



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

May 02, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Milford FS & LA
Charter Number 704167

246 Main Street, Milford, MA 01757-2520

Office of the Comptroller of the Currency

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

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

- The Bank's level of lending, as reflected in its quarterly average net loan-to-deposit (LTD) ratio is more than reasonable given the assessment area credit needs, and relevant competitive factors.
- The majority of originated and purchased loans are within the Bank's assessment area (AA.)
- The distribution of loans reflects excellent distribution among individuals of different income levels.
- The geographic distribution of loans reflects reasonable distribution in low- and moderate-income census tracts.
- The Bank's community development performance reflects adequate responsiveness to community development needs given the Bank's capacity and community development opportunities within the AAs.

Scope of Examination

Milford Federal Savings and Loan Association (MFS) was evaluated using Intermediate Small Bank (ISB) evaluation procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment areas (AA) through its lending activities. The CD test evaluates the Bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The evaluation period for the lending test covers the Bank's performance from January 1, 2014 through December 31, 2015. The evaluation period for the CD test is from November 26, 2012, the date of the last CRA evaluation, through May 2, 2016. CD loans, investments, and services submitted by management were verified to ensure they meet the regulatory definition for community development.

The Bank'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. As indicated by the December 31, 2015 Uniform Bank Performance Report (UBPR), residential loans represents approximately 97% of the Bank's overall loan portfolio.

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

Description of Institution

MFS is a federally chartered interstate mutual thrift institution headquartered in Milford, Massachusetts (MA), with total assets of \$361 million as of December 31, 2015. MFS has one operating subsidiary, First Milford Service Corporation, which was not considered in evaluating the Bank's overall CRA performance.

MFS operates four banking branch offices in MA and Rhode Island (RI). MFS operates as a community bank, promoting residential mortgage loan products and deposit services to its customers through its home office in the town of Milford, MA, and three other full service branches in MA and RI. The Bank's main office and the Woonsocket, RI branches are located in moderate-income geographies; the Milford Plaza office is in a middle-income geography; and the Whitinsville, MA branch is located in an upper-income geography. Branch hours are typically 09:00am to 04:00pm, Monday through Wednesday, with varying hours on Thursdays and Fridays. Weekend branch hours are typically from 09:00am to noon with extended drive-up hours. No branches were opened or closed during the evaluation period.

MFS offers a standard array of traditional mortgage loan and deposit products for their customers. The Bank's website, www.milfordfederal.com, provides a listing and description of its deposit and loan services. The Bank offers a variety of different account access alternatives including telephone banking and online banking with bill pay options. The Bank operates walk-up and drive-up automated teller machines (ATMs) at all four of its branches and is also a member of the SUM ATM network, which allows member customers to access their accounts from participating SUM network ATMs without a surcharge.

Residential real estate lending continues to remain the Bank's primary focus. MFS originates and purchases loans for its own portfolio and sells loans in the secondary market. Loan products include conventional mortgage loan products as well as other targeted loan products that promote lending to low- or moderate-income individuals. The Bank participates in Federal Home Loan Mortgage Corporation's (Freddie Mac) Home Possible and Home Possible advantage loan programs, which are designed to help low- or moderate-income families purchase homes. The Bank also offers a 5/1 adjustable rate mortgage (ARM) program with low down payment requirements for homebuyers. For non-owner occupied housing, the Bank offers a low rate 5/1 ARM product to promote affordable rental units.

As of December 31, 2015, total assets, total deposits and net tier one capital were \$361 million, \$302 million, and \$43.9 million, respectively. The loan portfolio totaled \$310

million, or 86 percent of total assets, as of December 31, 2015. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product December 31, 2015	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	89%
Home Equity	8%
Commercial & Industrial	<1%
Commercial Real Estate	1%
Construction and Development	1%
Consumer Loans	<1%

Source: FDIC Call Report

The Bank has no financial or legal impediments to meeting the credit needs of the community. The Bank was rated “Outstanding” using the ISB procedures at the last CRA evaluation dated November 26, 2012.

Selection of Areas for Full-Scope Review

MFS has branches in two states, MA and RI. The CRA requires a bank to define the AA in which it will be evaluated. We selected the Bank's entire AA and reviewed it as four AAs, which includes all branches and deposit taking ATMs, as well as the contiguous towns/cities around these offices. The Bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA in MA was reviewed as three AAs. MA AA 1 includes portions of the Worcester, MA Metropolitan Statistical Area (MSA) 49340, MA AA 2 is part of the Boston, MA Metropolitan Division (MD) 14454, and, MA AA 3 is part of the Cambridge-Newton, MA MD 15764. The RI AA is part of the Providence-Warwick RI-MA MSA 39300; this is referred to as the RI AA. Additional information about these AAs can be found in the Bank's public file.

