approximately 90 percent of the market.

Major employers within AA3 as indicated by the latest Labor and Workforce Development Report (mass.gov) include: Brigham & Women’s Hospital, Massachusetts General Hospital, Boston Children’s Hospital, Boston University – School of Medicine, Boston University, Children’s Hospital Incorporated, Floating Hospital for Children, John

Hancock Life Insurance Company, Liberty Mutual Group Incorporated, and the Massachusetts Bay Transportation Authority.

As of December 31, 2015, the unemployment rate within the limited scope AA3 improved to 4.2 percent, which compares favorably to both the state average and the 5.0 percent national average. Median housing prices continue to rise within AA3. The median housing value in AA3 of \$408 thousand is significantly higher when compared to the median family income of \$90 thousand, emphasizing the AA's affordable housing needs as a low-income family earning less than \$44,991 would have difficulty purchasing a home.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

The Bank's performance under the lending test is **Satisfactory** given the credit needs of AAs and competitive market factors. The Bank's loan-to-deposit ratio is more than reasonable and the majority of loans are originated inside the Bank's AAs. Overall, the distribution of loans reflects a reasonable penetration among individuals of different income levels. The geographic distribution of loans reflects reasonable dispersion in the low- and moderate-income census tract areas.

In evaluating performance under the lending test and determining how each loan type should be weighted, we considered LBNA's business strategy and financial condition, the number and types of loans originated, competitive market factors, and the community credit needs identified through discussions with community contacts. To arrive at the lending test rating, we placed more weight on home purchase and refinance loans as these types of lending represented approximately 92 percent of all home mortgage loan originations during our evaluation period.

### **Loan-to-Deposit Ratio**

The Bank's loan-to-deposit ratio is more than reasonable given the institution's size, credit needs within AAs, and the volume of loans sold to the secondary market. LBNA sold approximately \$1.6 billion, \$1.2 billion, and \$2 billion in mortgage loans to the secondary market in 2013, 2014, and 2015, respectively. The Bank's net loan-to-deposit ratio averaged 120 percent for the 12 quarters since the prior CRA examination. During this timeframe, the loan-to-deposit ratio ranged from a quarterly low of 108 percent to a quarterly high of 129 percent. The Bank's net loan-to-deposit ratio is significantly higher than peer financial institutions of similar size, location, and product offerings. During the same timeframe, the peer bank median quarterly average was 92 percent.

## Lending in Assessment Area

Approximately 71 percent of loans were originated in the Bank's aggregate AA. The following table details the Bank's lending activities within the AAs by number and dollar amount of loans:

Loan Type	Number of Loans				Total	Dollars of Loans (000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		#	%	#	%	
Home Purchase	5,235	70.95	2,143	29.05	7,378	2,180,687	75.74	698,572	24.26	2,879,259
Home Refinance	3,802	71.31	1,530	28.69	5,332	1,456,180	73.34	529,342	26.66	1,985,522
Home Improvement	778	70.73	322	29.27	1,100	304,977	73.45	110,222	26.55	415,199
<b>Total</b>	<b>9,815</b>	<b>71.07</b>	<b>3,995</b>	<b>28.93</b>	<b>13,810</b>	<b>3,941,844</b>	<b>74.66</b>	<b>1,338,136</b>	<b>25.34</b>	<b>5,279,980</b>

Source: Bank data of loans originated from January 1, 2013 – December 31, 2015

## Lending to Borrowers of Different Incomes

The distribution of borrowers of home mortgage loans reflects reasonable penetration among individuals of different income levels given the demographics of LBNA's AAs. The distribution of home loans within the full scope AA1 reflects reasonable penetration among individuals of different income levels. LBNA's borrower distribution of home loans in the limited scope AA2 and AA3 is consistent with the Bank's overall performance in the full scope AA.

Please refer to Table 3 below for the facts and data used to evaluate the borrower distribution of the Bank's home mortgage loan originations and purchases within AA1.

### Conclusions for Full Scope AA1 – Middlesex County

The distribution of home loans originated and/or purchased within AA1 reflects reasonable penetration among individuals of different income levels given the credit needs and significant market competition within the AA.

