



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mutual FSB of Plymouth County
Charter Number 704032

570 Washington Street
Whitman, MA 02382-0150

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 Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Satisfactory.

Summarize the major factors supporting the institution's rating.

- The bank's level of lending, as reflected in its loan-to-deposit ratio, is reasonable.
- A substantial majority of lending is within the assessment areas (AAs).
- The distribution of loans reflects an excellent distribution among borrowers of different income levels.
- The geographic distribution of loans reflects excellent distribution in low- and moderate-income census tracts.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its AAs, through community development loans, investments, and services.

Scope of Examination

Mutual Federal Savings Bank of Plymouth County (Mutual FSB) was evaluated using Intermediate Small Bank examination procedures, which include a Lending Test and a Community Development (CD) test. The Lending Test evaluates the bank's record of meeting the credit needs of the bank's assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through qualified CD loans, investments, and services.

The evaluation period for the lending test covers the bank's performance from January 1, 2010 through December 31, 2011. The evaluation period for the CD test is from November 23, 2009, the date of the prior Performance Evaluation, through January 22, 2013. CD loans, investments and services submitted by management were verified to ensure they met the regulatory definition for community development.

Mutual FSB's primary loan product, based on originations during the evaluation period, is residential mortgages. Residential loans, including home purchase, refinance, and home improvement loans, represent 73% of the bank's originations by number during the evaluation period.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation we tested the bank's HMDA data and found that the data was reliable. As a result, all residential loans originated and purchased during the evaluation period were used in evaluating the bank's lending performance.

A full-scope review was performed on AA 1 – Boston-Quincy, MA Metropolitan Division (MD) as a majority of deposits, lending activity, and physical presence is in this market. A limited-scope review was performed for AA 2 – Barnstable Town, MA Metropolitan Statistical Area (MSA).

Description of Institution

Mutual FSB, headquartered in Whitman, MA, is a federally chartered intrastate mutual institution. As of September 30, 2012, the bank had total assets of \$386 million. The bank does not have a holding company structure or any operating subsidiaries.

The bank has its main office in Whitman and eight additional branches throughout the AAs. They are located in the cities and towns of Brockton, Carver, Halifax, Hanson, Middleboro, Plymouth, and Falmouth. All branches are open Monday through Friday with extended evening hours on Thursday and Friday. Each branch also offers Saturday hours. All branches have drive-up facilities. No branches were opened or closed during the evaluation period.

Mutual FSB is a full service institution offering a standard array of traditional loan and deposit products for both personal and business customers. The bank's deposit products include personal and business checking accounts that require no monthly fee. The bank's website, www.mymutualbank.com, provides a listing and description of all its deposit and loan services. The bank offers a variety of different account access alternatives including telephone banking, online banking with bill pay options, and mobile banking. The bank operates 24-hour automated teller machines (ATMs) at all nine branches. In addition, the bank operates a standalone ATM in East Bridgewater.

Bank management has identified affordable housing and small business lending as primary credit needs in the AAs. Mutual FSB's business strategy continues to emphasize residential lending; however, the bank offers an array of commercial loan products and participates in the Small Business Administration (SBA) lending programs. The SBA 504 and 7a loan programs enable the bank to provide loans to new or existing small businesses that they might otherwise not be able to make.

As of September 30, 2012, total deposits totaled \$278 million, and Tier 1 capital was \$34 million. The loan portfolio totaled \$252 million, or 65% of total assets as of the same date. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product September 30, 2012	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	66%
Home Equity	5%
Commercial & Industrial	2%
Commercial Real Estate	13%
Construction and Development	1%
Consumer	13%

Source: FDIC Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory," using small bank procedures, at the last CRA examination dated November 23, 2009.

Description of Assessment Area(s)

The CRA requires a bank to define the assessment area (AA) in which it will be evaluated. Mutual FSB has two AAs, and they include all branches and deposit-taking ATMs, as well as, the contiguous towns/cities around these offices. The two AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

AA 1 contains all the cities and towns in Plymouth County and Norfolk County and is part of the Boston-Quincy, MA MD 14484. The AA is comprised of 212 census tracts. There are three low-income tracts (1%), 18 moderate-income tracts (8%), 105 middle-income tracts (50%), and 85 upper-income tracts (40%). There is one tract in the AA in which the geography has not been assigned an income classification. The 2000 U.S. Census Data indicates 31% of the families in the AA are considered low- or moderate-income. Approximately 6% of the households are below the poverty level.

