

PUBLIC DISCLOSURE

April 11, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Beacon Federal
6611 Manlius Center Road
East Syracuse, NY 13057
Docket #: 15220**

**Office of Thrift Supervision
Northeast Region
Harborside Financial Center Plaza Five, Suite 1600
Jersey City, NJ 07311**

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.



Office of Thrift Supervision
Department of the Treasury

Northeast Region

Jersey City Regional Office • Phone Number: (201) 413-1000 • Fax: (201) 413-7543
Harborside Financial Center Plaza Five, Suite 1600 Jersey City, NJ 07311

July 7, 2011

Board of Directors
Beacon Federal
6611 Manlius Center Road
East Syracuse, NY 13057

Member of the Board:

Enclosed is your institution's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 11, 2011.

In accordance with 12 C.F.R. 563e, your institution must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to make this evaluation available to the public. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Patricia A. Cecconi
Assistant Director - Compliance

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Beacon Federal. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 11, 2011. OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

Institution

Overall Rating

INSTITUTION'S CRA RATING: **Satisfactory**
The Lending Test is rated: **Satisfactory**
The Community Development Test is rated: **Satisfactory**

Beacon Federal (“Beacon” or the “institution”) has an overall satisfactory record of meeting the credit needs of its community. The loan-to-deposit ratio was strong, and a majority of lending is in the assessment area. During the review period, lending volume increased for Home Mortgage Disclosure Act (HMDA) reportable residential mortgage loans and consumer loans but decreased for small business loans.

The percentage distribution of HMDA loans to low- and moderate-income (LMI) borrowers was satisfactory and strong for consumer loans. The percentage distribution of HMDA and consumer loans in LMI geographies was adequate. The percentage distribution of lending to small businesses of various sizes by loan amount and to business with revenues of less than \$1 million was reasonable, as was the percentage distribution of lending in LMI geographies. With all but two of the institution’s branch offices located in middle- and upper-income, the geographic distribution of loans reflects an adequate dispersion throughout the combined assessment area.

Beacon helped to contribute to community credit needs by its reasonable performance in providing community development loans, qualified investments and contributions, as well as community development services.

Scope of Examination

This evaluation utilized the OTS Intermediate Small Savings Association Examination Procedures. We reviewed the 36-month period from January 1, 2008 through December 31, 2010. The evaluation included a review of HMDA-reportable residential mortgage loans. Management requested a review of consumer and small business loans. In addition, community development loans, qualified investments and community development services were included as part of the evaluation. The Syracuse Metropolitan Statistical Area (MSA) represented the greatest volume of lending and deposits, and received the greatest weight in determining the overall rating.

Institution (continued)

Description of Institution

Beacon is a federally chartered stock-owned institution headquartered in East Syracuse, Onondaga County, New York with assets totaling \$1.03 billion as of December 31, 2010. This new branch office and headquarters, located in a moderate-income geography, opened during the review period. The institution operates eight branch offices with deposit-taking ATMs in four states; New York, Massachusetts, Tennessee and Texas. The hours of operation are substantially similar in each location. The institution also operates ATMs outside of the branch locations within the assessment areas of New York and Tennessee. One branch in Chelmsford, Massachusetts relocated a short distance to Westford, Massachusetts in July, 2010. Both the prior and current locations are in middle-income geographies.

As of December 31, 2010, the total loan portfolio equaled \$807.7 million. Table 1 indicates the dollar amount, percentage to total loans, and percentage to total assets of each loan category.

Loan Category	Amount (\$000's)	Percent of Total Loans	Percent of Total Assets
Residential Mortgage	\$311,663	38.5%	30.1%
Nonresidential Mortgage	158,063	19.6%	15.3%
Commercial Nonmortgage	85,259	10.6%	8.3%
Consumer	252,757	31.3%	24.5%
Total	\$807,742	100.0%	78.2%

The total loan portfolio increased 12.7 percent from the previous evaluation. For residential mortgages, this represented a decrease of 9.2 percent; for nonresidential mortgages, an increase of 85.1 percent; for commercial non-mortgages, an increase of 21.4 percent; and for consumer loans, an increase of 16 percent. These changes reflected management consideration of market conditions, a weakened economy, and increased competition for loans in the assessment areas.

Beacon has the financial capacity to meet the credit needs of the community based on its size, and apparent absence of financial or legal impediments. The previous CRA Performance Evaluation dated February 12, 2008 resulted in a rating of "Satisfactory."

Institution (continued)

Description of Combined Assessment Area

Based on the location of its branches, as well as the surrounding geographies in which the institution has originated or purchased a substantial portion of its loans, Beacon delineates six assessment areas (AAs). These AAs are comprised of Combined Statistical Areas (CSA), Metropolitan Statistical Areas or Non-MSA counties. Collectively, the six AAs are referred to as the Combined AA. Table 2 illustrates demographic data on population, families, and housing units within the Combined AA.