For each state where the Bank had a branch during the evaluation period, a full-scope review was conducted for at least one AA in the state. One of the MA AAs and the RI AA received a full-scope review. The analysis of the MA AA 1 is being heavily weighted as the majority of the Bank's deposits, loans, and branches are within MA AA 1. The RI AA was not weighted as heavily when developing overall conclusions, as only one of the four full service branches is located in RI and approximately 13 percent of deposits and 14 percent of loans are attributed to operations in RI. Due to the low deposit market share, limited lending, the RI AA received a lower weight in the overall rating.

Ratings

The Bank's overall rating is a blend of the state ratings. Performance in the state of MA was most heavily weighted in arriving at overall conclusions as the substantial majority of the Bank's branches, loans, and deposits are located here. Three of the four full

service branches are located in MA, and approximately 87 percent of deposits and 86 percent of loans are attributed to operations in MA. Refer to the “Selection of Areas for Full-Scope Review” above and the “Scope” section under each State Area Rating section for information regarding how each AA was weighted in arriving at the respective ratings for each test.

Conclusions with Respect to Performance Criteria

MFS performance under the lending test is satisfactory. The Bank’s loan-to-deposit ratio is more than reasonable and the majority of loans are originated inside the Bank’s AA. Overall, the distribution of loans reflects excellent distribution among individuals of different income levels. Overall, the geographic distribution of loans reflects reasonable distribution in the low- and moderate-income census tracts.

Loan-to-Deposit Ratio

The Bank’s loan-to-deposit ratio is more than reasonable given the Bank’s size, financial condition, and AA credit needs. The Bank’s net loan-to-deposit ratio averaged 94 percent over the last 13 quarters, since the last CRA evaluation. During this period the loan-to-deposit ratio ranged from a quarterly low of 84 percent to a quarterly high of 104 percent. The Bank’s loan-to-deposit ratio is higher than the national peer bank median quarterly average of 85 percent over the same period.

Lending in Assessment Area

A majority of the Bank’s primary loan products were made inside the Bank’s assessment area and the Bank meets the standard for satisfactory performance. MFS originated 68 percent by number and 64 percent by dollar amount of loans in the AAs. The following table details the Bank’s lending within the AA by number and dollar amount of loans.

Lending in MFS AA (000's)										
Loan Type	Number of Loans					Dollars of Loans				Total
	Inside		Outside		Total	Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Purchase	238	61%	155	39%	393	53,375	59%	37,592	41%	90,967
Home Refinance	350	72%	137	28%	487	63,950	69%	28,941	31%	92,891
Home Improvement	124	73%	45	27%	169	12,888	64%	7,182	36%	20,070
Totals	712	68%	337	32%	1049	130,213	64%	73,715	36%	203,928

Source: HMDA reported data from 1/1/2014 to 12/31/2015

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 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.

State Rating

State of Massachusetts

CRA Rating for Massachusetts: Satisfactory.

The Lending test is rated: Satisfactory.

The Community development test is rated: Satisfactory.

The major factors that support this rating include:

- The borrower distribution of loans reflects excellent distribution among individuals of different income levels.
- The geographic distribution of loans reflects reasonable distribution in the moderate-income census tracts.
- The Bank demonstrates adequate responsiveness to community development needs within the AAs through its community development investments and services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

The AA in MA was reviewed as three AAs. The MA AA1 received a full-scope review and includes portions of the Worcester, MA MSA 49340. MFS operates three full service branches with deposit taking ATMs within MA AA 1. The AA includes portions of Worcester County and consists of 23 continuous census tracts. MA AA 1 is comprised of two moderate-income tracts (9%), eight middle-income tracts (35%), and thirteen upper-income tracts (56%). The MA AA 2 is part of the Boston, MA MD 14454 and includes nine census tracts within Norfolk County. There are no low- or moderate-income tracts within MA AA 2. MA AA 2 is comprised of four middle-income tracts (44%) and five upper-income tracts (56%). MA AA 3 is part of the Cambridge-Newton MD 15764 and includes six census tracts within Middlesex County. There are no low- or moderate-income tracts within MA AA 3. MA AA 3 is comprised of all six upper-income tracts (100%). The Bank's performance within MA AA 2 and MA AA 3 was evaluated using a limited-scope review.