AA 2 contains all the cities and towns in Barnstable County which comprises the Barnstable Town, MA MSA 12700. The AA is comprised of 50 census tracts. There are two low-income tracts (4%), five moderate-income tracts (10%), 35 middle-income tracts (70%), and eight upper-income tracts (16%). Based on 2000 U.S. Census Data, 37% of the families in the AA are considered low- or moderate-income. Approximately 7% of the households are below the poverty level.

Our analysis of AA 1 – Boston-Quincy, MA MD is more heavily weighted when arriving at the overall conclusions given the majority of deposits and loans, branches, and long-term presence in this market. Eight of nine branches are located in AA 1, with 91% of the bank's total deposits and 89% of loan originations in this AA.

Demographic Information for Mutual FSB AA 1 – Boston-Quincy, MA MD					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)***	212	1%	8%	50%	40%
Population by Geography	1,123,130	1%	8%	50%	40%
Owner Occupied Housing by Geography	300,652	<1%	6%	50%	44%
Family Distribution by Income Level	289,946	15%	16%	22%	47%
2000 Census Median Family Income (MFI)		\$62,948	2012 Median Housing Value*		\$359,450
			Median Age of Housing		53 Years
HUD Updated MFI: 2011		\$87,600	Families Below the Poverty Level		6%
			Unemployment Rate **		5.6%

Source: 2000 U.S. Census data

*Data from Zillow.com as of 12/31/2012

**Data from US Bureau of Labor Statistics as of 11/30/12. Rate is average of Plymouth & Norfolk County.

***There is one census tract (1%) that has not been assigned an income classification and is NA.

Mutual FSB operates in a highly competitive market with competition from local commercial banks and savings institutions. The Federal Deposit Insurance Corporation's Institutions Deposit Market Share Report, as of June 30, 2012, indicates 146 institutions operate branches within AA 1 – Boston-Quincy, MA MD. Mutual FSB ranks 61st with deposit market share of less than 1%. Competitors include: Eastern Bank, Middlesex Savings Bank, and Rockland Trust Company. Large nationwide banks that provide further competition and are deposit share leaders include: Bank of America, National Association; RBS Citizens, National Association; Sovereign Bank, National Association; and, TD Bank, National Association.

Several nationwide entities provide additional competition for mortgage loans including: Wells Fargo Bank, NA; GMAC Mortgage LLC; Ally Bank; and, Mortgage Master, Inc. The 2011 Peer Mortgage Institution Market Share Report indicates that there are 492 lenders within AA 1 – Boston-Quincy, MA MD. The top ten lenders dominated the market with overall market share of approximately 47%. Mutual FSB ranks 70th with market share of less than 1%.

Economic indicators from Moody's Analytics indicate that while the Boston-Quincy recovery has slowed since the first part of 2012, it is still keeping pace with the nation's recovery. The labor market in the Boston-Quincy area remains in good shape as the unemployment rate continues to trend below national averages. Data from the U.S. Bureau of Labor Statistics indicates that the unemployment rate for the state of Massachusetts was 6.6%, as of November 30, 2012, compared to the national rate of 7.6%. The average unemployment rate of Plymouth and Norfolk counties of 5.6%, as of November 30, 2012, was favorable to both the state and national levels.

Moody's Analytics indicates that labor stability in the area is from the healthcare and education industries which drive the local economy in AA 1. Continued growth in these sectors is expected to contribute to expansion in the Boston-Quincy, MA MD. Major employers within AA 1 as indicated by the Labor and Workforce Development

information on www.mass.gov include: Brockton Hospital, Good Samaritan Medical Center, Bridgewater State College, Harvard Pilgrim Healthcare, and Stonehill College.

Economic indicators state that the availability of affordable housing in Massachusetts is low. In addition, living costs in the Boston-Quincy, MA MD are high with median housing prices in AA 1 high compared to the state as a whole. Based on data from Zillow.com, as of December 31, 2012, the average median cost of housing for the town/cities that comprise AA 1 is \$359 thousand. This is well above the median housing cost for the state of Massachusetts of \$288 thousand. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in AA 1.