The percent of home purchase, refinance, and improvement loans made to low-income borrowers are all significantly below the percent of low-income families within AA1. The percent of home purchase, refinance, and improvement loans made to moderate-income borrowers are all below the percentage of moderate-income families.

LBNA's performance is considered satisfactory given the lack of affordable housing and significant market competition within Middlesex County. As previously discussed, appreciated housing values within AA1 continue to limit lending opportunities available to both low- and moderate-income borrowers, as the median housing value of \$447 thousand is significantly higher when compared to the median family income of \$102

thousand. Market competition within AA1 for home loans remains significant since the previous CRA evaluation. According to 2014 Peer Mortgage Market Share Data, home lending within Middlesex County is highly saturated with 515 competing lenders, the top 10 of which only account for approximately 33 percent of the total market. Top lenders include national banking institutions: JP Morgan Chase, Wells Fargo Bank, Bank of America, US Bank, and Santander Bank. No institutions outside of the top 10 lenders maintain more than two percent market share. We do note that within AA1, LBNA ranks 3<sup>rd</sup> out of the population of 515 with 3.37 percent market share.

The following table illustrates the distribution of home loans to borrowers of different income levels within AA1:

<b>Table 3: Borrower Distribution of Residential Real Estate Loans AA1 – Middlesex County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.67	3.69	15.65	14.88	20.75	25.49	43.93	55.94
Home Refinance	19.67	1.74	15.65	12.45	20.75	29.08	43.93	56.73
Home Improvement	19.67	3.63	15.65	14.97	20.75	22.68	43.93	58.73

Source: LBNA HMDA data 2013 – 2015, 2010 US Census data.

### Conclusions for Limited Scope AA2 – Norfolk County

Based on a limited scope review, LBNA’s borrower distribution of home loans in AA2 is consistent with the Bank’s overall performance in the full scope area given the credit needs and significant market competition within the AA.

### Conclusions for Limited Scope AA3 – Suffolk County

Based on a limited scope review, LBNA’s borrower distribution of home loans in AA3 is consistent with the Bank’s overall performance in the full scope area given the credit needs and significant market competition within the AA.

### **Geographic Distribution of Loans**

The geographic distribution of home mortgage loans reflects reasonable dispersion in low- and moderate-income CTs given the competitive factors of the Bank’s AAs. The geographic distribution of loans within the full the scope AA1 reflects reasonable dispersion among low- and moderate-income tracts. LBNA’s geographic distribution of

home loans in the limited scope AA2 and AA3 is consistent with the Bank's overall performance in the full scope AA.

Please refer to Table 4 below for the facts and data used to evaluate the geographic distribution of the Bank's home mortgage loan originations and purchases within AA1.

#### Conclusions for Full Scope AA1 – Middlesex County

The geographic distribution of home loans originated and/or purchased within AA1 reflects reasonable dispersion among low- and moderate-income CTs given the credit needs and market competition within the AA.

The percent of home purchase loans for both low- and moderate-income geographies exceeds the percent of owner-occupied housing units located within the AA. The percent of home refinance loans for low-income geographies exceeds the percent of owner-occupied housing. The percent of home refinance loans is below the percent of owner-occupied housing in moderate-income geographies. The percent of home improvement loans in both low- and moderate-income geographies is below the percent owner-occupied housing.

The Bank's geographic distribution of loans is considered satisfactory due to the before mentioned affordable housing credit needs and significant market competition for home loans in low- and moderate-income CTs. The 2014 Peer Mortgage Market Share Data for home refinance loans made to moderate-income borrowers indicates that within AA1, LBNA ranked 12<sup>th</sup> out of 231 lenders with approximately two percent market share. Within this market, the top 10 lenders account for 38 percent of the total market. Additionally, the 2014 Peer Mortgage Market Share Data for home improvement loans made to low- and moderate-income borrowers indicates that within AA1, LBNA ranks 10<sup>th</sup> out of 82 lenders with 2.23 percent market share. The top 10 lenders within this market account for 57 percent of the total market. No lenders outside of the top 10 have more than two percent market share.