Demographic Data	2000 Census
Population	2,895,554
Total Families	736,069
1-4 Family Units	928,369
Multi-family Units	199,001
% Owner-Occupied Units	61%
% Rental-Occupied Units	33%
% Vacant Housing Units	6%
Weighted Average Median Housing	\$169,959

Table 3 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	49	7.4%	24,960	3.4%	32,733	3.5%
Moderate	136	20.5%	127,992	17.4%	171,692	18.5%
Middle	328	49.4%	404,990	55.0%	503,671	54.3%
Upper	150	22.6%	178,127	24.2%	220,271	23.7%
Income NA	1	0.1%	0	0.0%	2	0.0%
Total	664	100.0%	736,069	100.0%	928,369	100.0%

According to 2000 census data, 37.7 percent of the families in the Combined AA are low- to moderate-income, with 6.8 percent of the families reporting income below the poverty level. Table 4 shows the distribution of families in each income range of the Combined AA.

Institution (continued)

Table 4 - Distribution of Families Combined Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	143,613	19.5%
Moderate (50% - 79%)	134,125	18.2%
Middle (80% - 119%)	166,013	22.6%
Upper (>= 120%)	292,318	39.7%
Total	736,069	100.0%

A more detailed description of the individual assessment areas, and the performance levels within those areas, is included after the overall performance analysis.

Conclusions With Respect To Performance Tests in Combined AA

Loan-to-Deposit Ratio

The loan-to-deposit ratio reflected a high volume of lending and exceeded the standard for a satisfactory performance.

Beacon’s loan-to-deposit (LTD) ratio for the eight quarters ended December 31, 2010, was 116.9 percent. The ratio ranged from 114.3 percent to 120.3 percent during the eight-quarter period. The ratio slightly exceeded the 116.2 percent noted in the previous evaluation. Beacon exceeded the peer group ratio of 92.2 percent at December 31, 2010 for the two other OTS regulated institutions headquartered in the Syracuse, NY MSA.

During the review period, the loan portfolio increased 12.7 percent from \$716 million to \$808 million while deposits increased 25.8 percent from \$546 million to \$687 million.

Lending in the Combined Assessment Area

The overall volume of lending increased from the prior evaluation, particularly for consumer loans. The percentage distribution of lending within the assessment area was strong and similar to that of the prior evaluation. This level of lending met the standard for satisfactory performance.

Table 5 illustrates the total number and dollar amount of HMDA-reportable loans (home purchase, refinance and home improvement loans), consumer loans, and small business loans collectively originated in and outside the Combined AA during the 36-month review period ended December 31, 2010.

Institution (continued)

Table 5- Concentration of HMDA, Consumer, and Small Business Loans *					
1/1/2008-12/31/2010					
(Dollars in thousands)					
Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total Loans
By Number:	#	%	#	%	#
2008	4,934	80.2%	1,221	19.8%	6,155
2009	5,966	79.4%	1,547	20.6%	7,513
2010	4,791	80.9%	1,129	19.1%	5,920
Total	15,691	80.1%	3,897	19.9%	19,588
By \$ Amount:	\$ Amt	%	\$ Amt	%	\$ Amt
2008	\$158,523	65.5%	\$83,380	34.5%	\$241,903
2009	184,577	66.0%	94,979	34.0%	279,556
2010	140,244	70.5%	58,633	29.5%	198,877
Total	\$483,344	67.1%	\$236,992	32.9%	\$720,336

* Percents are based on total loans originated during applicable year

Table 5 shows that the majority of lending for all loan products originated inside the Combined Assessment Area, 80.1 percent by number, and 67.1 percent by dollar amount. This level of lending represented a 20.8 percent increase by number and a 0.1 percent increase by dollar amount on an annualized basis in comparison to the prior evaluation.

Table 6 illustrates the total number and dollar amount of HMDA-reportable loans originated in and outside the Combined AA during the review period. For comparison purposes, the table reflects lending activity by each appropriate year during the review period.

Table 6- Concentration of HMDA-reportable Loans *					
1/1/2008-12/31/2010					
(Dollars in thousands)					
Period By Year	In Combined Assessment Area		Outside Combined Assessment Area		Total HMDA Loans
By Number:	#	%	#	%	#
2008	649	70.4%	273	29.6%	922
2009	833	68.8%	378	31.2%	1,211
2010	709	76.9%	213	23.1%	922
Total	2,191	71.7%	864	28.3%	3,055
By \$ Amount:	\$ Amt	%	\$ Amt	%	\$ Amt
2008	\$59,805	54.7%	\$49,593	45.3%	\$109,398
2009	80,478	57.4%	59,755	42.6%	140,233
2010	57,639	60.5%	37,592	39.5%	95,231
Total	\$197,922	57.4%	\$146,940	42.6%	\$344,862

* Percents are based on total loans originated during applicable year

The institution originated 2.8 percent of total consumer loans in LMI geographies in the Non-MSA, TN AA during the review period, consistent with the 2.4 percent LMI distribution of the previous evaluation. Beacon improved this volume each year and ended with a 3.2 percent distribution for 2010 within LMI geographies.

Small Business Loans:

During the review period, sixteen small business loans totaling \$2.4 million, originated in this assessment area. This limited volume does not significantly impact the institution's performance in this factor.

Community Development

Community Development Test

Beacon's performance under community development activities within the TN Non-MSA Assessment Area is adequate, and met the standard for a satisfactory performance.

Community Development Lending

Beacon made an adequate effort to meet community credit needs by providing funding to a Madison, TN church focused on offering services to LMI families.