We contacted a local organization, in AA 1, whose purpose is to provide basic necessities, including food and clothing, to those who cannot meet this basic need. Poverty continues to affect residents of the city the organization serves. The contact indicated that a large majority of individuals that the organization serves are on public assistance. The contact identified basic human needs, affordable housing, fuel assistance, and job training for low- and moderate-income (LMI) individuals as needs in the community. As the organization is funded primarily through donations from individuals and companies, the contact stated that there are opportunities for bank involvement through direct donations or sponsorships. The contact indicated that local financial institutions, including Mutual FSB, have been very supportive in providing donations and services to assist the organization in their mission. Another organization, a non-profit community health center serving LMI, indicated that substance abuse, domestic violence, and basic healthcare for the homeless are important issues affecting the area. The contact stated that local financial institutions provided grants in 2007 to assist in the construction of the new health center facility. Since that time, the contact indicated that local financial institutions have remained supportive through continued donations and services.

Conclusions with Respect to Performance Tests

Mutual FSB 's performance under the lending test is Outstanding. Mutual FSB's loan-to-deposit ratio is reasonable and a substantial majority of the bank's primary loan products are within its AAs. Mutual FSB has excellent distribution of loans to borrowers of different income levels. The bank's geographic distribution of loans reflects excellent distribution in low- and moderate-income census tracts.

LENDING TEST

Loan-to-Deposit Ratio

Mutual FSB's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and AA credit needs. The net loan-to-deposit ratio averaged 86% over the last 12 quarters since the previous CRA examination dated November 23, 2009. During the period since the last examination, the loan-to-deposit ratio ranged from a quarterly

low of 83% to a high of 90%. The bank's loan-to-deposit ratio is in line with national peer bank's average of 86% over the same time period. The peer ratio ranged from a low of 81% to a quarterly high of 94% during the time period.

Lending in Assessment Area

A substantial majority of Mutual Bank's primary loan product was made within the bank's assessment areas and meets the standard for outstanding performance. Mutual FSB originated 87% by number and 79% by dollar amount of loans in the AAs.

The following table details the bank's lending within the AAs by number and dollar amount of loans.

Table 1 - Lending in Mutual FSB's AAs (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	46	75%	15	25%	61	10,794	72%	4,296	28%	15,090
Home Refinance	231	88%	32	12%	263	37,260	79%	9,728	21%	46,988
Home Improvement	50	94%	3	6%	53	6,353	90%	725	10%	7,078
Totals	327	87%	50	13%	377	54,407	79%	14,749	21%	69,156

Source: HMDA reported data from 1/1/2010 to 12/31/2011

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Conclusion for full-scope AA 1

The bank's distribution of home loans reflects excellent distribution among borrowers of different income levels. The percent of home purchase and home improvement loans to low-income families exceeds or is equal to the percent of low-income families in the AA. The percent of home refinance loans to low-income families is near to the percent of low-income families in the AA. The percent of home purchase, home improvement, and home refinance loans to low-income borrowers significantly exceeds peer aggregate lending data, the primary comparator.

The percent of home purchase, home improvement, and home refinance loans to moderate-income borrowers significantly exceeds both the percent of moderate-income families in the AA and the percent of peer aggregate lending levels.

The bank's outstanding performance is notable given lending opportunities are limited due to the lack of affordable housing in the AA and the high level of competition. Despite the effects of the national recession on the state housing market, the median housing prices remain high relative to median incomes. As of December 2012, the average median home price in the AA was \$359 thousand. The HUD updated median family income was \$88 thousand, which means the maximum income a low-income borrower earns is \$44 thousand. Furthermore, moderate-income borrowers earn

between \$44 thousand and \$70 thousand, making it difficult for LMI borrowers to qualify for home loans.

Market competition for home mortgage loans in the AA is strong. The 2011 peer mortgage data indicated that the top five lenders, all large nationwide financial institutions, dominated the market with 30% of the market share for all mortgage loans. Mutual FSB ranked 70th out of 492 lenders with a market share of less than 1%. The bank's lending performance is outstanding, especially given this high level of competition.

