



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

July 9, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Middlesex Federal Savings, F.A.
Charter Number 701452

1 College Avenue
Somerville, MA 02144

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, and should not 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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Overall CRA Rating: The 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 rating include:

- The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs.
- The majority of home loans originated and/or purchased are within the bank's assessment area (AA).
- The distribution of home loans originated in the Middlesex AA reflects reasonable penetration among borrowers of different income levels.
- The distribution of home loans originated in the Middlesex AA reflects excellent dispersion in the low- and moderate-income tracts.
- The bank's record of community development performance reflects adequate responsiveness to the needs of the community, through qualified loans, investments, and services.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. Their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor

vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division (MD): As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

Middlesex Federal Savings, F.A. (MFS or the bank) is a \$411 million mutual thrift headquartered in Somerville, Massachusetts. The bank has three operating subsidiaries, Highland Investment Corporation (holds bank’s investments), Midshares, Inc. (holds bank’s premises), and One College, LLC (holds bank’s repossessed real property). Affiliate activities were not considered in this evaluation. In addition to the bank’s main office located at Davis Square in Somerville, MA, the institution has two full service branches, one located at Teele Square in Somerville, MA, and the other located in Medford, MA. The main office and the Teele Square branch are located in upper-income geographies. The bank’s Medford branch is in a middle-income geography. Branch hours are typically 8:30AM to 4:00PM on Monday through Friday, and 8:30AM to 1:00PM on Saturday. Extended hours are offered one day a week at the Davis Square and Teele Square branches, which are open until 6:00PM on Thursdays. The bank’s Loan Center is available to meet with customers during business hours or by appointment. No branches were closed during the evaluation period. There have not been any significant changes to the bank’s corporate structure since the last CRA evaluation.

MFS is a full service, intrastate institution, offering a standard array of traditional loan and deposit products for both personal and business customers. The bank’s website, www.middlesexfederal.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. Customers can also apply for a home loan through the bank’s website. The bank operates automated teller machines (ATMs) at all three of its branches and is a member of the SUM ATM network, which allows member customers to access their accounts from participating SUM network ATMs without a surcharge.

As of March 31, 2018, total assets were \$411 million, deposits totaled \$278 million, and net tier 1 capital was \$41 million. The loan portfolio totaled \$329 million, or 80% of total assets, as of the same date. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product March 31, 2018	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	44%
Commercial Real Estate	42%
Construction and Development	10%
Commercial & Industrial	3%
Home Equity	1%

Source: FDIC Call Report

There are no legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its assessment areas (AAs). During the last CRA performance evaluation, dated June 22, 2015, MFS received a “Satisfactory” rating.

Scope of the Evaluation

Evaluation Period/Products Evaluated

The bank's CRA performance was evaluated using Intermediate Small Bank (ISB) CRA evaluation procedures. ISB procedures include a lending test and a community development (CD) test. The lending test evaluates the bank's record of performance in meeting the credit needs of its assessment area (AA) during the evaluation period. The CD test evaluates the bank's responsiveness to the community development needs of its AA through a review of qualified CD loans, investments, and services.

The evaluation for the lending test included activity from January 1, 2015 through December 31, 2017. Due to updates made to the demographic information during the evaluation period, we evaluated the bank's 2015 and 2016 performance independently of the 2017 performance metrics. The bank's lending performance between January 1, 2015 and December 31, 2016 was compared to the 2010 U.S. Census Data. The bank's lending performance between January 1, 2017 and December 31, 2017 was compared to the 2015 American Community Survey (ACS) U.S. Census Data.

The evaluation period for the CD test is from June 22, 2015, the date of the prior Performance Evaluation, through December 31, 2017. CD loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

The bank'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 63% of the bank's originations and/or purchases by number and 55% by dollar volume during the evaluation period.

Data Integrity

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.

Selection of Areas for Full-Scope Review

The CRA requires the bank to define its AA in which it will be evaluated. Middlesex Federal Savings has two AAs that meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income geographies. MFS's AA1, Middlesex AA, is part of the greater Boston-Cambridge-Newton, MA-NH multistate MSA (#14460) and, within that MSA, is part of the Cambridge-Newton-Framingham MA MD. The bank's AA includes the entirety of Middlesex County, which includes 54 towns/cities. AA2 includes two neighborhoods – Allston and Brighton – within the City of Boston,

consisting of 17 census tracts. Allston and Brighton are part of Suffolk County, which is located within the Boston-Quincy, MA MD.