Community Development Investments

The community development activities reflected a reasonable level of responsiveness to community and economic development needs in the TN Non-MSA AA. Beacon made a qualified community development investment of \$1.0 million to Senior Crimestoppers, a program operated by the Senior Housing Crime Prevention Foundation which provides crime preventive services and systems for elderly residents of long term care and senior housing communities. Beacon also provided a total of three qualified community development contributions for a total of \$3.6 thousand, including: Meals on Wheels; Families in Crisis, providing shelter for domestic violence victims in Grundy County; and, Habitat for Humanity of Warren County.

Community Development Services

The institution's performance in providing community development services was adequate, with employees volunteering to provide food services to the elderly through the Meals on Wheels program. Members of management and staff are involved in making periodic visits to local businesses and organizations to provide financial counseling for the entities employees.

State

Summary

CRA Rating for Massachusetts

CRA RATING^d:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Satisfactory

Less than two percent of the number and almost eight percent of the dollar amount of loans originated in the Massachusetts assessment area. The lending volume increased substantially for HMDA loans, and decreased for consumer and small business lending. The percentage distribution of lending to LMI borrowers exceeded that of the 2009 aggregate reporters, and for consumer loans, exceeded the percentage of LMI families in the assessment area. The geographic distribution for HMDA loans was strong, and reasonable for consumer loans. The level of lending for small business loans was low and not a factor in the analysis.

Beacon did not make any community development loans in this AA. Performance in community development services and qualified community development investments was adequate.

Scope of Examination

OTS evaluated the institution's performance in the this assessment areas using the full scope examination procedures.

^d For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution’s Operations in Cambridge-Newton-Framingham, MA MSA

Beacon has one full service branch office with one deposit taking ATM. The office is located in an upper-income geography in Chelmsford, Massachusetts. The Massachusetts assessment area has approximately 1.2 percent by number and 7.6 percent by dollar amount of the institution’s lending and 9.1 percent of its deposits.

As of June, 2010, there were 55 FDIC insured financial institutions in Middlesex County with 510 branch offices with total deposits of \$39.2 billion. This Beacon branch office has \$64.2 million in deposits.

Description of Cambridge-Newton-Framingham, MA MSA Assessment Area

This AA consists of Middlesex County, MA. The AA, which comprises the entire Cambridge-Newton-Framingham, MA MSA #15764 (Cambridge MSA), contains 297 geographies. Table 57 illustrates demographic data on population, families, and housing units within the Cambridge MSA AA.

Table 57 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	1,465,396
Total Families	363,933
1-4 Family Units	450,918
Multi-family Units	123,247
% Owner-Occupied Units	60%
% Rental-Occupied Units	37%
% Vacant Housing Units	3%
Weighted Average Median Housing	\$263,274

Table 58 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 58 - Distribution of Geographies, Families and Housing Units Cambridge-Newton-Framingham, MA MSA Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	15	5.1%	9,646	2.7%	8,413	1.9%
Moderate	67	22.6%	74,710	20.5%	96,600	21.4%
Middle	143	48.1%	182,895	50.2%	229,027	50.8%
Upper	72	24.2%	96,682	26.6%	116,878	25.9%
Total	297	100.0%	363,933	100.0%	450,918	100.0%

According to 2000 census data, 37.6 percent of the families in the AA are low- to moderate-income, with 4.3 percent of the families reporting income below the poverty level. The Table 59(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 59(b) reflects the updated HUD median family income for each year during the review period; and table 59(c) shows the distribution of families in each income range of the Cambridge MSA AA.

Table 59(a) - Median Family Income Ranges (*)		
Income Category (As % of MSA Median)	Income Ranges	
	From	To
Low (< 50%)	\$1	\$49,349
Moderate (50% - 79%)	\$49,350	\$78,959
Middle (80% - 119%)	\$78,960	\$118,439
Upper (>= 120%)	\$118,440	+

Table 59(b) - Annual HUD Median Family Income	
Year	Amount
2008	\$93,000
2009	\$97,100
2010	\$98,700

* Based on HUD 2010 Median Family Income of the MSA

Table 59(c)- Distribution of Families Cambridge, MA MSA Assessment Area		
Family Income Category (As a % of MSA Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	70,300	19.3%
Moderate (50% - 79%)	66,440	18.3%
Middle (80% - 119%)	82,757	22.7%
Upper (>= 120%)	144,436	39.7%
Total	363,933	100.0%

Conclusions with Respect to Performance Tests in Cambridge-Newton-Framingham, MA MSA Assessment Area

Lending in the Cambridge-Newton-Framingham, MA MSA Assessment Area

Table 60 illustrates the institution’s lending activity in the Cambridge MSA AA during the review period.