The following table compares the dispersion of home loan products to the percentage of owner-occupied housing units in each census tract income level within AA1:

Table 4: Geographic Distribution of Residential Real Estate Loans AA1 – Middlesex County								
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	1.00	1.31	12.38	12.72	43.88	44.52	42.74	41.45
Home Refinance	1.00	1.09	12.38	9.86	43.88	40.84	42.74	48.21
Home Improvement	1.00	0.45	12.38	9.98	43.88	38.32	42.74	51.25

Source: LBNA HMDA data 2013 – 2015, 2010 US Census data.

### Conclusions for Limited Scope AA2 – Norfolk County

Based on a limited scope review, LBNA’s geographic distribution of home loans in AA2 is consistent with the Bank’s overall performance in the full scope area given the AA’s credit needs and competitive market factors

### Conclusions for Limited Scope AA3 – Suffolk County

Based on a limited scope review, LBNA’s geographic distribution of home loans in AA3 is consistent with the Bank’s overall performance in the full scope area given the AA’s credit needs and competitive market factors.

### **Responses to Complaints**

There were no CRA complaints received by the Bank or the agency during this evaluation’s timeframe.

## **COMMUNITY DEVELOPMENT TEST**

The Bank’s performance under the CD test is rated **Outstanding**. LBNA’s performance demonstrates excellent responsiveness to the credit needs in its AAs through CD loans, qualified donations or investments, and services.

### **Number and Amount of Community Development Loans**

#### Conclusions for Full Scope AA1 – Middlesex County

LBNA originated a high level of CD loans during the evaluation period. The Bank originated seven loans totaling \$6.63 million during the evaluation period that qualified as CD loans. The CD loans made by the Bank provided financing for organizations that offer affordable housing, promote economic development, revitalize low- or moderate-income geographies, and/or provide services targeted towards low- and moderate-income individuals.

The highlights of the Bank's CD loans are as follows:

- A \$2.1 million loan was made to purchase and renovate a commercial building located in Acton, MA. The loan was made as part of the Small Business Administration's (SBA's) 504 Certified Development Company (CDC) Program. This development loan program encourages economic growth, business financing, and job creation.
- This \$1.43 million SBA 504 CDC qualified loan was made to purchase and renovate a commercial building located in Winchester, MA.
- A total of \$1.22 million in loans were made to a local organization that provides and advocates for affordable housing for low- and moderate-income families and individuals in Arlington, MA.
  - \$873 thousand was used for the renovation of a local food pantry which caters to low- and moderate-income groups.
  - \$350 thousand was used for the creation/renovation of residential properties targeted towards low-income groups.
- This \$640 thousand SBA 504 CDC loan was made to purchase and renovate a commercial building located in Woburn, MA.
- A \$620 thousand loan was made to refinance six condominium units enrolled in the local Housing Assistance Program. A majority of these units are specifically affordable housing units for low- and moderate-income tenants

- A total of \$600 thousand in loans were made to a local community development organization to finance community based development projects for low-income groups. Development projects provide affordable housing, competitive job placement, and other new opportunities to low-income geographies. LBNA initially made a \$200 thousand loan in 2013, and subsequently renewed the loan in 2014 and 2015.

#### Conclusions for Limited Scope AA2 – Norfolk County

Based upon limited scope review, LBNA's CD loans in AA2 is consistent with the Bank's overall performance in the full scope area. The Bank originated two loans totaling \$387 thousand during the evaluation period that qualified as CD lending.

- A \$210 thousand loan to a borrower participating in the MA "One Mortgage" program. "One Mortgage" is a local initiative to provide increased homeownership opportunities for low- and moderate-income, first time homebuyers.
- A \$177 thousand loan closed through the Federal Home Loan Bank (FHLB) of Boston's "Equity Builder Program". The program assists low-income, first time homebuyers in purchasing homes.

#### Conclusions for Limited Scope AA3 – Suffolk County

Based upon limited scope review, LBNA's CD loans in AA3 is consistent with the Bank's overall performance in the full scope area. The Bank originated a single loan totaling \$2.7 million during the evaluation period that qualified as CD lending.