A full-scope review was performed on Middlesex County (AA1) as the majority of the bank's deposits, lending activity, and physical presence is in this market. All three of the bank's branches are located in this area. There was not a meaningful volume of HMDA data activity during the evaluation period in AA2 to perform an analysis.

Ratings

The bank's overall rating is based primarily on the area that received a full-scope review. This includes the Middlesex County area. The Lending Test rating receives more weight than the Community Development Test ratings.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution [or any affiliate whose loans have been considered as part of the institution's lending performance] has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is Satisfactory. The bank's loan-to-deposit (LTD) ratio is reasonable, and a majority of the bank's primary loan products were made inside its AA. The distribution of home loans reflects reasonable penetration among borrowers of different income levels. The distribution of home loans reflects excellent dispersion among geographies of different income levels.

Loan-to-Deposit Ratio

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's LTD ratio averaged 100 percent over the past 12 quarters since the previous CRA evaluation, from the quarter ending March 31, 2015 through the quarter ending December 31, 2017. During this period, the bank's LTD ratio ranged from a quarterly low of 91 percent to 116 percent. The bank's LTD ratio is higher than the national peer bank quarterly average of 89 percent over the same period.

Lending in Assessment Area

A majority of the bank's primary loan products were made inside its assessment area. The bank meets the standard for satisfactory performance. MFS originated and/or purchased 70 percent by count, or 73 percent by dollar amount inside the AA. The following table details the distribution of lending inside and outside of the bank's AA.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	54	76.1	17	23.9	71	38,635	75.1	12,828	24.9	51,463
Home Improvement	42	82.4	9	17.6	51	36,164	87.7	5,071	12.3	41,235
Home Refinance	85	63.0	50	37.0	135	42,079	62.2	25,565	37.8	67,644
Totals	181	70.4	76	29.6	257	116,878	72.9	43,464	27.1	160,342

Source: HMDA-reportable loans.

Lending to Borrowers of Different Incomes

The distribution of home loans originated in the Middlesex AA reflects reasonable penetration among borrowers of different income levels. HMDA data was not analyzed in the Allston-Brighton AA, as there was not a meaningful volume of activity in the AA to perform an analysis.

2015-2016 Evaluation Period

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. Home refinance loans comprise the majority of the bank's overall home loan originations during this evaluation period. The percentage of home mortgage refinance loans made to both low-income borrowers and moderate-income borrowers exceeds the peer aggregate lending data. Additionally, the percentage of home mortgage refinance loans made to moderate-income borrowers exceeds the percent of moderate-income families in the AA.

The bank did not make any home purchase or home improvement loans to low-income borrowers. The percentage of home purchase loans made to moderate-income borrowers is significantly lower than the peer aggregate lending data. Competition is strong in this market area. The bank ranks 199th among 247 lenders in the AA competing for home purchase loans to moderate-income borrowers. Market share is spread thin, with the top 10 institutions holding 37 percent of the market share. The percentage of home improvement loans made to moderate-income borrowers exceeds the peer aggregate lending data as well as the percent of moderate-income families in the AA.

The bank's overall performance is reasonable, given the lack of affordable housing in the assessment area. The high housing costs in the region may make purchasing a home difficult for low- and moderate-income borrowers in the area. This may limit the bank's lending opportunities, as there are less qualified borrowers in the area.

According to the 2010 U.S. Census Data, the median housing value was \$446,997. The FFIEC Adjusted Median Family Income (MFI) for 2016 was \$98,600. This means that a low-income borrower would earn \$49,300 or less, and a moderate-income borrower would earn between \$49,301 and \$78,880. Low- and moderate-income borrowers at this income level may have difficulty qualifying for a mortgage given this median home value. We obtained median home values for Middlesex County using Zillow Research data, which reported an average of \$446,433. This value is similar to the U.S. Census Data median housing value.

The following table illustrates the distribution of home loans to borrowers of different income levels within the AA during the 2015-2016 evaluation period.

