

# **PUBLIC DISCLOSURE**

June 6, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Main Street Bank  
Certificate Number: 90235

81 Granger Boulevard  
Marlborough, Massachusetts 01752

Division of Banks  
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation  
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New York, New York 10118

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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Main Street's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

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

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans, combined, in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

### **The Community Development Test is rated Satisfactory.**

- Main Street Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Main Street Bank (Main Street) is a state-chartered mutual savings bank headquartered in Marlborough, Massachusetts (MA). Main Street is wholly-owned by Main Street Group Bancshares Inc., a mid-tier holding company located in Marlborough, MA, who in-turn, is wholly-owned by Main Street Group Bancshares Mutual Holding Company (MHC), a top-tier holding company. Main Street has four wholly-owned subsidiaries. Three of the subsidiaries (MSB Securities Corporation, 1885 Security Corporation, and Rail Town Securities Corporation) invest in securities, and the fourth subsidiary, Marbro-Hudson Inc., holds real estate. The bank operates in the eastern part of MA, specifically in parts of Middlesex and Worcester Counties.

Main Street received a “Satisfactory” rating from the FDIC and the MA Division of Banks during its prior joint CRA Performance Evaluation, dated May 6, 2019. Examiners evaluated the bank’s performance based on Interagency Intermediate Small Institution (ISI) Examination Procedures.

### **Operations**

In addition to its main office at 81 Granger Boulevard in Marlborough, the bank operates nine full-service branches throughout Middlesex and Worcester Counties. Specifically, the other branches are located in Ayer, Hudson, Littleton, Lunenburg, Marlborough (Boston Post Road), Northborough, Pepperell, Southborough, and Sudbury (Sudbury Farms Market branch). The main office, Boston Post Road, and Pepperell branches are located in moderate-income census tracts, while the other seven branches are located in middle- and upper-income census tracts. Most of the branches are open 8:00 am-4:00 pm Monday through Thursday, 8:00 am-6:00 pm on Friday, and 8:00 am-12:00 pm on Saturday, with additional Sunday hours at the Sudbury Farms Market branch. All branches have 24-hour drive-up and/or walk-up automated teller machines (ATMs), with the exception of the Sudbury Farms Market branch catering to in-store hours. Since the prior evaluation, the bank closed the Westborough branch (September 2020), Shirley branch (October 2021), and Groton branch (October 2021). The Westborough and Groton branches were located in upper-income census tracts, and the Shirley branch was located in a moderate-income census tract. The bank did not open any new branches and there have been no mergers or acquisitions since the prior evaluation.

Main Street offers residential, commercial, and consumer loans, with a primary focus on residential lending, and increasing focus on commercial lending. Residential lending products include home mortgage loans, construction loans, home equity loans, and home equity lines of credit. Consumer lending products include personal installment loans, credit builder loans, automobile loans, overdraft line of credit, and MassSave HEAT loans. Commercial lending products include commercial real estate, commercial construction and land development, commercial automobile loans, term loans, business lines of credit, and SBA guaranteed loans. Personal and commercial deposit services include checking, savings, money market, certificate of deposit, and individual retirement accounts, and merchant services for business customers. Alternative banking services include online, mobile, and telephone banking, electronic bill pay, person-to-person payment

features, and ATMs. The bank’s participation in the surcharge-free SUM ATM Network expands ATM availability for customers.

### **Ability and Capacity**

As of March 31, 2022, Main Street’s assets totaled approximately \$1.4 billion, including total loans of \$974.9 million (71.7 percent of total assets) and total securities of \$253.0 million. The bank had total deposits of \$1.2 billion. Total assets increased by approximately \$326.2 million, or 31.5 percent, since March 31, 2019 (the last quarter used at the prior evaluation), due to growth in both loan and securities. Securities increased by approximately \$160.7 million (174.2 percent), nearly tripling, and loans increased by approximately \$176.6 million (22.1 percent) since the prior evaluation. The following table shows that loans secured by 1-4 family residential properties represent the largest portion of the portfolio, followed by loans secured by nonfarm nonresidential properties, which is consistent with the prior evaluation. Loan composition has slightly changed since the prior evaluation. Loans secured by 1-4 family residential properties and loans secured by nonfarm nonresidential properties experienced the most significant changes, increasing by 6.5 percent and decreasing by 5.7 percent, respectively. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 03/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	75,367	7.7
Secured by Farmland	184	0.0
Secured by 1-4 Family Residential Properties	519,799	53.3
Secured by Multifamily (5 or more) Residential Properties	55,621	5.7
Secured by Nonfarm Nonresidential Properties	274,767	28.2
<b>Total Real Estate Loans</b>	<b>925,738</b>	<b>94.9</b>
Commercial and Industrial Loans	36,768	3.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	12,440	1.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>974,946</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the bank’s ability to meet assessment area credit needs.

### **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution’s CRA performance. Main Street designated a single

assessment area within the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (#15764) and Worcester, MA-Connecticut (CT) Metropolitan Statistical Area (MSA) (#49340), which together, cover Middlesex and Worcester Counties in MA. Both MD #15764 and MSA #49340 and are part of the larger Boston-Worcester-Providence, MA-Rhode Island (RI)-New Hampshire (NH)-CT Combined Statistical Area (CSA) (#148). The bank added ten MA municipalities (40 census tracts) to the assessment area since the previous evaluation. The following table details the cities and towns in the bank’s assessment area.

<b>Assessment Area Towns</b>			
<b>Middlesex County, MA</b>			
Acton	Dunstable	Marlborough	Townsend
Ashby*	Framingham	Maynard	Tyngsboro*
Ashland*	Groton	Pepperell	Wayland*
Ayer	Hopkinton*	Shirley	Westford
Boxborough	Hudson	Stow	
Concord*	Littleton	Sudbury	
<b>Worcester County, MA</b>			
Berlin	Harvard	Northborough	
Bolton	Lancaster	Shrewsbury*	
Boylston*	Leominster*	Southborough	
Fitchburg*	Lunenburg	Westborough	
*Cities or towns added to the assessment area since the previous evaluation.			