Table 60 - Loan Originations within the Cambridge, MA MSA Assessment Area 1/1/2008 – 12/31/2010 (Dollars in thousands)						
Loan Type	Combined AA	Cambridge MSA AA		Combined AA	Cambridge MSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	2,191	132	6.0%	\$197,922	\$32,002	16.2%
Consumer	13,188	39	0.3%	213,374	1,462	0.7%
Small Business	312	13	4.2%	72,048	3,290	4.6%
Total	15,691	184	1.2%	\$483,344	\$36,754	7.6%

The Cambridge, MA AA ranked fifth by number of HMDA, consumer and small business loans amongst the AAs with 1.2 percent, and second by dollar amount at 7.6 percent for all assessment area lending. This was due to the increased volume of HMDA reportable mortgage lending, particularly by dollar amount. Lending increased on an annualized basis, 207 percent by number and 127.4 percent by dollar amount for HMDA reportable loans. However, consumer lending decreased 52.4 percent by number and 59.3 percent by dollar amount. Small business lending decreased 77 percent by number and 78 percent by dollar amount. In total, this represents a 1.1 percent increase by number, and a 11.6 percent increase by dollar amount, for this AA in the review period. Competition for loans was strong, as there were 497 lenders reporting HMDA loan originations during 2009 in this assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the review includes an analysis of Beacon’s distribution of loans among borrowers of different income levels within the Cambridge AA. Table 61 illustrates loan originations, categorized by borrower income level, reported by Beacon during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 61 - Distribution of Beacon Federal's HMDA-Reportable Loans By Borrower Income Level in the Cambridge, MA MSA Assessment Area (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	2	6.1%	2	2.9%	0	0.0%	4	3.0%	6.8%	6.6%
Moderate	4	12.1%	20	28.6%	7	24.1%	31	23.5%	19.5%	18.4%
Middle	11	33.3%	13	18.6%	10	34.5%	34	25.8%	27.8%	27.8%
Upper	11	33.3%	34	48.6%	10	34.5%	55	41.7%	42.8%	43.7%
Income NA	5	15.2%	1	1.3%	2	6.9%	8	6.0%	3.1%	3.5%
Total	33	100.0%	70	100.0%	29	100.0%	132	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$308	2.4%	\$238	1.7%	\$0	0.0%	\$546	1.7%	3.0%	3.4%
Moderate	622	4.8%	2,639	19.3%	748	13.9%	4,009	12.5%	13.3%	13.6%
Middle	2,328	17.9%	2,574	18.8%	2,025	37.8%	6,927	21.6%	24.4%	25.6%
Upper	4,073	31.4%	7,799	57.2%	2,027	37.8%	13,899	43.5%	53.5%	52.4%
Income NA	5,644	43.5%	412	3.0%	565	10.5%	6,621	20.7%	5.8%	5.0%
Total	\$12,975	100.0%	\$13,662	100.0%	\$5,365	100.0%	\$32,002	100.0%	100.0%	100.0%

By number, the institution originated 26.5 percent of HMDA reportable mortgage loans to LMI borrowers, which exceeded the 18.6 percent noted in the previous evaluation. In addition, the institution originated 14.2 percent by dollar amount for the review period, and exceeded the 7.4 percent noted in the previous evaluation.

The HMDA aggregate reporters originated 26.3 percent and 25 percent of total HMDA lending to LMI borrowers in 2008 and 2009, respectively, by number of loans, and 16.3 percent and 17 percent by dollar volume to LMI borrowers in 2008 and 2009, respectively. The institution did not perform as well as aggregate lenders in 2008 but, exceeded the performance of aggregate lenders in 2009.

In 2009, Beacon ranked 102nd out of the 327 HMDA lenders that granted loans to LMI borrowers in the assessment area, with a 0.2 percent market share.

Table 62 reflects Beacon's borrower distribution of consumer loans within the Cambridge MSA AA.

Table 62 - Distribution of Beacon Federal's Consumer Loans By Borrower Income Level in the Cambridge, MA MSA Assessment Area (Dollars in thousands)								
Borrower Inc. Level	2008		2009		2010		Review Period	
	#	%	#	%	#	%	#	%
Low	2	16.7%	3	17.6%	0	0.0%	5	12.8%
Moderate	3	25.0%	4	23.5%	3	30.0%	10	25.6%
Middle	1	8.3%	3	17.6%	3	30.0%	7	17.9%
Upper	6	50.0%	7	41.3%	4	40.0%	17	43.7%
Total	12	100.0%	17	100.0%	10	100.0%	39	100.0%
	\$	%	\$	%	\$	%	\$	%
Low	\$12	2.5%	\$29	3.5%	\$0	0.0%	\$41	2.8%
Moderate	62	13.0%	48	5.8%	25	16.3%	135	9.2%
Middle	200	42.1%	45	5.4%	45	29.4%	290	19.8%
Upper	202	42.4%	711	85.3%	83	54.3%	996	68.2%
Total	\$476	100.0%	\$833	100.0%	\$153	100.0%	\$1,462	100.0%

The institution originated 38.4 percent of total consumer loans to LMI borrowers in this assessment area during the review period, which exceeded that of the 37.8 percent LMI distribution of the prior evaluation. The assessment area has 33.3 percent of the population identified as either LMI families or below the poverty level. Although the volume of consumer loans was low, penetration of LMI borrowers exceeded the demographic characteristics of the AA.

Small Business Loans:

During the review period, only 13 small business loans totaling \$3.3 million, originated in this assessment area. This limited volume does not significantly impact the institution's performance in this factor.