Borrower 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	4.72	0.00	16.32	8.33	25.46	16.67	53.50	75.00
Home Improvement	4.12	0.00	12.98	28.57	24.18	33.33	58.72	38.10
Home Refinance	3.35	4.44	13.08	26.67	26.01	22.22	57.56	46.67

Source: HMDA-reportable loans originated and/or purchased during 2015-2016; 2016 Peer Mortgage Data.

2017 Evaluation Period

The distribution of home loans reflects reasonable penetration among borrowers of different income levels, given the market competition and high cost of housing in the area. The bank did not make any home purchase loans to low- or moderate-income borrowers.

MFS did not make any home improvement loans to low-income borrowers. The percentage of home improvement loans made to moderate-income borrowers exceeds both the peer aggregate lending data and the percentage of moderate-income families in the AA.

The bank did not make any home mortgage refinance loans to low-income borrowers. The percentage of home mortgage refinance loans made to moderate-income borrowers is significantly lower than the peer aggregate lending data. Competition is strong in this market area; the bank ranks 141st among 247 lenders in the AA competing for home purchase loans to moderate-income borrowers. Market share is spread thin, with the top 10 institutions holding 44 percent of the market share.

The bank's overall performance is reasonable, given the lack of affordable housing in the assessment area. The high housing costs in the region may make purchasing a home difficult for low- and moderate-income borrowers in the area.

According to the 2015 ACS U.S. Census Data, the median housing value was \$448,925. The FFIEC Adjusted MFI for 2017 was \$104,800. This means that a low-income borrower would earn \$52,400 or less, and a moderate-income borrower would earn between \$52,401 and \$83,840. Low- and moderate-income borrowers at this income level may have difficulty qualifying for a mortgage given this median home value. We obtained updated median home values for Middlesex County using Zillow Research data, which resulted in an average housing value of \$509,206 in 2017. Comparing the Zillow median home value to the 2017 MFI, the disparity is further highlighted.

The following table illustrates the distribution of home loans to borrowers of different income levels within the AA during the 2017 evaluation period:

Borrower 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	5.08	0.00	16.67	0.00	25.27	9.09	52.99	90.91
Home Improvement	5.22	0.00	15.02	22.22	25.45	33.33	54.32	44.44
Home Refinance	6.56	0.00	19.09	13.33	26.82	46.67	47.53	40.00

Source: HMDA-reportable loans originated and/or purchased during 2017; 2016 Peer Mortgage Data.

Geographic Distribution of Loans

The distribution of home loans originated in the Middlesex AA reflects excellent dispersion in the low- and moderate-income tracts. HMDA data was not analyzed in the Allston-Brighton AA, as there was not a meaningful volume of activity in the AA to perform an analysis. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns.

2015-2016 Evaluation Period

The distribution of home loans reflects excellent dispersion among geographies of different income levels. The bank did not make any home purchase, home improvement, or home mortgage refinance loans in low-income geographies. The level of low-income geographies is low, comprising only four percent of total census tracts in the Middlesex AA. Additionally, only one percent of owner-occupied units in the Middlesex AA are in low-income tracts.

The percentage of home purchase, home improvement, and home mortgage refinance loans made in moderate-income geographies exceeds the respective peer aggregate lending data. The percentage of home purchase, home improvement, and home mortgage refinance loans made in moderate-income geographies also exceeds the percent of owner-occupied units located in moderate-income geographies. Given the lack of owner-occupied units in low-income geographies and the excellent record of lending in moderate-income geographies, the overall distribution for this evaluation period is excellent.

The following table illustrates the distribution of home loans among geographies of different income levels within the AA during the 2015-2016 evaluation period:

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	1.28	0.00	13.18	22.22	45.95	48.15	39.58	29.63
Home Improvement	0.79	0.00	10.05	18.18	44.66	59.09	44.51	22.73
Home Refinance	1.08	0.00	11.25	30.91	44.43	47.27	43.25	21.82

Source: HMDA-reportable loans originated and/or purchased during 2015-2016; 2016 Peer Mortgage Data.

2017 Evaluation Period

The distribution of home loans reflects excellent dispersion among geographies of different income levels. The percentage of home purchase loans made in low-income geographies exceeds the peer aggregate lending data and exceeds the percentage of owner-occupied units in low-income geographies in the AA. The percentage of home purchase loans made in moderate-income geographies exceeds the peer aggregate lending data and exceeds the percentage of owner-occupied units in moderate-income geographies.