The following sections discuss demographic and economic information relevant to the assessment area.

**Economic and Demographic Data**

Main Street’s assessment area consists of 108 census tracts with the following income designations according to 2015 ACS data:

- 5 low-income tracts;
- 16 moderate-income tracts;
- 37 middle-income tracts;
- 49 upper-income tracts;
- 1 census tract with no income designation.

The majority of the low- and moderate-income census tracts are located in Framingham (two low-income; five moderate-income) and Fitchburg (two low-income; five moderate-income). The one census tract with no income designation is the United States Army Natick Soldiers Systems Center. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank’s assessment area. However, there are eight census tracts designated as Qualified Opportunity Zones (QOZs) within the bank’s assessment area. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of spurring economic development and job creation. Specifically, the QOZs are located in low-or moderate-income census tracts within Framingham (2), Fitchburg (2), Leominster (2), and Marlborough (2).

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	108	4.6	14.8	34.3	45.4	0.9
Population by Geography	557,321	3.5	14.5	34.5	47.6	0.0
Housing Units by Geography	217,618	3.8	15.3	35.9	45.0	0.0
Owner-Occupied Units by Geography	146,283	1.0	10.7	35.3	53.0	0.0
Occupied Rental Units by Geography	59,425	9.8	25.6	37.8	26.8	0.0
Vacant Units by Geography	11,910	8.4	21.0	33.2	37.4	0.0
Businesses by Geography	58,850	2.7	15.1	29.5	52.7	0.0
Farms by Geography	1,656	2.2	13.3	29.9	54.5	0.0
Family Distribution by Income Level	144,778	17.5	14.6	19.0	48.9	0.0
Household Distribution by Income Level	205,708	21.7	12.6	15.7	50.0	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$367,870
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$1,096
			Families Below Poverty Level			5.4%
<i>Source 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2021 D&B data, 58,850 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 87.2 percent have \$1.0 million or less,
- 4.8 percent have more than \$1.0 million, and
- 8.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 40.3 percent, followed by non-classifiable establishments at 18.0 percent, and retail trade at 9.9 percent. The majority of non-farm businesses in the assessment area are small, with the majority of business (90.3 percent) operating with nine or fewer employees. Additionally, 84.2 percent of business have GARs of less than \$0.5 million, and 91.1 percent operate from a single location.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation, which is directly attributable to the COVID-19 pandemic.

Specifically, in 2020, the pandemic adversely affected the labor market, with annual average unemployment rates nearly tripling in both Middlesex and Worcester Counties, and in MA as a whole. Unemployment rates peaked in April 2020 for both counties at 13.3 percent in Middlesex County and 16.3 percent in Worcester County, showing the negative impact of the pandemic on the assessment area. However, the economy and labor market are rebounding, as 2021 annual average unemployment rates in both counties, MA, and the entire nation have decreased. Specifically, in April 2022, the annual average unemployment rates dropped to 2.5 percent in Middlesex County, and 3.5 percent in Worcester County, both comparable to their respective 2019 annual average unemployment rates. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Middlesex County	2.4	7.7	4.6
Worcester County	3.3	9.3	5.9
Massachusetts	3.1	9.4	5.7
National Average	3.7	8.1	5.3
<i>Source U.S. Bureau of Labor Statistics</i>			

The Geographic Distribution criterion compares the home mortgage loans to the distribution of owner-occupied housing units. As shown in the “Demographic Information of the Assessment Area” table above, 67.2 percent of the 217,618 housing units are owner-occupied, slightly limiting the bank’s opportunities for home mortgage lending in the assessment area. Specifically, only 11.7 percent of owner-occupied units are located in low- or moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those tracts.

Examiners used the 2019, 2020, and 2021 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the MD and MSA in the assessment area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
2020 (\$118,800)	<\$59,400	\$59,400 to <\$95,040	\$95,040 to <\$142,560	≥\$142,560
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
<b>Worcester, MA-CT MSA Median Family Income (49340)</b>				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2021 (\$96,700)	<\$48,350	\$48,350 to <\$77,360	\$77,360 to <\$116,040	≥\$116,040
<i>Source FFIEC</i>				



The median housing value in the assessment area, at \$367,870, is high when compared to the median family incomes in the Cambridge-Newton-Framingham, MA MD and Worcester, MA-CT MSA. Therefore, there may be limited opportunities for low- and moderate-income families to qualify for a mortgage under conventional underwriting standards. Additionally, almost one-third of families in the assessment area (32.1 percent) are low- and moderate-income families, and approximately 5.4 percent of families live below the poverty line, which represents a subset of low-income families. Therefore, these factors may limit the bank's home mortgage lending opportunities to low- and moderate-income families, and increase competition for home mortgage lending to these families in the assessment area.

### **Competition**

The bank operates in a highly competitive market for financial services. According to 2020 Deposit Market Share data, 36 financial institutions operated 168 branches in the bank's assessment area. Of these institutions, Main Street ranked ninth with a deposit market share of 2.8 percent. The top five financial institutions, Digital Federal Credit Union, Bank of America N.A., Middlesex Savings Bank, TD Bank N.A., and Citizens Bank N.A., held 64.0 percent deposit market share. Main Street was the third-highest ranked community bank, with Middlesex Savings Bank and Avidia Bank leading community banks with 9.9 percent and 5.0 percent deposit market shares, respectively. However, Middlesex Savings Bank and Avidia Bank are much larger institutions, with assets approximately \$6.0 billion and \$2.4 billion, respectively, as of March 31, 2022.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2019, aggregate home mortgage lending data shows 463 lenders originated or purchased 24,531 home mortgage loans in the assessment area. Main Street ranked 40<sup>th</sup> with a 0.6 percent market share. Main Street was the fourth-highest ranked community bank, with Middlesex Savings Bank (2.1 percent market share), Envision Bank (1.2 percent market share), and Avidia Bank (0.9 percent market share) leading community banks. In 2020, aggregate home mortgage lending data shows that a few more lenders entered the market, as 466 lenders originated or purchased 38,878 home mortgage loans in the assessment area. Despite increased competition, Main Street improved its ranking to 27<sup>th</sup>, nearly doubling its market share to 1.1 percent. Furthermore, Main Street surpassed Avidia Bank in rankings, and became the third-highest ranked community bank.