MFS operates in a highly competitive market with competition from regional large commercial banks, and local savings banks and credit unions. The Federal Deposit Insurance Corporation's Deposit Market Share Report, for June 30, 2015, states that 37 financial institutions operate branches within the Worcester, MA MSA. MFS ranks 19th with a deposit market share of approximately two percent. The Bank's local competitors include, but are not limited to Commerce Bank and Trust Company, UniBank for Savings, Webster Five Cents Savings Bank, Clinton Savings Bank, and Rollstone Bank & Trust. Larger regional Banks provide further competition and include Bank of America, National Association; TD Bank, National Association; Santander Bank, National Association; People's United Bank; and Citizens Bank, National Association.

Economic indicators show that Massachusetts’ job growth exceeds the national average and remains the fastest among Northeastern states from Maryland to Maine. Homebuilding continues to remain a positive contributor to the statewide economic growth. The state unemployment rate is holding steady at 4.6 percent, below the national average of 4.8 percent.

As of December 31, 2015, the unemployment rate for the Worcester MSA is 4.8 percent, which is only 0.2 percentage points above the state unemployment rate of 4.6 percent. According to the January 2016 Moody’s Analytic Report, the recovery within MA AA 1 has been losing its momentum as the housing market growth had stalled due to a harsh winter in 2015, and employment growth has been concentrated only in a handful of industries. Wage growth remains below the state average with a declining labor force.

Top employers in the MA AA 1 include University of Massachusetts Memorial Heath Care, University of Massachusetts Medical School, Fallon Clinic, Saint Vincent’s Hospital, and BJ’s Wholesale Club. Moody’s Analytics forecast that the region’s economy will regain momentum in 2016. Worcester’s high-tech industries and proximity to high-paying skilled jobs in Greater Boston will keep household incomes above the national average.

Median housing prices in MA AA 1 remain relatively high in comparison to the 2015 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the MA AA 1, particularly for the low-income households. Based on the 2010 U.S. Census Data, the average median cost of housing for the census tracts that are part of the MA AA 1 is approximately \$337 thousand.

Demographic Information of MFS MA AA 1 is displayed in the table below.

Demographic Information for Worcester MSA AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts/BNAs)	23	0	9	35	56
Population by Geography	123,870	0	8	32	60
Owner Occupied Housing by Geography	33,885	0	5	31	64
Family Distribution by Income Level	32,701	14	14	21	51
2010 Census Median Family Income (MFI)		\$77,128	Median Housing Value		\$337,423
HUD Updated MFI: 2015		\$81,500	Unemployment Rate *		4.8%
Households Below Poverty Level		5%			

Source: 2010 Census Data

* Data from US Bureau of Labor Statistics as of 12/31/2015. Rate is for Worcester, MA MSA 49349

SCOPE OF EVALUATION IN MASSACHUSETTS

Performance in the MA AAs was given the most weight in the overall conclusions as the majority of branches, loans, and deposits are located in MA. Three of the four full service branches are located in the MA AAs and approximately 87 percent of deposits and 86 percent of loans are attributed to operations in MA. MA AA 1 was given the most weight in the MA AAs as 79 percent of total loan originations within the state of MA were from this AA.

In assessing the bank's performance, we reviewed a recent community contact whose mission is to administer state and federal grant programs from agencies such as the Department of Housing and Community Development and the Massachusetts Housing Finance Agency. All programs and most administrative expenses for the organization are funded through grant funds. Many of the programs administered through the organization are designed to benefit low- and moderate-income persons and families. The contact indicated that in addition to affordable housing, social services for low- and moderate-income individuals are a key issue that the organization deals with on an ongoing basis. Finding affordable home improvement products is also one of the key issues that the contact identified. The contact indicated that the local financial institutions are supportive of the credit and community development activities and do a very good job at meeting the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS

LENDING TEST

The Bank's performance under the lending test in Massachusetts is rated satisfactory. The distribution of home loans reflects excellent distribution among individuals of different income levels. Geographic distribution of loans reflects reasonable distribution in moderate-income census tracts. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

Lending to Borrowers of Different Incomes

Conclusion for full-scope MA AA 1

The distribution of home loans reflects excellent distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2014 and 2015. The percent of home refinance loans made to low-income families meets the percent of peer aggregate data, the primary comparator for this Bank. The percent of home purchase and home improvement loans made to low-income families significantly exceeded the percent of peer aggregate lending data.

The percent of home refinance loans made to moderate-income families significantly exceeds the percent of peer aggregate lending data. The percent of home purchase loans to moderate-income families is near to the percent of peer aggregate lending data; however, it significantly exceeds the percent of moderate-income families within MA AA 1. The percent of home improvement loans made to moderate-income families exceeds the percent of peer aggregate lending data and significantly exceeds the percent of moderate-income families in MA AA 1.