Geographic Distribution of Loans

Part of the review includes an analysis of Beacon's distribution of loans among geographic areas of different income levels within the Cambridge MSA AA. Table 63 illustrates loan originations, categorized by geography income level, reported by Beacon during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders' ratios.

Table 63 - Distribution of Beacon Federal's HMDA-Reportable Loans By Geography Income Level in the Cambridge, MA MSA Assessment Area (Dollars in thousands)										
Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	% by #	% by #
By Number:										
Low	1	3.0%	0	0.0%	2	6.9%	3	2.3%	1.4%	0.8%
Moderate	6	18.2%	13	18.6%	4	13.8%	23	17.4%	16.6%	12.3%
Middle	17	51.5%	35	50.0%	14	48.3%	66	50.0%	53.3%	52.3%
Upper	9	27.3%	22	31.4%	9	31.0%	40	30.3%	28.7%	34.6%
Total	33	100.0%	70	100.0%	29	100.0%	132	100.0%	100.0%	100.0%
By \$ Amt:										
Low	\$599	4.6%	\$0	0.0%	\$118	2.2%	\$717	2.2%	0.8%	0.5%
Moderate	927	7.1%	1,907	14.0%	931	17.4%	3,765	11.8%	13.6%	10.1%
Middle	6,716	51.8%	6,386	46.7%	2,463	45.9%	15,565	48.6%	47.7%	47.4%
Upper	4,733	36.5%	5,369	39.3%	1,853	34.5%	11,955	37.4%	37.9%	42.0%
Total	\$12,975	100.0%	\$13,662	100.0%	\$5,365	100.0%	\$32,002	100.0%	100.0%	100.0%

The institution originated 19.7 percent by number of its total HMDA-reportable loans in LMI geographies in the Cambridge AA during the review period. In addition, the institution originated 14 percent by dollar amount in LMI geographies.

The institution's performance, by number of loans exceeded that of the HMDA aggregate reporters' 18 percent and 13.1 percent for 2008 and 2009, respectively. Based on dollar volume, the institution was lower than HMDA aggregate reporters' 14.4 percent for 2008, and exceeded that of the HMDA aggregate reporters' 10.6 percent for 2009.

Beacon was ranked 95th in lending in LMI geographies in this assessment area out of 284 HMDA aggregate reporters in 2009. This ranking was higher than some larger financial institutions.

Table 64 reflects Beacon's geographic distribution of consumer loans within the Cambridge MSA AA.

Table 64 - Distribution of Beacon Federal's Consumer Loans By Geography Income Level in the Cambridge, MA MSA Assessment Area (Dollars in thousands)								
Geography Inc. Level	2008		2009		2010		Review Period	
	#	%	#	%	#	%	#	%
Moderate	0	0.0%	3	17.6%	0	0.0%	3	7.7%
Middle	6	50.0%	6	35.3%	5	50.0%	17	43.6%
Upper	6	50.0%	8	47.1%	5	50.0%	19	48.7%
Total	12	100.0%	17	100.0%	10	100.0%	39	100.0%
	\$	%	\$	%	\$	%	\$	%
Moderate	0	0.0%	56	6.7%	0	0.0%	56	3.8%
Middle	274	57.6%	145	17.4%	53	34.6%	472	32.3%
Upper	202	42.4%	632	75.9%	100	65.4%	934	63.9%
Total	\$476	100.0%	\$833	100.0%	\$153	100.0%	\$1,462	100.0%

The institution did not grant any loans in low- income geographies. Beacon originated 7.7 percent of total consumer loans in moderate- income geographies in the Cambridge AA during the review period, and exceeded the 6.1 percent LMI distribution of the prior evaluation.

Small Business Loans:

During the review period, thirteen small business loans totaling \$3.3 million, originated in this assessment area. This limited volume does not significantly impact the institution's performance in this factor.

Community Development

Community Development Test

Beacon made an adequate effort to meet community credit needs through provision of qualified investments, community development contributions and services.

Community Development Investments

Beacon made a qualified community development investment through a MBS purchase totaling \$1.2 million in July 2010 comprised of mortgage loans to LMI borrowers. Beacon invested \$1.8 thousand dollars in community development contributions, which reflected an adequate level of responsiveness to community and economic development needs in the Massachusetts AA. These included: House of Hope, providing shelter to homeless families; Merrimack Valley Food Bank, providing emergency food programs to low- income populations; and, Merrimack Valley Housing Partnership, promoting affordable housing opportunities for LMI families.

Community Development Services

Beacon provided a reasonable level of community development services through an officer's efforts to provide financial counseling for business start-ups, referrals of prospective business owners to non-profit business services organizations, and business development efforts of the Lowell Chamber of Commerce. Members of management and staff are involved in making periodic visits to local businesses and organizations to provide financial counseling for the entities employees.

State

Summary

CRA Rating for Texas

CRA RATING^e:

Satisfactory

The Lending Test is rated:

Satisfactory

The Community Development Test is rated:

Satisfactory

Three percent by number and almost four percent by dollar amount of lending was in the Texas assessment area. The lending volume decreased for all loan products, particularly consumer and small business loans. The percentage distribution of lending to LMI borrowers reasonably compared to the 2009 aggregate reporters, and for consumer loans to the percentage of LMI families in the assessment area. The level of lending for small business loans was low and not a factor in the analysis.