Main Street is not required to collect or report its small business lending data and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans in the assessment area and is included here for performance context. In 2020, aggregate small business lending data shows 225 lenders originated or purchased 71,438 small business loans, indicating a high level of competition. The top three lenders, American Express N.A., Bank of America N.A., and Citizens Bank N.A., all large national banks, collectively held 37.2 percent market share. Additionally, 88.9 percent of lenders held less than 1.0 percent market shares.

## **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the credit and community development needs of the area. The information obtained helps to determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted representatives of a local organization that promotes community development, affordable housing, and economic development within the assessment area. The organization administers the Federal Community Development Block Grant (CDBG), which provides funding for community development activities that benefit low- and moderate-income individuals and communities. The organization also administers the HOME Investment Partnership Program, which provides funding for creating, buying, and maintaining affordable housing, as well as rental assistance for low-income individuals. Regarding economic development, the contact noted that business owners generally have access to and successfully obtain credit from local financial institutions. However, the contact noted that language barriers among business owners are a significant challenge for those with limited English proficiency (LEP). The contact noted that more outreach from local financial institutions in different languages would be helpful in combatting these language barriers. The contact also noted that there is a frequent demand in the area for small business expansion, while new start-ups are rare. Regarding housing, the contact noted that affordable housing is a constant concern in the area, particularly with respect to increasing market prices and the uncertainty of the market. The contact noted that the organization receives many requests for down payment assistance and coverage for other funding gaps. The contact suggested that financial institutions provide grants to help low- and moderate-income individuals with lending-related costs and fees. Additionally, the contact noted that donations from financial institutions would be helpful.

## **Credit and Community Development Needs and Opportunities**

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, in the form of down payment assistance and gap funding to cover application fees, and small business support, in the form of start-up cost assistance are primary community development needs. Additionally, direct charitable donations would provide helpful support.

Furthermore, pandemic relief through community development programs is a current need for residents and businesses. Financial institutions have an opportunity to provide much-needed grants to community development organizations that specialize in providing community services to low- and moderate-income individuals impacted by the COVID-19 pandemic. Finally, economic development opportunities exist in the form of loans to small businesses to support job retention of low- and moderate-income individuals and within low- and moderate-income census tracts.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated May 6, 2019, to the current evaluation dated June 6, 2022. Examiners used the ISI Examination Procedures to evaluate Main Street's CRA performance. As described in the Appendices, these procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm or consumer loans, represent a major product line. They provide no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). In 2019, the bank reported 263 originations totaling \$92.7 million. In 2020, the bank reported 867 originations totaling \$306.4 million, with originations more than tripling by number and dollar from 2019. Bank management attributed this increase to the COVID-19 pandemic and the low interest rate environment, leading to a large influx of online applications and originations, especially refinances. Lastly, in 2021, the bank reported 646 originations totaling \$283.9 million. Examiners compared Main Street's home mortgage lending performance to 2019 and 2020 aggregate data, as 2021 aggregate data is not yet available, and to 2015 American Community Survey (ACS) demographic data.

As an ISI, the bank is not required to collect or report small business data; however, the bank voluntarily collected small business data during the evaluation period. Examiners analyzed the bank's 2020 and 2021 collected small business data. In 2020, the bank originated 586 small business loans totaling \$61.9 million. In 2021, the bank originated 330 small business loans totaling \$39.2 million. In both years, the bank originated a significant number of Small Business Administration (SBA) Payment Protection Program (PPP) loans. Specifically, in 2020, the bank originated 572 PPP loans totaling \$69.8 million, and in 2021, the bank originated 301 PPP loans totaling \$30.4 million. These PPP loans are included in the 2020 and 2021 small business analyses, except for 83 loans in 2020 and 36 loans in 2021 identified as Community Development loans, which are included under the Community Development Test. Lastly, seven PPP loans in 2020 and two PPP loans in 2021 are not included in any Test, since the loans did not qualify as Community Development loans and are over \$1.0 million in loan amount. Therefore, 482 PPP loans totaling \$44.8 million are included in the 2020 small business analysis, which represent 82.3 percent of all 2020 small business loans. Additionally, 263 PPP loans totaling \$24.3 million are included in the 2021 small business analysis, which represent 79.7 percent of all 2021 small business loans. Since the bank did not elect to report small business data, examiners did not use aggregate data as a

standard of comparison. Instead, 2020 and 2021 D&B demographic data provided a standard of comparison for small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. Main Street's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation dated May 6, 2019, to the current evaluation date of June 6, 2022.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Main Street demonstrated reasonable performance under the Lending Test. Performance under the LTD Ratio, Borrower Profile, and Geographic Distribution support this conclusion. The following sections address overall bank performance for each Lending Test component.

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

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 91.1 percent over the last 12 calendar quarters from June 30, 2019 to March 31, 2022. The ratio ranged from a low of 78.8 percent as of December 31, 2021, to a high of 100.3 percent as of December 31, 2019 and March 31, 2020. The ratio gradually increased during 2019, but has been gradually declining since 2020. Specifically, during 2020 and 2021, deposits consistently increased. Therefore, deposit growth outpaced loan growth, contributing to a decreasing ratio. Additionally, the bank sells a significant amount of loans on the secondary market, which further supports the bank's reasonable LTD ratio. Since the prior evaluation, the bank sold 878 loans totaling \$251.4 million. The LTD ratio does not reflect these secondary market loans; however, if included, would increase the ratio.