The Bank’s performance is considered excellent given the Bank’s leadership position for home mortgage lending despite significant market competition coupled with high housing prices within MA AA 1. Median housing prices remain high relative to the HUD adjusted median family incomes. The lack of affordable housing limits lending opportunities for low- and moderate-income borrowers within MA AA 1. According to the 2010 U.S Census Data, the average median home price within MA AA 1 is \$337,423. The 2015 HUD updated median family income is \$81,500, which means the maximum income that is considered low income is \$40,750. Therefore, low-income borrowers would have difficulty qualifying for home loans in this AA. Additionally, a moderate-income borrower could also encounter difficulty qualifying for a home loan with an income range of at least \$40,750 but less than \$65,200.

Market competition for home mortgages is significant within MA AA 1. According to 2014 Peer Mortgage Market Share Data, lending within MA AA 1 is largely dominated by nationwide institutions; however, MFS still ranked second overall with a market share of approximately six percent. Additionally, the 2014 Peer Mortgage Market Share Data for home refinance loans made to moderate-income borrowers indicates the Bank remains a market leader for home refinance loans with an overall market share of 14 percent. MFS also ranked second for home purchase loans made to moderate-income borrowers with an overall market share of five percent.

The following tables show the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category as well as the aggregate lending data for HMDA reporters within the Bank’s MA AA 1.

Table 2 - Aggregate Lending Data for Borrower Distribution in MA AA 1								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Peer Data	% of Number of Bank loans	% Aggregate Peer Data	% of Number of Bank loans	% Aggregate Peer Data	% of Number of Bank loans	% Aggregate Peer Data	% of Number of Bank loans
Home Purchase	4	7	19	17	28	32	49	44
Home Improvement	4	7	17	18	24	26	55	49
Home Refinance	5	5	15	21	25	32	55	42

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Table 2A - Borrower Distribution of Residential Real Estate Loans in MA AA 1								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	14	7	14	17	21	32	51	44
Home Improvement	14	7	14	18	21	26	51	49
Home Refinance	14	5	14	21	21	32	51	42

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Conclusion for limited scope MA AA 2 and MA AA 3

Based on a limited-scope review, the Bank’s performance under the lending test in MA AA 2 and MA AA 3, to borrowers of different income levels for residential home purchases, refinances, and home improvement is consistent with the Bank’s overall lending test rating in the full scope areas.

Geographic Distribution of Loans

Conclusion for full-scope MA AA 1

The Bank’s geographic distribution of home loans in MA AA 1 reflects reasonable distribution in the moderate-income census tracts. There were no low-income census tracts within MA AA 1 during the evaluation period. The percent of home refinance loans meets the percent of peer aggregate lending data. The percent of home purchase loans and home improvement loans are near to the percent of peer aggregate lending data. The Bank’s lending for home refinance, home purchase, and home improvement loans is also near to the percent of owner-occupied housing in moderate-income tracts within MA AA 1.

The Bank’s performance meets the standards for a satisfactory performance given the significant market competition and the need for affordable housing within MA AA 1. The 2014 Peer Mortgage Market Share Data for home refinance, home purchase, and home improvement loans made within moderate-income tracts, indicates limited lending opportunities within moderate-income geographies of MA AA 1. MFS ranks third for home refinance and home improvement loans made within moderate-income geographies within an overall market share of seven percent and nine percent, respectively. Lending for home purchase loans within moderate-income geographies was dominated by larger financial institutions and mortgage companies with MFS ranking 24th for an overall market share of two percent.

The following tables detail the Bank's performance compared to the percentage of owner occupied housing units in each census tract income level as well as the lending data for all HMDA reporters within the Bank's MA AA 1.

Table 3 - Geographic Distribution of Residential Real Estate Loans in MA AA 1								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans
Home Purchase	0	0	5	4	31	38	64	58
Home Improvement	0	0	6	4	31	40	63	56
Home Mortgage Refinance	0	0	4	4	31	39	65	57

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Table 3A - Geographic Distribution of Residential Real Estate Loans in MA AA 1								
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	5	4	31	38	64	58
Home Improvement	0	0	5	4	31	40	64	56
Home Mortgage Refinance	0	0	5	4	31	39	64	57

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Conclusion for limited-scope MA AA 2 and MA AA 3

Geographic distribution of loans was not reviewed within MA AA 2 and MA AA 3, as there were no low- or moderate-income tracts within these limited scope AAs.

Responses to Complaints

MFS did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the CD test in Massachusetts is rated satisfactory. MFS's community development performance demonstrates adequate responsiveness to

community development needs in its assessment area through CD investments and services.