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 AA 1.

Table 2 - Borrower Distribution of Residential Real Estate Loans in 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	15	20	16	25	22	15	47	40
Home Improvement	15	15	16	35	22	23	47	27
Home Refinance	15	12	16	30	22	28	47	30

Source: HMDA reported data from 1/1/2010 to 12/31/2011

Table 2A – Aggregate Lending Data for Borrower Distribution in AA 1								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	8	20	23	25	26	15	43	40
Home Improvement	6	15	17	35	26	23	51	27
Home Refinance	4	12	14	30	24	28	58	30

Source: HMDA reported data from 1/1/2010 to 12/31/2011

Conclusion for limited scope AA 2

Based on a limited-scope review, Mutual FSB's performance under the lending test to borrowers of different income levels in AA 2 for home purchases, refinances, and home

improvement loans is consistent with the bank's overall lending test rating in the full-scope area.

Geographic Distribution of Loans

Conclusion for full-scope AA 1

The geographic distribution of loans reflects excellent distribution in the low- and moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns. The percent of home purchase loans made in low-income geographies significantly exceeds both the percent of peer aggregate lending in low-income geographies and the percent of owner occupied housing units in low-income tracts. No home refinance or home improvement loans were made in the low-income geographies. However, the bank's opportunity to make home refinance and home improvement loans in low-income tracts is limited given the very low percent of owner occupied housing units in low-income tracts in the AA. The percent of peer aggregate refinance and home improvement lending in low-income geographies was also low at less than 1%.

The percent of home purchase loans made in moderate-income geographies exceeds both the percent of aggregate peer lending and the percent of owner occupied housing units in moderate-income geographies. The percent of home refinance loans exceeds the percent of peer aggregate refinance lending in moderate-income tracts and is equal to the percent of owner occupied housing units in moderate-income tracts in the AA. No home improvement loans were made in moderate-income geographies. However, the competition for home improvement loans in moderate-income geographies is significant with the top five lenders, all large regional or nationwide lenders, dominating with a market share of 35%.

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 aggregate lending data for HMDA reporters within AA 1.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA 1								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% 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	7	6	10	50	58	44	25
Home Improvement	<1	0	6	0	50	90	44	10
Home Mortgage Refinance	<1	0	6	6	50	83	44	10

Source: HMDA reported data from 1/1/2010 to 12/31/2011

Table 3A – Aggregate Lending Data for Geographic Distribution in AA 1								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	<1	7	6	10	47	58	46	25
Home Improvement	<1	0	3	0	39	90	57	10
Home Mortgage Refinance	<1	0	3	6	39	83	58	10

Source: HMDA reported data from 1/1/2010 to 12/31/2011

Conclusion for limited-scope review AA 2

Based on a limited-scope review, Mutual FSB's performance under the lending test to geographies of different income levels in AA 2 for home purchases, refinances, and home improvement loans is consistent with the bank's overall lending test rating in the full-scope area.

Responses to Complaints

Mutual FSB did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test is rated Satisfactory. Mutual FSB's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, investments, and services.

Number and Amount of Community Development Loans

Conclusion for full-scope AA 1

Mutual FSB made a relatively high level of community development loans. During the evaluation period, Mutual FSB originated or refinanced six community development loans totaling \$900 thousand. The CD loans made were used to finance affordable housing initiatives for LMI individuals, an identified community development need. A summary of CD loans follows:

- A \$160 thousand commercial real estate mortgage to purchase and renovate a three-unit property located in a low-income geography. The subject property

provides rental housing for low- and moderate-income individuals, with tenants receiving rental assistance from a local housing development corporation.

- Two loans totaling \$282 thousand to refinance the commercial mortgages of two rental investment properties that provide housing to LMI individuals. Tenants of both properties receive Section 8 rental assistance which is a federal program that helps low-income Massachusetts residents pay for their housing.
- Two loans totaling \$366 thousand to refinance the commercial mortgages of two rental investment properties that provide housing to low- and moderate-income individuals. The tenants of the two subject properties receive Section 8 rental assistance from two local housing authorities whose mission is to provide affordable housing for LMI.
- A \$92 thousand loan to finance the purchase and renovation of investment property located in a moderate-income geography. The subject property, owned by an LLC, provides affordable housing to LMI individuals, with the tenant receiving Section 8 rental assistance.