Examiners compared the bank's average LTD ratio to that of similarly situated institutions. Examiners selected the similarly situated institutions based on asset size, lending focus, and geographic location. The following table shows that Main Street's ratio fell below one, and was higher than two similarly situated institutions.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2022 (\$000s)	Average Net LTD Ratio (%)
<b>Main Street</b>	<b>1,360,112</b>	<b>91.1</b>
The Village Bank	1,686,214	85.6
Fidelity Co-operative Bank	1,256,929	88.9
MutualOne Bank	1,015,370	101.9
<i>Source Reports of Condition and Income 06/30/2019- 03/31/2022</i>		

### Assessment Area Concentration

When combined, the bank originated a majority of its home mortgage and small business loans, by number, inside the assessment area. In 2020 and 2021, the bank did not originate a majority of its home mortgage loans, by number, inside the assessment area. Bank management attributed this to the COVID-19 pandemic and the bank's low interest rates, which contributed to a large volume of online loan applications from consumers outside of the assessment area. During the evaluation period, the bank did not originate a majority of its home mortgage loans, by dollar, inside the assessment area. Bank management attributed this to the larger loan amounts for properties outside of the assessment area, especially for properties in Falmouth, where one loan officer resides.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	149	56.7	114	43.3	263	42,177	45.5	50,490	54.5	92,667
2020	424	48.9	443	51.1	867	126,915	41.4	179,513	58.6	306,428
2021	277	42.9	369	57.1	646	90,004	31.7	193,895	68.3	283,899
<b>Subtotal</b>	<b>850</b>	<b>47.9</b>	<b>926</b>	<b>52.1</b>	<b>1,776</b>	<b>259,096</b>	<b>37.9</b>	<b>423,898</b>	<b>62.1</b>	<b>682,993</b>
Small Business										
2020	437	74.6	149	25.4	586	38,336	61.9	23,563	38.1	61,899
2021	240	72.7	90	27.3	330	26,237	66.9	12,980	33.1	39,217
<b>Subtotal</b>	<b>677</b>	<b>73.9</b>	<b>239</b>	<b>26.1</b>	<b>916</b>	<b>64,573</b>	<b>63.9</b>	<b>36,543</b>	<b>36.1</b>	<b>101,116</b>
<b>Total</b>	<b>1,527</b>	<b>56.7</b>	<b>1,165</b>	<b>43.3</b>	<b>2,692</b>	<b>323,669</b>	<b>41.3</b>	<b>460,441</b>	<b>58.7</b>	<b>784,109</b>
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

### Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in home mortgage

and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage and small business loans in low- and moderate-income census tracts.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2019, the bank did not originate any loans in low-income census tracts; therefore, the bank's performance fell below aggregate performance and the percentage of owner-occupied housing units. In 2020, the bank's performance in low-income census tracts slightly increased, but remained below aggregate performance and the percentage of owner-occupied housing units. However, only 1.0 percent of owner-occupied housing units in the assessment area are located in low-income census tracts, limiting the bank's home mortgage lending opportunities in these areas. Additionally, in 2021, despite an overall decrease in home mortgage lending, the bank's lending in low-income census tracts quadrupled, with performance exceeding the percentage of owner-occupied housing units.

In 2019, the bank's lending in moderate-income census tracts exceeded both aggregate performance and the percentage of owner-occupied housing units. In 2020, the bank's lending in moderate-income census tracts nearly tripled by number, while aggregate performance decreased by 2.0 percent. Therefore, in 2020, the bank further exceeded aggregate performance and the percentage of owner-occupied housing units. In 2021, the bank's lending in moderate-income census exceeded demographics by nearly 5.0 percent. Market share data further supports this conclusion. In 2019, Main Street ranked 35<sup>th</sup> out of 248 lenders that originated or purchased a home mortgage loan in moderate-income census tracts, with a market share of 0.7 percent. Main Street was the fourth-highest ranked community bank, with Middlesex Savings Bank (market share of 1.3 percent), Envision Bank (market share of 1.0 percent), and Fidelity Co-operative Bank (market share of 0.9 percent) leading community banks. In 2020, the bank significantly improved its ranking to 18<sup>th</sup> out of 270 lenders that originated or purchased a home mortgage loan in moderate-income census tracts (market share of 1.7 percent), and became the highest-ranked community bank.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.0	1.5	0	0.0	0	0.0
2020	1.0	1.2	1	0.2	195	0.2
2021	1.0	--	4	1.4	1,550	1.7
Moderate						
2019	10.7	11.2	20	13.4	5,437	12.9
2020	10.7	9.2	59	13.9	13,952	11.0
2021	10.7	--	43	15.5	10,908	12.1
Middle						
2019	35.3	35.0	52	34.9	10,639	25.2
2020	35.3	32.0	156	36.8	41,928	33.0
2021	35.3	--	88	31.8	25,728	28.6
Upper						
2019	53.0	52.3	77	51.7	26,100	61.9
2020	53.0	57.6	208	49.1	70,840	55.8
2021	53.0	--	142	51.3	51,818	57.6
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>42,177</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>424</b>	<b>100.0</b>	<b>126,915</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>277</b>	<b>100.0</b>	<b>90,004</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table show that in 2020, the bank did not originate any small business loans in low-income census tracts. In 2021, despite an overall decrease in small business lending, the bank's performance in low-income census tracts slightly increased. Therefore, the bank's performance was slightly closer, but still trailed behind the percentage of businesses in low-income census tracts. However, only 2.7 percent of businesses in the assessment area are located in

low-income census tracts, with the vast majority of business located in middle- and upper- income census tracts, therefore limiting the bank's lending opportunities in low-income census tracts.

In 2020, the bank's lending performance in moderate-income census tracts fell below the percentage of businesses in such tracts. In 2021, the bank's lending in moderate-income census tracts decreased by number, therefore falling further below the percentage of businesses in moderate-income census tracts. This decrease is attributable to an overall decrease in small business lending in 2021, and is evident in the bank's middle- and upper-income census tract performance as well. The overall decrease in small business lending resulted from a decrease in PPP lending. Specifically, the bank originated almost half as many PPP loans in 2021 when compared to 2020. Despite the decreased PPP lending in 2021, the bank was a significant PPP lender during the COVID-19 pandemic. Therefore, as previously mentioned, the 2020 and 2021 small business loans are majority PPP loans. Due to the nature of PPP lending, the bank focused primarily on assisting any and all businesses, and focused less on the geographic location of such businesses. Overall, the bank's involvement in PPP lending shows its commitment to serve the needs of businesses in the assessment area.