Number and Amount of Community Development Loans

Conclusion for full-scope MA AA 1

MFS provided no CD loans during the evaluation period in the full-scope AA. MFS is primarily a residential mortgage loan originator. MFS has recently started offering and underwriting commercial loan products during the latter part of our evaluation period. Therefore, the Bank did not originate any CD loans during our evaluation period.

Conclusion for limited-scope MA AA 2 and MA AA 3

MFS provided no CD loans during the evaluation period in the limited-scope AAs.

Number and Amount of Qualified Investments

Conclusion for full-scope MA AA 1

The Bank's level of CD investments and donations within MA AA 1 is satisfactory considering the Bank's capacity and the availability of community development opportunities. The Bank did not make any new CD investments during the evaluation period. Prior period investments and qualifying donations that benefitted MA AA 1 during the assessment period totaled \$1.3 million.

The Bank has three prior period investments, two investments in a senior housing crime prevention foundation, and one in an Access Capital Community Investment Fund. The senior housing crime prevention foundation investment benefits low- and moderate-income individuals. The first investment of \$500 thousand assisted in providing secure crime free affordable housing to 73 low- or moderate-income seniors residing in a senior housing facility located within MA AA 1. The second investment of \$250 thousand helped provide affordable housing to 10 of the 164 veterans residing in the Soldiers Home of Massachusetts. All of the veterans living at the facility are considered low- or moderate-income individuals. The Soldiers Home is located in a broader regional area that includes the Bank's AA.

The third prior period investment is a \$500 thousand initial investment made by the Bank in the Access Capital Community Investment Fund, whose mission is to invest in debt securities for community development activities servicing low- and moderate-income individuals in the United States. These activities include investments in home ownership, affordable housing, education, community health centers, and small businesses. The fund allowed the Bank to select target regions to benefit their investment. MFS allocated 70% of the funds to their MA AAs and 30% towards the RI AA. The Bank also chose to reinvest their dividends within the fund to increase their community development participation and thus increasing the outstanding balance of

the fund. The investment has an outstanding balance of \$709 thousand as of March 31, 2016, of which \$496 thousand (70%) benefitted the Bank's MA AAs.

Qualifying community development grants and donations totaled \$15 thousand and benefitted twelve different community development organizations. While the actual level of Bank donations was higher, these donations met the definition of community development.

Conclusions for limited-scope MA AA 2 and MA AA 3

Based on a limited-scope review, MFS's community development investments and grants/donations in MA AA 2 and MA AA 3 are consistent with the Bank's overall performance in the full scope areas. Qualifying grants/donations totaled \$26 thousand and benefitted two different community development organizations. One of the organizations benefitted MA AA 2 while the other benefitted MA AA 3. While one of the organizations is headquartered in MA AA 3, they have several programs targeted towards low- and moderate-income individuals within towns that are part of MA AA 1. While the actual level of Bank donations was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

Conclusion for full-scope MA AA 1

The Bank's level of community development services in MA AA 1 is satisfactory. Accessibility to the Bank's delivery systems in the MA AA 1 is good. MFS's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The Bank has three full-service branch locations within the MA AAs. The main office is located in a moderate-income geography, the Milford Plaza branch is located in a middle-income geography, and the Whitinsville branch is located in an upper-income geography. The branches are easily accessible to all residents. MFS also continues to be involved in the Basic Banking for Massachusetts Program. The Bank's checking and savings accounts meet the Massachusetts Community and Banking Council Guidelines. This voluntary program expands access to bank products and services and encourages those with modest income to establish banking relationships. The Bank is an approved financial institution to hold interest on lawyers trust account (IOLTA) funds in Massachusetts. Interest earned on these lawyer accounts together with state and federal appropriations as well as private grants and donations, enable nonprofit legal aid providers to help low-income people with civil legal matters.

During the evaluation period, two Bank officers/employees provided financial expertise and/or services to two qualified community development organizations serving MA AA 1.

CD service activities in the AA during the evaluation period include:

- A senior vice president of the Bank serves as the Vice Chair of a local Workforce Investment Board whose mission is to promote economic development by collaboratively developing and implementing strategies for job readiness and skills advancement and leveraging community resources that promote economic wellness within the region's 38 cities and towns, which includes the Bank's AA.
- A branch manager assisted a local community service organization with their Money Management Program, which is a free service that assists low-income elders who are at risk of losing their independence due to an inability to manage their own finances.

Conclusion for limited-scope MA AA 2 and MA AA 3

Based on a limited-scope review, MFS's community development services in MA AA 2 and MA AA 3 is consistent with the Bank's overall performance in the full scope areas.