The bank did not make any home improvement loans in low-income geographies. The percentage of home improvement loans made in moderate-income geographies exceeds the peer aggregate lending data as well as the percentage of owner-occupied units in moderate-income geographies the AA.

The percentage of home mortgage refinance loans made in low-income geographies exceeds the peer aggregate lending data and exceeds the percentage of owner-occupied units in low-income geographies in the AA. The percentage of home mortgage refinance loans made in moderate-income geographies exceeds the peer aggregate lending data and exceeds the percentage of owner-occupied units in moderate-income geographies.

The following table illustrates the distribution of home loans among geographies of different income levels within the AA during the 2017 evaluation period:

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	3.56	10.53	14.16	21.05	43.00	42.11	39.29	26.32
Home Improvement	2.11	0.00	12.05	21.43	42.44	28.57	43.40	50.00
Home Refinance	3.30	6.25	13.82	31.25	44.72	50.00	38.16	12.50

Source: HMDA-reportable loans originated and/or purchased during 2017; 2016 Peer Mortgage Data.

Responses to Complaints

The bank did not receive any CRA related complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development (CD) is rated Satisfactory. The bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through CD loans, investments, and services.

Number and Amount of Community Development Loans

Community development lending is adequate. During the evaluation period, the bank originated six CD loans to three organizations totaling \$3.8 million that benefited the AA and two loans to an organization totaling \$725 thousand that benefited the greater statewide area, which includes the bank's AA. All but one of the CD loans were made under the Small Business Administration's (SBA) 504 loan program. The SBA's certified development company/504 Loan Program is a financing tool created to promote economic development and create/retain jobs. The program helps banks attract and serve small business borrowers that need financing and may not meet conventional underwriting criteria. Loans of greater than \$1 million made under the 504 program are considered community development loans. The highlights of the SBA 504 loans are as follows:

- Three loans (\$400 thousand, \$320 thousand, and \$720 thousand) were made to fund the purchase of a mixed use real estate property and residing business in Roxbury, MA. The funding promoted economic development by financing businesses with gross annual revenues of \$1 million or less.
- Two loans (\$1.1 million and \$904 thousand) were made to a local business funding half of the acquisition costs of an industrial building and expenses for improvements located in Woburn, MA.

The remaining CD loan was made for \$350 thousand to a not-for-profit organization primarily serving local community development needs. The funding was used to purchase real estate and renovate a day care facility in Somerville, MA.

Number and Amount of Qualified Investments

The bank made an adequate level of community development investments and donations. The bank has one prior period investment in a Community Investment Fund with \$4.4 million outstanding as of May 31, 2018. The fund invests primarily in debt instruments that support affordable housing, job creation, and projects that foster sustainable economic development.

During the assessment period, qualifying community development donations totaled \$22.5 thousand and benefited 19 different organizations in the bank's AA. While the actual level of bank donations was higher, the aforementioned donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

Accessibility to the bank's delivery systems in the AA is good. The bank's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has three full-service locations in its AA. Of the three locations, one branch is in a middle-income geography, and two are located in an upper-income geography. The branches are easily accessible to all residents, and all branches have comparable hours. There are no material differences in the services, offerings, or cost of services at each branch location.

The bank provides an adequate level of community development services. During the evaluation period, six officers/employees provided financial expertise and/or services to five qualified community development organizations serving the bank's AA.

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

- Two senior members of management provided a money management program at a local organization. The organization's mission is to support older and disabled individuals to live independently by providing information, advice, and access to quality services and resources. The money management program helps promote self-sufficient living by providing free assistance to older and disabled low- and moderate-income individuals with the tools for budgeting, paying bills, and keeping track of financial matters on a monthly basis.
- A member of the Board of Directors serves on the Executive Committee and Board of Directors of a community development organization that assists small businesses. The organization primarily serves the bank's AA and members are made up of the local industry leaders.