Furthermore, while the bank's performance fell below the percentage of businesses in low- and moderate-income census tracts for both years, not all businesses in the assessment area are in the market for a small business loan, therefore limiting the bank's small business lending opportunities. Bank management also partially attributed the limited small business lending in low- and moderate-income tracts to the bank's limited branches in such tracts, as small businesses typically prefer to apply for loans in-person at a branch. Additionally, the high-level of competition among large national banks, regional-based banks, and community banks in the assessment area further supports this conclusion.



<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2020	2.7	0	0.0	0	0.0
2021	2.7	1	0.4	165	0.6
Moderate					
2020	14.9	23	5.3	2,130	5.6
2021	15.1	10	4.2	1,678	6.4
Middle					
2020	29.5	174	39.8	15,968	41.7
2021	29.5	87	36.2	10,612	40.4
Upper					
2020	53.0	240	54.9	20,238	52.8
2021	52.7	142	59.2	13,782	52.5
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>	<b>38,336</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>	<b>26,237</b>	<b>100.0</b>
<i>Source 2020 &amp; 2021 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance in home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. The following table shows that in 2019, the bank's performance in lending to low-income borrowers exceeded aggregate by approximately 3.0 percent. In 2020, the bank's lending to low-income borrowers nearly doubled by number, again exceeding aggregate performance. While the bank's lending to low-income borrowers slightly decreased by number in 2021, lending increased by approximately 1.3 percent by number. In all three years, lending to low-income borrowers fell significantly below

the percentage of low-income families in the assessment area. However, low-income families in the assessment area, earning less than \$60,100, most likely have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$367,870. Additionally, the percentage of low-income families in the assessment area also includes those families living below the poverty line. Therefore, the bank has limited lending opportunities to low-income families in the assessment area, which helps explain the disparity between percentage of low-income families and the bank's lending performance to low-income families. Market share data further supports this conclusion. In lending to low-income borrowers, the bank significantly improved its ranking from 31<sup>st</sup> out of 166 lenders in 2019 (market share of 0.9 percent) to 16<sup>th</sup> out of 179 lenders in 2020 (market share of 1.5 percent). Notably, in 2020, Main Street was the second-highest ranked community bank in lending to low-income borrowers, with Middlesex Savings Bank, a much larger institution, leading community banks (market share of 2.7 percent).

In 2019, the bank's lending performance to moderate-income borrowers fell slightly below aggregate performance and the percentage of moderate-income families in the assessment area. In 2020, the bank's lending to moderate-income borrowers more than tripled by number, exceeding both aggregate performance and the percentage of moderate-income families. While the bank's lending to moderate-income borrowers decreased in 2021, performance still exceeded the percentage of moderate-income families in the assessment area. The decrease, by number, in lending to low- and moderate-income borrowers in 2021 is attributable to the bank's overall decrease in home mortgage lending when compared to 2020, and is also evident in the bank's performance to middle- and upper-income borrowers. Additionally, market share data further supports this conclusion. In lending to moderate-income borrowers, the bank significantly improved its ranking from 46<sup>th</sup> out of 240 lenders in 2019 (market share of 0.5 percent) to 23<sup>rd</sup> out of 269 lenders in 2020 (market share of 1.2 percent). In 2020, Main Street was the fourth-highest ranked community bank, with Envision Bank (market share of 1.5 percent), Middlesex Savings Bank (market share of 1.4 percent), and Fidelity Co-operative Bank (market share of 1.3 percent) leading community banks.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	17.5	5.2	12	8.1	2,050	4.9
2020	17.5	3.7	22	5.2	3,630	2.9
2021	17.5	--	18	6.5	3,297	3.7
<b>Moderate</b>						
2019	14.6	16.5	19	12.8	3,626	8.6
2020	14.6	14.5	70	16.5	15,139	11.9
2021	14.6	--	42	15.2	9,151	10.2
<b>Middle</b>						
2019	19.0	23.0	37	24.8	8,617	20.4
2020	19.0	22.4	105	24.8	27,188	21.4
2021	19.0	--	62	22.4	16,090	17.9
<b>Upper</b>						
2019	48.9	43.9	63	42.3	22,005	52.2
2020	48.9	48.6	203	47.9	72,310	57.0
2021	48.9	--	132	47.7	50,564	56.2
<b>Not Available</b>						
2019	0.0	11.4	18	12.1	5,880	13.9
2020	0.0	10.8	24	5.7	8,647	6.8
2021	0.0	--	23	8.3	10,903	12.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>149</b>	<b>100.0</b>	<b>42,177</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>424</b>	<b>100.0</b>	<b>126,915</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>277</b>	<b>100.0</b>	<b>90,004</b>	<b>100.0</b>
<i>Source 2015 ACS; Bank Data, 2019 &amp; 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. The following table shows that in 2020, the bank originated 7.3 percent of small business loans to businesses with GARs of \$1.0 million or less, falling significantly below the percentage of businesses with GARs of \$1.0 million or less in the assessment area. In 2021, while the bank's small business lending to businesses with GARs of \$1.0 million or less increased by approximately 4.0 percent by number, performance still fell significantly below the percentage of

businesses with GARs of \$1.0 million or less. However, as previously stated, PPP loans comprised the majority of 2020 and 2021 small business loans. Under PPP lending, the bank was not required to, and did not consider or collect GARs during the application process. Therefore, the “Revenue Not Available” category reflects all of the 2020 and 2021 PPP loans originated inside the assessment area, and therefore almost all of the small business loans inside the assessment area, which significantly reduces the numbers in the other two categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2020	86.2	32	7.3	2,837	7.4
2021	87.2	27	11.3	5,163	19.7
<b>&gt;\$1,000,000</b>					
2020	5.4	39	8.9	5,846	15.2
2021	4.8	15	6.3	4,355	16.6
<b>Revenue Not Available</b>					
2020	8.4	366	83.8	29,653	77.4
2021	8.0	198	82.5	16,719	63.7
<b>Totals</b>					
<b>2020</b>	<b>100.0</b>	<b>437</b>	<b>100.0</b>	<b>38,336</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>240</b>	<b>100.0</b>	<b>26,237</b>	<b>100.0</b>
<i>Source 2020 &amp; 2021 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

As such, examiners evaluated PPP loans using loan size as a proxy. As shown in the tables below, in both years, a majority of the PPP loans, by number, had loan sizes of \$100,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. Examiners also noted that a majority of loans, by number, with available revenue information were made to businesses with GARs of \$1.0 million or less.