Responsiveness to Community Development Needs

Considering the Bank's capacity, the need, and the availability of CD opportunities, the Bank's CD performance, through CD investments and services demonstrates adequate responsiveness to the needs of the MA AAs.

State Rating

State of Rhode Island

CRA Rating for Rhode Island: Satisfactory

The Lending test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable distribution among individuals of different income levels.
- The geographic distribution of loans reflects reasonable distribution in low- and moderate-income census tracts.
- The Bank demonstrates adequate responsiveness to community development needs within the AAs through its community development investments and services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN RHODE ISLAND

The RI AA is part of the Providence-Warwick RI-MA MSA 39300. MFS operates one full service branch with a deposit taking ATM within the RI AA. The RI AA is comprised of 30 census tracts within Providence County. The AA is comprised of four low-income tracts (13%), eight moderate-income tracts (27%), eight middle-income tracts (27%) and ten upper-income tracts (33%). The RI AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Market competition within the RI AA is high with MFS facing competition from regional large commercial banks, and local savings banks and credit unions. The Federal Deposit Insurance Corporation's Deposit Market Share Report for June 30, 2015, indicates that 18 financial institutions operate branches within the Providence-Warwick MSA. MFS ranks 14th with deposit market share of less than one percent. The Bank's local competitors include, but are not limited to The Washington Trust Company of Westerly; Bank Rhode Island, Bristol County Savings Bank; Centerville Savings Bank; and, Admirals Bank. Larger regional banks provide further competition and include Citizens Bank, National Association; Bank of America, National Association; Santander Bank, National Association; TD Bank, National Association; and Webster Bank, National Association.

Economic indicators as of January 2016, indicate that the Providence-Warwick MSA is in recovery, as the area added ten thousand net new jobs last year. The unemployment rate was 5.2 percent for the Providence-Warwick, MSA as of December 31, 2015. The unemployment rate of 5.2 percent is below the RI state average of 5.4 percent; however, it remains above the national average of 4.8 percent for the same time.

Based on Moody's economic indicators, employment levels are expected to surpass prior peak levels. Residential and commercial construction is also expected to help with economic growth in the area. Top employers in the RI AA, with more than five thousand employees, include: Lifespan, Care New England Health System, CVS Caremark, Citizens Financial Group, Inc., and Naval Station Newport.

The median housing prices in the RI AA remain high relative to the 2015 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the RI AA, particularly low-income households.

Demographic information of MFS’s RI AA is broken out in the table below.

Demographic Information for MFS RI AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	30	13	27	27	33
Population by Geography	128,309	9	23	30	38
Owner Occupied Housing by Geography	32,308	3	16	34	47
Family Distribution by Income Level	32,924	20	16	21	43
2010 Census Median Family Income (MFI)		\$70,496	Median Housing Value		\$273,174
HUD Updated MFI: 2015		\$74,400	Households Below Poverty Level		12%
			Unemployment Rate **		5.2%

Source: 2010 U.S. Census data

**Data from US Bureau of Labor Statistics as of 12/31/2015. Rate is for Providence-Warwick MSA 39300

SCOPE OF EVALUATION IN RHODE ISLAND

Performance in the RI AA was not as heavily weighted as performance in the MA AA 1. Only one of the four full service branches is located in RI and approximately 13 percent of deposits and 14 percent of loans are attributed to operations in RI. Performance in the MA AAs was most heavily weighted in arriving at overall conclusions as the majority of Bank branches, loans, and deposits are located in MA AAs.

In assessing the Bank’s performance, we reviewed a recent community contact whose mission is to develop diverse types of housing that provide safe, sanitary, and suitable living accommodations for low- and moderate-income individuals. The contact indicated that lending opportunities for local community banks were limited as the majority of the organization’s affordable housing projects are funded by Rhode Island Housing. The contact mentioned that local financial institutions could help meet the organizations mission through grants and donations. Our contact mentioned that smaller organizations could also help by lending in participation with Rhode Island Housing for

affordable housing projects that are funded with several funding sources. The contact mentioned that affordable housing remains one of the greatest needs within the community. They mentioned that rental housing costs continue to comprise the largest portion of a family's income and that there is a shortage of quality affordable housing within the community.