The performance level for community development lending and qualified investments and contributions was reasonable, while the level of community development services was adequate.

Scope of Examination

OTS evaluated the institution's performance in the Texas assessment area using full scope examination procedures.

^e For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

State Metropolitan Area & State Reviewed

(for metropolitan areas with some or all assessment areas reviewed using full-scope review)

Description of Institution's Operations in Tyler-Jacksonville, TX Combined Statistical Area

Within the Tyler, Texas assessment area, Beacon has one full service branch office with a deposit taking ATM, which is located in a middle-income geography in Smith County. The Tyler, Texas assessment area has approximately 3.1 percent by number of the institution's loans and 11.9 percent of its deposits.

There are 28 FDIC insured financial institutions in Smith and Cherokee County that have 100 branch offices. As of June 2010, these institutions had deposits totaling \$4.7 billion, and the institution had \$83.8 million. There were 202 HMDA aggregate reporters operating in this area in 2009.

Description of Tyler-Jacksonville, TX CSA Assessment Area

This AA consists of Smith and Cherokee Counties, TX. Smith County is located in the Tyler, TX MSA #30980, and Cherokee County is located in a Non-MSA area of the state. These contiguous areas comprise the entire Tyler-Jacksonville, TX Combined Statistical Area (CSA) #540 (Tyler CSA). The AA contains 47 geographies. Table 65 illustrates demographic data on population, families, and housing units within the Tyler CSA AA.

Table 65 - Demographic Data (Based on 2000 U.S. Census Data)	
Demographic Data	2000 Census
Population	221,365
Total Families	59,492
1-4 Family Units	68,437
Multi-family Units	8,887
% Owner-Occupied Units	64%
% Rental-Occupied Units	27%
% Vacant Housing Units	9%
Weighted Average Median Housing	\$74,954

Table 66 indicates the number of geographies in each income level and compares it to the distribution of families living in those geographies and to 1-4 family dwellings located within those geographies.

Table 66 - Distribution of Geographies, Families and Housing Units Tyler-Jacksonville, TX CSA Assessment Area						
Geog Inc Level	Geographies		Total Area Families		1-4 Family Dwellings	
2000 Census:	#	%	#	%	#	%
Low	2	4.3%	1,200	2.0%	2,090	3.1%
Moderate	13	27.7%	12,176	20.5%	14,877	21.7%
Middle	23	48.9%	34,785	58.5%	37,741	55.1%
Upper	9	19.1%	11,331	19.0%	13,729	20.1%
Total	47	100.0%	59,492	100.0%	68,437	100.0%

According to 2000 census data, 39.3 percent of the families in the AA are low- to moderate-income, with 10.9 percent of the families reporting income below the poverty level. Table 67(a) indicates the median family income ranges of each income category based on the 2010 HUD adjustment; table 67(b) reflects the updated HUD median family income for each year during the review period; and table 67(c) shows the distribution of families in each income range of the assessment area.

67(a) - Median Family Income Ranges (*)				
Income Category (As % of MSA/Non-MSA Median)	Tyler, TX MSA (#30980)		TX Non-MSA (#99999)	
	From	To	From	To
Low (< 50%)	\$1	\$28,099	\$1	\$23,249
Moderate (50% - 79%)	\$28,100	\$44,959	\$23,250	\$37,199
Middle (80% - 119%)	\$44,960	\$67,439	\$37,200	\$55,799
Upper (>= 120%)	\$67,440	+	\$55,800	+

* Based on HUD 2010 Median Family Income of the MSA/Non-MSA

Table 67(b) - Annual HUD Median Family Income		
Year	Tyler, TX MSA	TX Non-MSA
	Amount	Amount
2008	\$53,000	\$43,600
2009	\$55,300	\$45,600
2010	\$56,200	\$46,500

Table 67(c) - Distribution of Families Tyler-Jacksonville, TX CSA Assessment Area		
Family Income Category (As a % of MD Median)	2000 Census Data	
	Number	Percent
Low (< 50%)	12,112	20.4%
Moderate (50% - 79%)	11,265	18.9%
Middle (80% - 119%)	12,504	21.0%
Upper (>= 120%)	23,611	39.7%
Total	59,492	100.0%

Conclusions with Respect to Performance Tests in Tyler-Jacksonville, TX CSA Assessment Area

Lending in the Tyler-Jacksonville, TX CSA Assessment Area

Table 68 illustrates the institution’s lending activity in the Tyler CSA AA during the review period.