<b>Distribution of PPP Loans by Loan Size (2020)</b>				
<b>Loan Size</b>	<b>Count</b>	<b>Percent</b>	<b>Dollar (000s)</b>	<b>Percent</b>
< \$100,000	279	76.2	9,269	31.3
\$100,000 - \$249,999	59	16.1	8,976	30.3
\$250,000 - \$1,000,000	28	7.7	11,408	38.4
<b>Total</b>	<b>366</b>	<b>100.0</b>	<b>29,653</b>	<b>100.0</b>
<i>Source 1/1/2020-12/31/2020 Bank Data Due to rounding, totals may not equal 100.0%</i>				

<b>Distribution of PPP Loans by Loan Size (2021)</b>				
<b>Loan Size</b>	<b>Count</b>	<b>Percent</b>	<b>Dollar (000s)</b>	<b>Percent</b>
< \$100,000	146	73.7	4,681	28.0
\$100,000 - \$249,999	34	17.2	5,123	30.6
\$250,000 - \$1,000,000	18	9.1	6,915	41.4
<b>Total</b>	<b>198</b>	<b>100.0</b>	<b>16,719</b>	<b>100.0</b>
<i>Source 1/1/2021-12/31/2021 Bank Data Due to rounding, totals may not equal 100.0%</i>				

### **Response to Complaints**

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

Main Street demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area. Since the bank was responsive to the community development needs and opportunities within its assessment area, examiners also considered community development activities outside the assessment area. Specifically, community development loans in Chelmsford and North Billerica (outside the bank’s assessment area) were responsive in meeting economic development needs.

**Community Development Loans**

Main Street demonstrated adequate responsiveness to opportunities for community development lending. During the evaluation period, Main Street originated 146 community development loans totaling approximately \$28.2 million, and representing 2.4 percent of average total assets and 3.2 percent of average total loans. The bank increased its community development lending by both number and dollar amount since the prior evaluation, where the bank originated seven community development loans totaling \$24.6 million. The significant increase, by number, of community development loans is attributable to the large volume of qualified PPP loans. Specifically, PPP loans account for 81.5 percent of qualified community development loans. Based on the dollar amount of community development loans, the bank outperformed three similarly situated institutions. Based on the number of community development loans, the bank trailed below one similarly situated institution.

The following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2019	1	353	0	0	5	1,360	1	40	7	1,753
2020	0	0	1	250	5	4,771	85	11,024	91	16,045
2021	3	2,526	0	0	6	2,948	38	4,441	47	9,915
YTD 2022	1	446	0	0	0	0	0	0	1	446
<b>Total</b>	<b>5</b>	<b>3,325</b>	<b>1</b>	<b>250</b>	<b>16</b>	<b>9,079</b>	<b>124</b>	<b>15,505</b>	<b>146</b>	<b>28,159</b>
<i>Source Bank Data</i>										

The following are examples of the bank’s qualified community development loans.

- During the evaluation period, the bank originated nine SBA 504 program loans totaling \$8.4 million. Two of the loans were located outside of the bank’s assessment area in Chelmsford and North Billerica, MA, totaling \$2.5 million. The loan program provides small businesses with long-term financing through a Certified Development Company (CDC). Small businesses use the financing to acquire fixed assets for expansion and modernization, which promotes business growth and job creation. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation by the CDC, and 50.0 percent participation by the bank. These loans expanded low- and moderate-income employment within the assessment area and larger statewide area.
- In 2020 and 2021, the bank originated 119 SBA PPP loans totaling \$13.8 million within low- and moderate-income census tracts. This bank’s involvement in PPP lending shows its commitment to retaining low- and moderate income jobs for small businesses impacted by the pandemic.

- In 2021, the bank originated a \$500,000 loan to a Community Development Financial Institution (CDFI) located in Fitchburg. The CDFI used the funds to originate PPP loans during the exclusive CDFI window. The CDFI made PPP loans to small businesses located in Worcester County, and parts of Middlesex and Franklin Counties. Therefore, this loan assisted with the retention of low-and-moderate income jobs for businesses impacted by the pandemic in the assessment area.
- In 2021, the bank originated a \$990,000 loan secured by seven new construction townhouse units located in a low-income census tract in Fitchburg. These units were constructed under the Housing Development Incentive Program (HDIP). The HDIP is a state-run program offered through the Department of Housing and Community Development. The HDIP provides financing incentives to construct market-rate housing projects in gateway cities in order to increase residential growth, expand the diversity of housing stock, support economic development, and promote neighborhood stabilization in designated areas. Gateway cities designate sections of the city that are eligible for the program, therefore allowing gateway cities to determine where the greatest impact would be. This loan demonstrates the bank's commitment to revitalizing and stabilizing a low-income census tract within the bank's assessment area.

### **Qualified Investments**

Main Street demonstrated adequate responsiveness to opportunities for community development investments. Main Street made 77 qualified investments totaling \$8.4 million, which includes 7 equity investments totaling \$8.2 million and 70 donations totaling \$209,172. The dollar amount of qualified investments equates to 0.7 percent of average total assets and 5.1 percent of average total securities. Since the prior evaluation, the bank's qualified equity investments increased by number and dollar amount, and while donations slightly decreased by number, donations increased by dollar amount. Specifically, during the previous evaluation, the bank made 88 qualified investments totaling 2.7 million, which included 3 equity investments totaling \$2.6 million, and 85 donations totaling \$158,000. Based on the number of qualified investments, the bank trailed below three similarly situated institutions. However, based on the dollar amount of qualified investments, the bank outperformed two similarly situated institutions, and trailed below one. By dollar amount, the majority of investments promoted affordable housing, which demonstrates the bank's responsiveness to the affordable housing needs of the assessment area.