We also reviewed a recent community contact for a certified community development financial institution (CDFI) whose mission is to fight poverty by providing equitable financial services for low- and moderate-income individuals. The contact indicated that there is a continued need for access to asset development and financial education services for low- and moderate-income individuals. The contact also noted that second chance bank accounts for individuals who have had issues in the past, access to loan products that will allow individuals to build credit histories, and access to affordable loans for low-income households are needs in the community. According to the contact, those at the lowest end of the economic spectrum in Rhode Island continue to struggle and utilize the services of payday lenders, check cashers, and pawnbrokers to make ends meet.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RHODE ISLAND

LENDING TEST

The Bank's performance under the lending test in Rhode Island is rated satisfactory. The distribution of loans reflects reasonable distribution among individuals of different income levels. The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income census tracts. We found no conspicuous gaps in the Bank's lending patterns.

Lending to Borrowers of Different Incomes

The distribution of home loans to borrowers reflects reasonable distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2014 and 2015. The percent of home refinance loans made to low-income borrowers is near to the percent of the peer aggregate lending data, the Bank's primary comparator. The percent of home refinance loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of moderate-income families within the RI AA.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data. The percent of home purchase loans to moderate-income borrowers is significantly lower than the percent of peer aggregate lending data; however, it is near to the percent of moderate-income families within the RI AA.

The percent of home improvement loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of low-income families within the RI AA. The percent of home improvement loans to moderate-income families is significantly lower than the percent of peer aggregate lending data as well as percent of moderate-income families within the AA.

The Bank’s performance is considered satisfactory given the significant market competition within the AA as well as high median housing values. The 2014 Peer Mortgage Data for home improvement loans indicates that the Bank competes with 35 lenders within its AA and the top three lenders make up for more than 50 percent market share for home improvement loans. The Bank ranks ninth with a lending market share of approximately two percent for home improvement loans. The 2014 Peer Mortgage Data for home purchase and home refinance loans also indicates significant competition for home loans within the AA. MFS competes with 145 lenders within its AA for home purchase loans and ranks 19th with a market share of less than two percent. In terms of home refinance loans, the bank competes with 121 lenders within its AA and ranks eighth with a market share of approximately three percent.

Median housing prices within the RI AA remain high relative to median incomes and the poverty levels within the AA. Lack of affordable housing also limits lending opportunities. Based on the 2010 U.S. Census Data, the average median home price for census tracts comprising the RI AA was \$273 thousand. The 2015 HUD updated median family income is \$74,400, which means the maximum income that is considered low-income is \$37,200. Therefore, low-income borrowers may have difficulty qualifying for home loans. Additionally, a moderate-income borrower could also encounter difficulty qualifying for a home loan with an income range of at least \$37,200 but less than \$59,520.

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

Table 4 – Aggregate Lending Data for Borrower Distribution in RI AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Bank Loans	% Aggregate Data	% of Bank Loans	% Aggregate Data	% of Bank Loans	% Aggregate Data	% of Bank Loans
Home Purchase	5	8	25	13	30	21	40	58
Home Improvement	10	27	19	9	25	9	46	55
Home Refinance	7	6	20	39	26	18	47	37

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Table 4A - Borrower Distribution of Residential Real Estate Loans in RI AA								
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	20	8	16	13	21	21	43	58
Home Improvement	20	27	16	9	21	9	43	55
Home Refinance	20	6	16	39	21	18	43	37

Source: HMDA reported Data 1/1/2014 to 12/31/2015

Geographic Distribution of Loans

The Bank’s geographic distribution of home loans reflects reasonable distribution in the low- and moderate-income census tracts. The percent of home refinance loans made in low-income tracts is near to the percent of peer aggregate lending data as well as the percent of owner-occupied units within low-income tracts of the AA. The percent of home refinance loans in moderate-income geographies significantly exceeds the percent of peer aggregate lending data as well as percent owner-occupied housing within moderate-income tracts.

The percent of home purchase loans made in low-income geographies meets the percent of peer aggregate lending data as well as the percent of owner-occupied housing within low-income tracts. The percent of home purchase loans within moderate-income geographies exceeds the percent of peer aggregate data lending and meets the percent of owner-occupied housing within moderate-income tracts of the AA. The Bank did not make any home improvement loans within low-income geographies. The percent of home improvement loans within moderate-income geographies significantly exceeds the percent of peer aggregate lending data as well as the percent of owner-occupied housing within moderate-income tracts of the RI AA.

The lack of penetration within low-income geographies for home improvement loans is considered satisfactory given the limited lending opportunities for home improvement loans within the RI AA. The 2014 Peer Mortgage Market Share Data for home improvement loans made within low-income geographies of the RI AA indicates that HMDA lenders made only nine home improvement loans, with the top institution accounting for 67 percent of the overall market share.