- A bank employee serves on the Board of a local not-for-profit organization that provides financial education for LMI individuals as part of its mission. The organization serves residents living at or below the federal poverty level. In addition to the Bank employee serving on the Board, the employee also provides financial education.
- A bank employee serves on the Board of an organization in Medford, MA that supports the development and financial education for LMI individuals. The employee provided technical assistance on financial matters to the organization.
- A bank employee provided technical assistance on financial matters to a not-for-profit organization by serving on the Board of Directors. The not-for-profit organization's goal was to assist, promote, and advance small businesses inclusive of the bank's AA.

Responsiveness to Community Development Needs

Considering the bank's capacity, the needs of the community, and the availability of CD opportunities, the bank's CD performance demonstrates adequate responsiveness to the needs of the 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 (excludes CD loans): (01/01/15 to 12/31/17) Investment and Service Tests and CD Loans: (06/22/15 to 12/31/17)	
Financial Institution	Products Reviewed	
Middlesex Federal Savings, F.A. (“MFS” or “the bank”) Somerville, MA	Residential loans including home purchase, home improvement, and home mortgage refinance (via HMDA data)	
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Middlesex AA	Full-Scope	<ul style="list-style-type: none"> • Boston-Cambridge-Newton, MA-NH multistate MSA (#14460) <ul style="list-style-type: none"> ○ Cambridge-Newton-Framingham, MA MD (#15764 <ul style="list-style-type: none"> ▪ Middlesex County ○ Boston, MA MD (#14454) <ul style="list-style-type: none"> ▪ Allston & Brighton neighborhoods within the City of Boston, CT #s: 0001.00; 0002.01; 0002.02; 0003.01; 0003.02; 0004.01; 0004.02; 0005.02; 0005.03; 0005.04; 0006.01; 0006.02; 0007.01; 0007.03; 0007.04; 0008.02; 0008.03
Allston-Brighton AA	Limited-Scope	

Appendix B: Community Profiles for Full-Scope Areas

Middlesex AA

Due to changes to demographic characteristics of census tract data as a result of the update provided by the 2015 American Community Survey (ACS) when compared to the data collected during the 2010 US Census, our analysis of the bank's lending performance was divided into two evaluation periods: 2015-2016 and 2017. Our review of the bank's 2015-2016 Home Mortgage Disclosure Act (HMDA) data was compared to the demographic data collected during the 2010 US Census. Our review of 2017 HMDA data was compared to the demographic data collected during the 2015 ACS.

Competition in the local market is strong, with significant presence from other local institutions as well as larger nationwide institutions. The bank's market share performance is relatively consistent over both evaluation periods. The Federal Deposit Insurance Corporation's Deposit Market Share report for June 30, 2017 indicates that within Middlesex County, MFS ranks 34th among a market of 55 financial institutions, with a deposit market share of less than one percent. Local competitors for deposit market share include Middlesex Savings Bank, Cambridge Savings Bank, Eastern Bank, Belmont Savings Bank, and Brookline Bank. Large nationwide institutions including Bank of America NA, Citizens Bank NA, and TD Bank NA make up the top three institutions in terms of deposit market share.

According to Moody's Analytics economic indicators as of May 2018, the Cambridge-Newton-Framingham Metropolitan Division is in a late expansion cycle. The tech industry has shown strong performance and jobs in this sector are lucrative, particularly in the biotech area. Research performed at Harvard and MIT continue to produce startup companies. The highly educated workforce is expected to continue providing suitable workers for firms with vacant positions. While the area is expected to grow near to or reach full employment by 2019, long-run work additions are expected to continue given the strength of the tech industry and local universities. While health centers and hospitals remains a major economic driver for the area, many of the new jobs in the health care industry have been low-paying.

The bank notes education and health as major industries, with Tufts University and Somerville Hospital being leading employers in the area. According to Moody's Analytics Harvard University, Massachusetts Institute of Technology, TJX Co., and DeMoulas Super Markets Inc. are identified as top employers in the Cambridge-Newton-Framingham area. The medical and high tech sectors are economic drivers, along with the presence of several colleges in the area. Other sectors include professional/business services and government.