The following table illustrates the bank's community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	453	0	0	1	40	0	0	2	493
2019	0	0	0	0	0	0	0	0	0	0
2020	2	2,838	0	0	0	0	0	0	2	2,838
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	3	4,845	0	0	0	0	0	0	3	4,845
<b>Subtotal</b>	<b>6</b>	<b>8,136</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>40</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>8,176</b>
Qualified Grants & Donations	9	34	57	165	2	5	2	5	70	209
<b>Total</b>	<b>15</b>	<b>8,170</b>	<b>57</b>	<b>165</b>	<b>3</b>	<b>45</b>	<b>2</b>	<b>5</b>	<b>77</b>	<b>8,385</b>

Source: Bank Data

### Equity Investments

Below are the bank's qualified equity investments.

#### *Prior Period*

- **Marlborough Economic Development Corporation Revolving Loan Fund (Loan Fund)** - The Loan Fund provides access to capital and gap financing for small businesses in Marlborough. The financing bridges the funding that small business owners obtain through a private lender and the actual amount needed to start or expand their business. The current book value is \$40,000.
- **CCM Community Impact Bond Fund** - The CCM Community Impact Bond Fund, formerly known as the CRA Qualified Investment Fund, purchases CRA qualifying investments that are primarily securities issued or guaranteed by the United States and State Government Agencies. Specifically, the CCM Community Impact Bond Fund primarily invests in single-family, multi-family, and economic development loan-backed securities. Main Street earmarks each investment in the fund for investments within the assessment area. These bonds help to create affordable housing within the bank's assessment area. The current book value is \$453,436.

#### *Current Period*

- **Mortgage-Backed Securities** - In 2020 and 2022, the bank purchased five mortgage-backed securities totaling \$7.7 million. Mortgages to 34 low- and moderate-income borrowers within the bank's assessment area collateralize the securities, seven of which are also located in low- or-moderate-income census tracts.



## Donations

Below are notable examples of the bank's qualified donations.

- **Habitat for Humanity of North Central Massachusetts (HFHNCM)** – This non-profit organization helps low- and moderate-income families obtain affordable, safe housing and complete critical home repairs. Income-qualified families purchase the homes with mortgages at zero percent interest rates. Furthermore, monthly mortgage payments are recycled into a revolving fund used to construct additional affordable housing units. The bank's 2020 and 2021 donations to HFHNCM's Critical Home Repair Program were particularly supportive of affordable housing needs within the assessment area.
- **North Star Family Services, Inc.** – This non-profit organization located in Leominster serves homeless families. The organization provides emergency shelter and food, case management, education, financial management, and supportive permanent housing. The bank made multiple donations to help cover operating costs for the shelter. The bank's 2021 and 2022 donations supported community service needs to low- and moderate-income individuals within the bank's assessment area.
- **PACH Outreach** – This non-profit organization provides various resources, such as food, personal care items, and referrals to assistance programs, to the residents of Pepperell and Dunstable. The organization serves a variety of individuals, such as the elderly, homeless, and any others in need. The organization operates the only food pantry between the two towns, and distributes food on behalf of the United States Department of Agriculture (USDA) Food and Nutrition Programs, MA Emergency Food Assistance Program, and the Greater Boston Food Bank. PACH Outreach also helps connect residents to food stamps via the Supplementary Nutritional Assistance Program (SNAP), and fuel assistance via the Low- Income Home Energy Assistance Program (LIHEAP). The bank's donation helped support community services to low- and moderate-income individuals within the bank's assessment area.

## Community Development Services

Main Street demonstrated adequate responsiveness to opportunities for community development services. During the evaluation period, Main Street employees, officers, and directors provided 71 instances of financial expertise or technical assistance to 20 community development organizations in the bank's assessment area, which primarily benefitted low- and moderate-income individuals. The bank's activity level and number of organizations both increased since the prior evaluation, where the bank provided 61 instances to 17 community development organizations. Main Street's performance compared reasonably to similarly situated institutions. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	4	13	6	1	24
2020	3	7	7	0	17
2021	3	13	6	0	22
YTD 2022	0	5	3	0	8
<b>Totals</b>	<b>10</b>	<b>38</b>	<b>22</b>	<b>1</b>	<b>71</b>
<i>Source Bank Data</i>					

The following are notable examples of the bank’s community development services.

*Employee Involvement*

- **Marlborough Economic Development Corporation (MEDC)** - This organization works with municipal and private investors to foster economic development, job growth, and community revitalization in Marlborough, which include moderate-income census tracts. The MEDC also offers a variety of financial assistance programs to small businesses, including rental assistance, storefront beautification, and gap financing. The bank’s Chief Executive Officer served on the Board since 2021. An Executive Vice President served on the Board and the Community Loan Fund Committee in 2019 and 2020, the Toolbox Subcommittee in 2020 and 2021, and the Revolving Loan Fund Committee in 2021. The bank’s involvement with MEDC helps foster economic development and assist small businesses within the bank’s assessment area.
- **Habitat for Humanity of North Central Massachusetts (HFHNCM)** - As previously stated, the HFHNCM helps low- and moderate-income families obtain affordable and safe housing and complete critical home repairs. A Senior Vice President served as Chapter President in 2020 and 2021. A Vice President served on the Board in 2020 and 2021, and the Finance Committee in 2021. The employees’ technical expertise supported the affordable housing need within the assessment area.
- **Loaves & Fishes Food Pantry, Inc.** – This 501(c)(3) non-profit serves the residents of Ayer, Devens, Dunstable, Groton, Harvard, Littleton, and Shirley who face food insecurity. The non-profit operates a food pantry, in which struggling residents can shop for groceries and basic personal care items. A Senior Vice President served on the Finance Committee from 2019 to 2022. The bank’s Chief Financial Officer served as Treasurer from 2021 to 2022. Employee involvement supported community services to low-and moderate-income individuals facing food insecurity within the assessment area.
- **North Central Massachusetts Development Corporation (NCMDC)** - This non-profit creates jobs and works to improve the economy of the 27 communities within North Central MA. NCMDC assists in economic development, workforce development, and lending to small businesses. The organization also provides resources to business owners, and collaborates with the SCORE Program and Clark University’s Small Business Development

Center, which provide free counseling to small business owners. The organization serves the entire regional area, which includes portions of the bank's assessment area. Specifically, the organization serves communities with low- and moderate-income census tracts within the assessment area, such as Fitchburg and Leominster. A senior manager served on the Board and Loan Committee from 2019 to 2022. Therefore, the bank's involvement supports economic development within the bank's assessment area.