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

Table 5 – Aggregate Lending Data for Geographic Distribution in RI AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Bank Loans	% Aggregate Lending Data	% of Bank Loans	% Aggregate Lending Data	% of Bank Loans	% Aggregate Lending Data	% of Bank Loans
Home Purchase	3	3	15	16	35	31	47	50
Home Improvement	5	0	17	37	29	36	49	27
Home Mortgage Refinance	3	2	13	24	35	31	49	43

Source: HMDA reported data from 1/1/2014 to 12/31/2015

Table 5A - Geographic Distribution of Residential Real Estate Loans in RI AA								
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	3	16	16	34	31	47	50
Home Improvement	3	0	16	37	34	36	47	27
Home Mortgage Refinance	3	2	16	24	34	31	47	43

Source: HMDA reported data from 1/1/2014 to 12/31/2015

Responses to Complaints

MFS did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank’s performance under the CD test in the state of Rhode Island is satisfactory. The Bank’s CD performance demonstrates adequate responsiveness to CD needs in its assessment area through CD investments and services.

Number and Amount of Community Development Loans

MFS provided no CD loans during the evaluation period in the full-scope AA. MFS is primarily a residential mortgage loan originator. MFS has recently started offering and underwriting commercial loan products during the latter part of our evaluation period. Therefore, the Bank did not originate any CD loans during our evaluation period.

Number and Amount of Qualified Investments

The Bank made an adequate level of CD investments and donations/grants. MFS has one prior period investment, which benefits the RI AA and has an outstanding value of \$213 thousand as of March 31, 2016. There were no new investments made within the RI AA during the evaluation period.

The prior period investment totaled \$500 thousand and was invested in the Access Capital Community Investment Fund whose mission is to invest in debt securities for community development activities servicing low- and moderate-income individuals in the United States. These activities include investments in homeownership, affordable housing, education, community health centers, and small businesses. The fund allowed the Bank to select target regions to benefit from their investment. MFS allocated 70% of the funds to their MA AAs and 30% towards the RI AA. The Bank also chose to re-invest their dividends within the fund to increase their community development participation and thus increasing the outstanding balance of the fund. As of March 31, 2016, the outstanding balance of the investment was \$709 thousand, of which \$213 thousand (30%) benefits the Bank's RI AA.

Qualifying community development grants and donations totaled \$10 thousand and benefited five different community development organizations. All five of the organizations directly benefited the RI AA. While the actual level of Bank donations made within the AA was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

The Bank's level of community development services in RI AA is satisfactory. Accessibility to the Bank's delivery systems in the RI AA is good. MFS's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The Bank has one full-service branch location with a deposit taking ATM within the RI AA. The branch is located in Woonsocket, RI and is in a moderate-income geography. The branch is easily accessible to all residents.

MFS conducted the following financial education initiatives at two local schools located in moderate-income tracts where a majority of the students come from low- or moderate-income families. Financial education (banking and credit) was one of the CD needs identified by the community contact.

- Bank employees conduct the Save for America Program at a local elementary school. The program allows children to make a deposit each week at school with the help of a bank volunteer, providing them with regular savings at an early age.
- Bank employees also conducted The Teach Children to Save Program at a local elementary school. The program was created by the American Bankers Association (ABA) and is designed to teach students the importance of money management and the key role a budgeting plan plays in lifelong finances.

Additional CD service activities in the AA during the evaluation period include:

- A branch manager serves on the board of a local community service organization whose mission is to help low-income families find donors to adopt their child's holiday wish list.
- A Bank employee serves as a financial literacy teacher at a local elementary school located in a moderate-income geography where a majority of the students come from low- or moderate-income families.

Responsiveness to Community Development Needs

Considering the Bank's capacity, the need, and the availability of CD opportunities, MFS's CD performance, through CD investments and services demonstrates adequate responsiveness to the needs of its AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 01/01/2014 to 12/31/2015 Community Development Test: 11/26/2012 to 05/02/2016	
Financial Institution	Products Reviewed	
Milford FS & LA (MFS) Milford, Massachusetts	Home Mortgage	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Massachusetts: Portions of Worcester County, part of Worcester, MA MSA 49340.	Full Scope	
State of Massachusetts: Portions of Norfolk County, part Boston-Quincy MA MD 14484	Limited Scope	
State of Massachusetts: Portions of Middlesex County, part of Cambridge-Newton- Framingham, MA MD 15764	Limited Scope	
State of Rhode Island: Portions of Providence County, part of Providence-New Bedford- Fall River, RI-MA MSA 39300.	Full Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Milford FS and LA	Satisfactory	Satisfactory	Satisfactory
Massachusetts	Satisfactory	Satisfactory	Satisfactory
Rhode Island	Satisfactory	Satisfactory	Satisfactory