Table 68 - Loan Originations within the Tyler-Jacksonville, TX CSA Assessment Area						
1/1/2008 – 12/31/2010						
(Dollars in thousands)						
Loan Type	Combined AA	Tyler CSA AA		Combined AA	Tyler CSA AA	
	By Number	Number	Percent	By \$ Amt	\$ Amount	Percent
HMDA-Related	2,191	125	5.7%	\$197,922	\$10,847	5.5%
Consumer	13,188	360	2.7%	213,374	5,762	2.7%
Small Business	312	3	1.0%	72,048	325	0.5%
Total	15,691	488	3.1%	\$483,344	\$16,934	3.5%

The Tyler TX AA ranked fourth by number and fifth by dollar amount of total HMDA, consumer and small business loans with 3.1 percent at 3.5 percent, respectively, for all assessment area lending. Lending in this assessment area decreased 59.2 percent by number and 45.8 percent by dollar volume compared to the last evaluation. Competition for loans was strong, as there were 202 lenders reporting HMDA loan originations during 2009 in this assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Part of the review includes an analysis of Beacon’s distribution of loans among borrowers of different income levels within the Tyler AA. Table 69 illustrates loan originations, categorized by borrower income level, that were reported by Beacon during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

Table 69 - Distribution of Beacon Federal's HMDA-Reportable Loans By Borrower Income Level in the Tyler-Jacksonville, TX CSA Assessment Area (Dollars in thousands)										
Borrower Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	1	2.7%	2	4.7%	2	4.4%	5	4.0%	4.4%	4.1%
Moderate	5	13.5%	6	14.0%	3	6.7%	14	11.2%	13.9%	13.4%
Middle	7	18.9%	10	23.3%	11	24.4%	28	22.4%	20.5%	20.1%
Upper	24	64.9%	25	58.0%	28	62.3%	77	61.6%	57.3%	55.5%
Income NA	0	0.0%	0	0.0%	1	2.2%	1	0.8%	3.9%	6.9%
Total	37	100.0%	43	100.0%	45	100.0%	125	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$84	3.2%	\$73	1.6%	\$91	2.4%	\$248	2.3%	1.7%	1.8%
Moderate	111	4.3%	287	6.4%	143	3.8%	541	5.0%	8.0%	7.6%
Middle	400	15.3%	543	12.1%	479	12.8%	1,422	13.1%	15.0%	14.8%
Upper	2,012	77.2%	3,589	79.9%	2,563	68.4%	8,164	75.3%	68.7%	67.0%
Income NA	0	0.0%	0	0.0%	472	12.6%	472	4.3%	6.6%	8.8%
Total	\$2,607	100.0%	\$4,492	100.0%	\$3,748	100.0%	\$10,847	100.0%	100.0%	100.0%

By number, the institution originated 15.2 percent of HMDA reportable mortgage loans to LMI borrowers, which was less than the 18.1 percent noted in the previous evaluation. In addition, the institution originated 7.3 percent by dollar amount for the review period, which was less than the 8.7 percent of the previous evaluation.

The HMDA aggregate reporters originated 18.3 percent and 17.5 percent of total HMDA lending to LMI borrowers in 2008 and 2009, respectively, by number of loans, and 9.7 percent and 9.4 percent by dollar volume to LMI borrowers in 2008 and 2009, respectively. In 2009, Beacon ranked 23rd out of the 89 HMDA lenders that granted loans to LMI borrowers in the assessment area, with a 1.2 percent market share.

Table 70 reflects Beacon’s borrower distribution of consumer loans within the Tyler CSA AA.

Table 70 - Distribution of Beacon Federal’s Consumer Loans By Borrower Income Level in the Tyler-Jacksonville, TX CSA Assessment Area (Dollars in thousands)								
Borrower Inc. Level	2008		2009		2010		Review Period	
	#	%	#	%	#	%	#	%
Low	10	6.7%	11	9.5%	9	9.6%	30	8.3%
Moderate	25	16.7%	18	15.5%	22	23.4%	65	18.1%
Middle	33	22.0%	32	27.6%	26	27.7%	91	25.3%
Upper	80	53.3%	49	42.2%	35	37.2%	164	45.6%
Income NA	2	1.3%	6	5.2%	2	2.1%	10	2.7%
Total	150	100.0%	116	100.0%	94	100.0%	360	100.0%
	\$	%	\$	%	\$	%	\$	%
Low	\$93	3.7%	\$132	6.6%	\$53	4.3%	\$278	4.8%
Moderate	203	8.0%	139	7.0%	192	15.6%	534	9.3%
Middle	390	15.4%	451	22.6%	216	17.6%	1,057	18.3%
Upper	1,833	72.2%	1,211	60.7%	744	60.5%	3,788	65.8%
Income NA	19	0.7%	62	3.1%	24	2.0%	105	1.8%
Total	\$2,538	100.0%	\$1,995	100.0%	\$1,229	100.0%	\$5,762	100.0%

The institution originated 26.4 percent of total consumer loans to LMI borrowers in this assessment area during the review period, which exceeded the 24.7 percent LMI borrower distribution of the prior evaluation. The assessment area has 27.6 percent of the population identified as either LMI or below the poverty level. Based on this comparison, the institution’s LMI percentage distribution of consumer lending is reasonable.

Small Business Loans:

During the review period, only three small business loans totaling \$325 thousand, originated in this assessment area. This limited volume does not significantly impact the institution’s performance in this factor.

Geographic Distribution of Loans

Part of the review includes an analysis of Beacon’s distribution of loans among geographic areas of different income levels within the Tyler AA. Table 71 illustrates loan originations, categorized by geography income level, reported by Beacon during each year of the review period, and compares this activity to the 2008 and 2009 aggregate lenders’ ratios.