- This \$2.7 million SBA 504 CDC loan was made to finance improvements and renovations for a small business in Boston, MA.

### **Number and Amount of Qualified Investments**

#### Conclusions for Full Scope AA1 – Middlesex County

The Bank's level of CD investments and donations within AA1 is outstanding considering the Bank's capacity, local market competition, and the availability of CD opportunities. LBNA's investments and donations within the AA during our testing period totaled approximately \$1.3 million. This includes one CD investment and 40 investments/donations to 20 community development organizations within AA1.

The Bank made a \$1.23 million investment in a Fannie Mae mortgage backed security that pools four mortgage loans made to low- and moderate-income groups in AA1. Qualifying CD investments and donations totaled \$54 thousand and benefitted 20 different CD organizations. The majority of LBNA's CD investments and donations were

targeted towards organizations that provide affordable housing and promote financial literacy. These donations qualify for CD lending purposes, however, the Bank actually made additional donations which were not qualified.

#### Conclusions for Limited Scope AA2 – Norfolk County

Based on a limited scope review, the Bank's CD investments and donations in AA2 is consistent with the overall performance in the full scope area. LBNA's investments during the assessment period totaled approximately \$1.3 million. This is comprised of a single \$1.3 million Fannie Mae mortgage backed security and seven donations totaling \$6 thousand to five separate community development organizations within AA2.

#### Conclusions for Limited Scope AA3 – Suffolk County

LBNA's investments during the assessment period totaled approximately \$14.8 thousand, and consist of six donations to five different community development organizations in AA3.

### **Extent to Which the Bank Provides Community Development Services**

#### Conclusions for Full Scope AA1 – Middlesex County

The Bank's level of CD services in AA1 is excellent. Accessibility to the Bank's delivery systems in AA1 is good. LBNA's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. LBNA has six full service branches located within AA1, one of which is located in an upper-income geography and the remaining five are located in middle-income geographies. The Bank does not have any branches located within low- or moderate-income geographies; however, both the Arlington Center and the Cambridge (Central Square) branches are located in close proximity to low- and moderate-income geographies and easily accessible to all residents.

The Bank remains part of the Basic Banking for Massachusetts Program that provides access for low- and moderate-income groups to banking products and services. The Bank also provides Spanish- and Punjabi-speaking loan officers for the large concentration of families amongst all AAs with Hispanic or Indian heritage. LBNA also regularly conducts several financial education seminars, including financial literacy and first time homebuyer courses, targeted towards low- and moderate-income groups. These seminars are also provided in Spanish and Punjabi for applicable groups.

The following are highlights of CD services participated in by senior bank management, which promote affordable housing and banking services within AA1:

- The President serves on an advisory Board as the Co-chair of a down-payment committee for a state organization which supports the creation and long-term sustainability of affordable housing units within the state of MA.

- The President serves as a Board member for a government sponsored affordable housing advisory council which supports the provision of low-cost housing for applicable groups.
- The Community Development Officer serves as the treasurer of the Board of an executive strategic planning committee for a statewide community development entity that provides affordable banking products for low- and moderate income groups and small businesses.
- The Community Development Officer serves as a member of a community affairs working group based out of Boston, MA which provides services and assistance to low- and/or moderate-income groups, “at risk” populations, and the “under banked and unbankable”.
- The Community Development Officer serves on the Board of a finance committee for a local organization that works to prevent homelessness and provide early financial literacy education to identified “at risk” groups.
- The Senior Vice President of retail banking works with a local secondary school to provide financial education seminars catered towards low- and moderate-income students.

#### Conclusions for Limited Scope AA2 – Norfolk County

Based upon a limited scope review, the Bank’s CD services in AA2 is consistent with the Bank’s overall performance in the full scope area.

#### Conclusions for Limited Scope AA3 – Suffolk County

Based upon a limited scope review, the Bank’s CD services in AA3 is consistent with the Bank’s overall performance in the full scope area.

#### **Responsiveness to Community Development Needs**

LBNA’s CD performance through loans, donations/investments, and services demonstrates excellent responsiveness when considering the Bank’s capacity, credit needs among AAs, and the availability of CD lending opportunities.

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

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