#### *Other Services*

- **Federal Home Loan Bank (FHLB) of Boston's Job for New England Recovery Grant Program** - In 2020 and 2021, the bank participated in this program. Financial institutions that received a grant dispersed the funds to small businesses and non-profit organizations that experienced significant losses from the pandemic. In 2020, the bank used the funds to provide six small businesses with a total of \$100,000 in grant funds, and in 2021, one business received \$8,333 in grant funds.
- **Town of Ayer's Economic Development Loan Fund and MEDC** - The bank partners with The Town of Ayer's Economic Development Loan Fund and the MEDC to provide loan servicing, which helps facilitate small business lending. Main Street provides monthly billing and other servicing activities free of charge for these loans. The bank currently provides servicing for four loans from the Town of Ayer's Economic Development Loan Fund and two loans for MEDC.
- **Main office (Marlborough), Boston Post Road (Marlborough), and Pepperell Branches** The bank operates three full-service branches and three ATMs in moderate-income census tracts in Marlborough (2) and Pepperrell (1). These branch locations support the availability of banking services to low- and moderate-income individuals.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

## APPENDICES

### DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

#### FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank’s public comment file indicated the bank received no complaints pertaining to the institution’s CRA performance since the prior evaluation. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

#### MINORITY APPLICATION FLOW

Examiners reviewed the bank’s 2020 and 2021 HMDA LARs to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS U.S Census data, the bank’s assessment area contained a total population of 557,321 individuals of which 21.2 percent are minorities. The assessment area’s minority and ethnic population is 8.0 percent Hispanic or Latino, 2.8 percent Black/African American, 7.7 percent Asian, and 2.7 percent other. The following table details the bank’s minority application flow and aggregate data in its assessment area.

<b>MINORITY APPLICATION FLOW</b>						
<b>RACE</b>	<b>2020</b>		<b>2020 Aggregate Data</b>	<b>2021</b>		<b>2021 Aggregate Data</b>
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>%</b>
American Indian/ Alaska Native	2	0.4	0.2	0	0.0	0.2
Asian	30	5.4	12.8	21	5.4	11.6
Black/ African American	2	0.4	1.7	1	0.3	2.2
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.3	0.1
2 or more Minority	0	0.0	0.1	1	0.3	0.1
Joint Race (White/Minority)	5	0.9	1.7	10	2.6	1.8
<b>Total Racial Minority</b>	<b>39</b>	<b>7.0</b>	<b>16.6</b>	<b>34</b>	<b>8.8</b>	<b>16.0</b>
White	434	77.4	61.1	288	74.2	58.7
Race Not Available	88	15.7	22.3	66	17.0	25.3
<b>Total</b>	<b>561</b>	<b>100.0</b>	<b>100.0</b>	<b>388</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	13	2.3	5.0	17	4.4	6.0
Joint (Hisp/Lat /Not Hisp/Lat)	9	1.6	1.3	5	1.3	1.3
<b>Total Ethnic Minority</b>	<b>22</b>	<b>3.9</b>	<b>6.3</b>	<b>22</b>	<b>5.7</b>	<b>7.3</b>
Not Hispanic or Latino	377	67.2	70.3	278	71.7	67.7
Ethnicity Not Available	162	28.9	23.1	88	22.7	25.0
<b>Total</b>	<b>561</b>	<b>100.0</b>	<b>100.0</b>	<b>388</b>	<b>100.0</b>	<b>100.0</b>
<i>Source: HMDA Aggregate Data (2020 and 2021), HMDA LAR Data (2020 and 2021)</i>						

In 2020, the bank received 561 home mortgage loan applications from within its assessment area. Of these applications, the bank received 39, or 7.0 percent, from racial minority applicants, and originated 26, or 66.7 percent. The aggregate received 16.6 percent from racial minority applicants and originated 66.1 percent. For the same period, the bank received 22 applications, or 3.9 percent, from ethnic groups of Hispanic origin. Of these Hispanic origin applications, the bank originated four, or 72.7 percent, compared to aggregate, which received 6.3 percent from Hispanic origin applicants and originated 59.7 percent.

In 2021, the bank received 388 home mortgage loan applications from within its assessment area. Of these applications, the bank received 34, or 8.8 percent, from racial minority applicants, and originated 20, or 58.8 percent. The aggregate received 16.0 percent from racial minority applicants and originated 66.3 percent. For the same period, the bank received 22 applications, or 5.7 percent, from ethnic groups of Hispanic origin. Of these Hispanic origin applications, the bank originated 15, or 68.2 percent, compared to aggregate, which received 7.3 percent from Hispanic origin applicants and originated 61.6 percent.

Therefore, the bank's percentage of Hispanic origin applications fell below aggregate in both years. However, it is notable that while the bank's overall home mortgage loan applications decreased from 2020 to 2021, the percentage of Hispanic origin applications increased, indicating that this population shared an increasing portion of credit opportunity. In general, Main Street's application flow to applicants of racial minority and Hispanic ethnicity is below aggregate performance, particularly for Asian applicants. However, considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, the bank's minority application flow is adequate.

## **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

## GLOSSARY

**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 metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

**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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.



**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**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 metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area** (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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 lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.