To better understand the credit needs of the community, we contacted a local community organization within the bank's market area. The organization's focus is on helping homeless or low-income individuals and families obtain and maintain affordable

housing. The contact explained that, while the local economy has benefitted from new businesses – for example, the Assembly Row shopping center and apartments, Partners Healthcare, and the extension of the Orange Line subway – an unintended consequence is the increasing housing prices. Professionals are moving to this area to work at these new businesses, and housing vacancies in the area are extremely low. The cost of housing continues to rise given the low supply. This makes finding affordable housing difficult for people with low wages. Opportunities for participation by local institutions include working with consumers directly, as well as working with local organizations. Banks can work with local organizations by providing grants/donations or by financing projects such as affordable housing developments. The contact noted that, while larger financial institutions are often harder to reach and less likely to provide financial support, local organizations have had a lot of support from the smaller community financial institutions. Local institutions, including MFS, have provided donations and have also served on the Boards of different organizations to provide skills and expertise. Community banks have also helped community members directly, providing educational events on financial literacy topics such as how to save, how to budget, and how to establish credit or resolve bad credit.

The following descriptions break out the demographic information for the Middlesex AA specific to the 2015-2016 evaluation period and the 2017 evaluation period.

2015-2016 Evaluation Period

During the 2015-2016 evaluation period, the Middlesex AA (AA1) included the entire Middlesex County, containing 318 census tracts. There are 12 low-income census tracts and 64 moderate-income census tracts, accounting for 3.8 percent and 20.1 percent of all census tracts in the AA, respectively. According to 2010 U.S. Census Data, the population of the Middlesex AA is 1.5 million, which includes 366,038 families and 572,847 households. The median housing value is \$446,997 and the FFIEC Adjusted MFI for 2016 is \$98,600. In the Middlesex AA, 19.7 percent of families are low-income and 15.7 percent are moderate-income. Eight percent of households, or 47,252 households, are below the poverty level.

Demographic information for the Middlesex AA for the 2015-2016 evaluation period is detailed in the following table:

Demographic Information for Full-Scope Area: Middlesex AA (2015-16)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	318	3.77	20.13	39.94	35.85	0.31
Population by Geography	1,503,085	3.06	19.03	41.88	36.03	0.00
Owner-Occupied Housing by Geography	366,303	1.00	12.38	43.88	42.74	0.00
Businesses by Geography	115,222	3.18	13.91	40.18	42.73	0.00
Farms by Geography	2,102	0.90	8.66	42.20	48.24	0.00
Family Distribution by Income Level	366,038	19.67	15.65	20.75	43.93	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	129,287	5.48	29.55	42.15	22.83	0.00
Median Family Income (MFI)	\$90,625	Median Housing Value \$446,997 Unemployment Rate 3.34%				
HUD Adjusted MFI for 2016	\$98,600					
Households Below the Poverty Level	8.25%					

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2010 U.S. Census, and 2016 HUD updated MFI.

2017 Evaluation Period

During the 2017 evaluation period, the Middlesex AA (AA1) included the entire Middlesex County, containing 318 census tracts. There are 22 low-income census tracts and 55 moderate-income census tracts, accounting for 6.9 percent and 17.3 percent of all census tracts in the AA, respectively. According to 2015 ACS U.S. Census Data, the population of the Middlesex AA is 1.6 million, which includes 376,456 families and 585,642 households. The median housing value is \$448,925 and the FFIEC Adjusted MFI for 2017 is \$104,800. In the Middlesex AA, 20.5 percent of families are low-income and 15.7 percent are moderate-income. Nine percent of households, or 52,375 households, are below the poverty level.

Demographic information for the Middlesex AA for the 2017 evaluation period is detailed in the following table:

Demographic Information for Full-Scope Area: Middlesex AA (2017)						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	318	6.92	17.30	39.62	35.85	0.31
Population by Geography	1,556,116	6.19	16.93	41.43	35.45	0.00
Owner-Occupied Housing by Geography	365,501	2.42	11.87	43.14	42.57	0.00
Businesses by Geography	119,149	5.36	12.93	41.67	40.04	0.00
Farms by Geography	2,221	2.16	9.41	40.79	47.64	0.00
Family Distribution by Income Level	376,456	20.50	15.67	19.76	44.06	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	136,187	11.69	24.68	41.73	21.91	0.00
Median Family Income	\$100,380	Median Housing Value \$448,925 Unemployment Rate 3.46%				
HUD Adjusted MFI for 2017	\$104,800					
Households Below the Poverty Level	9%					

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2015 ACS U.S. Census, and 2017 HUD updated MFI.