**Table 71 - Distribution of Beacon Federal's HMDA-Reportable Loans
By Geography Income Level in the Tyler-Jacksonville, TX CSA Assessment Area
(Dollars in thousands)**

Geography Inc. Level	2008		2009		2010		Review Period 1/1/08 – 12/31/10		Aggregate	
	#	%	#	%	#	%	#	%	2008	2009
By Number:	#	%	#	%	#	%	#	%	% by #	% by #
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.9%	0.5%
Moderate	2	5.4%	3	7.0%	5	11.1%	10	8.0%	10.7%	8.6%
Middle	26	70.3%	27	62.8%	24	53.3%	77	61.6%	59.9%	59.4%
Upper	9	24.3%	13	30.2%	16	35.6%	38	30.4%	28.5%	31.5%
Total	37	100.0%	43	100.0%	45	100.0%	125	100.0%	100.0%	100.0%
By \$ Amt:	\$	%	\$	%	\$	%	\$	%	% by \$	% by \$
Low	\$0	0.0%	\$0	0.0%	\$0	0.0%	\$0	0.0%	0.3%	0.2%
Moderate	53	2.0%	15	0.3%	548	14.6%	616	5.7%	6.9%	5.5%
Middle	1,891	72.6%	2,829	63.0%	1,969	52.6%	6,689	61.6%	57.0%	55.4%
Upper	663	25.4%	1,648	36.7%	1,231	32.8%	3,542	32.7%	35.8%	38.9%
Total	\$2,607	100.0%	\$4,492	100.0%	\$3,748	100.0%	\$10,847	100.0%	100.0%	100.0%

The institution did not originate any loans in low- income geographies. Eight percent by number, and 5.7 percent by dollar amount were originated in moderate- income geographies during the review period.

The institution's performance in moderate- income geographies in 2008 lagged substantially by number of loans and dollar volume compared to aggregate lenders, as did the dollar volume in both 2008 and 2009. HMDA aggregate reporters' granted 11.6 percent and 9.1 percent of the number of their loans for 2008 and 2009, respectively, in LMI geographies. A positive trend in lending in moderate- income geographies was noted for 2010.

Beacon was ranked 33rd in lending in LMI geographies in this assessment area out of 76 HMDA aggregate reporters in LMI areas in 2009. This ranking was higher than some larger financial institutions. The institution's performance declined from the previous evaluation, as did that of the HMDA aggregate reporters.

Table 72 reflects Beacon’s geographic distribution of consumer loans within the Tyler AA.

Table 72 - Distribution of Beacon Federal’s Consumer Loans By Geography Income Level in the Tyler-Jacksonville, TX CSA Assessment Area (Dollars in thousands)								
Geography Inc. Level	2008		2009		2010		Review Period	
	#	%	#	%	#	%	#	%
Low	2	1.3%	0	0.0%	2	2.1%	4	1.1%
Moderate	13	8.7%	15	12.9%	20	21.3%	48	13.3%
Middle	102	68.0%	75	64.7%	62	66.0%	239	66.4%
Upper	33	22.0%	26	22.4%	10	10.6%	69	19.2%
Total	150	100.0%	116	100.0%	94	100.0%	360	100.0%
	\$	%	\$	%	\$	%	\$	%
Low	\$4	0.2%	\$0	0.0%	\$22	1.8%	\$26	0.5%
Moderate	100	3.9%	73	3.7%	172	14.0%	345	6.0%
Middle	1,665	65.6%	1,412	70.7%	891	72.5%	3,968	68.8%
Upper	769	30.3%	510	25.6%	144	11.7%	1,423	24.7%
Total	\$2,538	100.0%	\$1,995	100.0%	\$1,229	100.0%	\$5,762	100.0%

The institution originated 14.4 percent of total consumer loans in LMI geographies in the Tyler AA during the review period, and exceeded the 13.9 percent LMI distribution of the prior evaluation. Beacon’s volume improved each year and ended with a 23.4 percent distribution for 2010 within LMI geographies.

Small Business Loans:

During the review period, only three small business loans totaling \$325 thousand, originated in this assessment area. This limited volume does not significantly impact the institution’s performance in this factor.

Community Development

Community Development Test

Beacon’s performance under community development activities within the Tyler-Jacksonville TX CSA Assessment Area was adequate.

Community Development Lending

Beacon made a reasonable effort to meet community credit needs by providing three community development purpose commercial loans to a developer who renovates housing units located in low to moderate income areas that meet affordable housing guidelines.

Community Development Investments

Beacon provided various qualified community development investments and contributions that reflect a reasonable level of responsiveness to community and economic development needs in the assessment area. Beacon made a qualified community development investment of \$981 thousand to Senior Crimestoppers, a program operated by the Senior Housing Crime Prevention Foundation which provides crime preventive services and systems for elderly residents of long term care and senior housing communities. The institution also provided a total of two qualified community development contributions for a total of \$3.5 thousand to the East Texas Food Bank and the Tyler Food Bank, both providing emergency food programs for lower income families and other populations in need.

Community Development Services

The institution's performance was adequate in providing community development services, with a staff member serving on the Board of a local women's shelter. Members of management and staff are involved in making periodic visits to local businesses and organizations to provide financial counseling for the entities employees

CRA Rating Definitions

There are five separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the intermediate small institution test for intermediate small savings associations; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, service, and community development opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.