None of the above loans are included in any other analyses under the Lending Test.

Conclusion for limited-scope AA 2

Mutual FSB did not provide any CD loans in AA 2 during the evaluation period. Mutual FSB's lending and deposit activity and physical presence in AA 2 is minimal. The bank only has one branch located in this AA and no commercial lenders are located there.

Number and Amount of Qualified Investments

Conclusion for full-scope AA 1

Mutual FSB made an adequate level of qualified investments in AA 1 during the evaluation period given the bank's capacity, AA needs, and availability of community development opportunities. As this is the first examination in which Mutual FSB is being considered under Intermediate Small Bank procedures, there were no outstanding prior period investments.

No investments were made during the evaluation period. Mutual FSB made 38 qualifying donations totaling \$40 thousand to 13 different organizations that provide community services to low- and moderate-income individuals in the AA. While the actual level of bank donations made was higher, these were donations that met the definition of community development.

Included in the bank's total qualifying donations are several large donations to local organizations that provide basic human services to LMI, an identified need. Highlights of these donations include:

- Donations of \$6.5 thousand to a non-profit organization that provides basic human necessities, including food and clothing, to primarily low- and moderate-income individuals in the AA.
- Donations totaling \$6 and \$7 thousand to two food pantries serving predominately LMI individuals located in the AA.

Conclusion for limited-scope AA 2

No investments were made in AA 2. The bank made eight qualifying donations totaling \$3 thousand to three community organizations in the AA that provide affordable housing and/or community services for low- and moderate-income individuals.

Extent to Which the Bank Provides Community Development Services

Conclusion for full-scope AA 1

Accessibility to the bank's delivery systems in AA 1 is good. Mutual FSB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has eight full-service branches in this AA. Of the eight locations, one branch or 11% is located in a moderate-income geography, exceeding 8% of the population in the AA living in moderate-income tracts. The remaining seven branches in the AA are located in middle-income geographies. The branches are easily accessible to all residents. No branches were opened or closed during the evaluation period.

The bank provides a satisfactory level of community development services. During the evaluation period, three bank officers/employees provided financial expertise and/or services to five qualified community development organizations serving the AA. In addition, the bank is member of the Massachusetts Banker's Association and Mass Banker's Charitable Trust. The trust distributes funds to non-profits in Massachusetts. During the evaluation period, three non-profit organizations that serve LMI in the bank's AA each received a \$5 thousand grant after being nominated by Mutual FSB to receive these funds.

Highlights of CD service activities in AA 1 during the evaluation period include:

- A senior bank officer provides financial and technical expertise to two organizations. The first organization is a non-profit that provides youth programs and tutoring to homeless children. The bank officer assists the organization with budgeting and funding as a member of the Board and Finance and Development committee. The bank officer also serves as a Board member and member of the Investment Committee of a non-profit charitable trust that provides grants to community organizations working to improve the health and well-being of the underprivileged and homeless. As a member for the charitable trust, the bank

officer lead the initiative for a \$1 million grant for the benefit of a community health center that serves primarily LMI individuals in the AA.

- A bank employee serves as a member of the executive Board and Finance Committee for a non-profit organization that provides youth programs and community services to low- and moderate-income families. The employee also serves as a fundraising co-chair for an association focused on revitalizing a low-income geography in order to attract new business and retain existing small businesses in the area.
- One employee participated as a lender in an access to credit workshop for disadvantaged business enterprises. Businesses from the AA were able to speak with bank representatives to discuss financing opportunities.

Conclusion for limited-scope AA 2

Mutual FSB has one branch in AA 2 and it is located in a middle-income tract. The branch is reasonably accessible to all residents of the AA. No community development services by bank officers/employees were provided in AA 2 during the evaluation period given the bank's limited presence in this market.

Responsiveness to Community Development Needs

Considering the bank's capacity, the need, and the availability of CD opportunities, Mutual FSB's CD performance, through CD loans, investments and services demonstrates adequate responsiveness. The bank was responsive to identified community development needs including affordable housing and community services targeted to LMI.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.