

PUBLIC DISCLOSURE

October 20, 2008

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

Needham Bank
RSSD #339773

1063 Great Plain Avenue
Needham, MA 02492

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02106

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

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INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Needham Bank (Needham) demonstrates reasonable responsiveness to the credit needs of its assessment area based on the following findings.

Lending Test

- Needham originated greater than half (52.1 percent) of its residential real estate and approximately half of its commercial loans (45 percent) inside the bank's assessment area.
- The distribution of residential loans by borrower income is adequate compared to other lenders in the assessment area. The distribution of commercial loans by revenue and loan size is also considered reasonable.
- The geographic distribution of residential and commercial loans is reflective of the composition of the assessment area.
- The bank's average loan-to-deposit ratio of 122 percent is considered to be more than reasonable and indicates the bank has been responsive in meeting local credit needs.

Community Development Test

- Needham's extension of community development loans in the assessment area is considered adequate given the limited community development opportunities available.
- Qualified investments consist of donations and securities and are considered to be reasonable.
- Services include participation in several community organizations, first time homebuyer education programs and convenient banking services, all are considered reasonable.

SCOPE OF EXAMINATION

The Community Reinvestment Act (CRA) performance review for Needham Bank was based on CRA activities within its assessment area using the Intermediate Small Institution Examination Procedures. Under these rules banks whose asset size is \$250 million or greater and less than \$1 billion are evaluated under two tests: the lending test and the community development test. The community development test includes an evaluation of community development loans, investments, and services in light of community needs and capacity of the bank. The evaluation of the bank's lending performance was based on residential¹ and commercial² loans originated between January 1, 2005 and December 31, 2007. Collectively, residential real estate and

¹ Residential loans include first mortgage purchases, refinances and home equity loans originated 1/1/05 – 12/31/07.

² Commercial loans include all loans originated 1/1/05 -12/31/07.

commercial lending represented 73.5 percent of the dollar volume of the loan portfolio as of June 30, 2008.

The analysis of the bank's net loan-to-deposit ratio incorporated twelve quarters, representing the period since the prior examination.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

Needham Bank is a mutual savings bank headquartered in Needham, Massachusetts, and was established in 1892. In addition to its main office located at 1063 Great Plain Avenue, Needham maintains four branches located within its assessment area. The full service branches, including ATM access, are located in Dedham, Medfield, Westwood, and Wellesley. No branches have been opened or closed since the last examination. However, Needham Bank (formerly known as Needham Cooperative Bank) merged with Dedham Cooperative Bank on March 31, 2007 to form Needham Bank. The merger incorporated the branch located in Dedham.

As of June 30, 2008, Needham's assets totaled \$830.8 million with total deposits of \$472.3 million and net loans and leases of \$641 million. Total assets steadily increased 17 percent since June 30, 2007 partly due to the significant net loan growth of 26 percent during the same time frame. Needham has notably maintained the largest reserves for cooperative banks in the state of Massachusetts.

Predominantly a residential lender, Needham's niche is to provide jumbo loans to accommodate the needs of its assessment area. Needham's customers also request loans to purchase second homes for vacation and investment purposes. In addition to its residential offerings, the bank provides commercial and consumer loan products to serve the local community. Small business loans are also extended to help businesses thrive and boost the local economy.

Needham has partnerships with several non-profits and state sponsored organizations that share a common goal to serve and assist the needs of low-and moderate-income individuals. The bank is involved with the Southwest Affordable Housing Partnership, Inc (SWAHP) to develop affordable housing opportunities for low- and moderate-income families in Dedham, Needham and Westwood. Needham recently entered into an agreement with the Massachusetts Affordable Housing Alliance (MAHA) to provide funding for first time homebuyers. MAHA helps low- and moderate-income first time buyers achieve homeownership with their first and "soft second" loan programs. The bank maintains a relationship with Riverside Community Care which is an organization that provides affordable housing for mentally challenged adults in eastern and central Massachusetts. Further, Needham ensures safety for low- and moderate-income

seniors as members of the Senior Housing Crime Prevention Foundation.

The following table illustrates the breakdown of the bank's loan portfolio as of June 30, 2008.

Type of Loans	\$(000)	% Total
Construction & Land Development	168,457	25.9
1-4 Family		
a. First Mortgages	369,964	56.9
b. Home Equity Lines	33,755	5.2
c. Junior Liens (Second Mortgages)	1,453	0.2
Multifamily	10,134	1.6
Commercial Loans		
a. Commercial Real Estate	62,337	9.6
a. Commercial & Industrial Loans	0	0.0
Farm and Farm Related	0	0.0
Consumer Loans		
a. Other Revolving Plans	172	0.0
c. Other Consumer	1,955	0.3
Other Loans	1,758	0.3
Total Gross Loans	649,985	100

Source: Consolidated Report of Condition and Income, 06/30/08

The bank operates in a competitive environment in both Norfolk and Middlesex Counties where several local and regional banks maintain a major presence. Management identifies its main competitors as Middlesex Savings Bank, Dedham Institution for Savings, and Wellesley Bank.

As of June 30, 2008, Needham Bank ranked fifth for deposit market share within its assessment area, with 9.15 percent of the market share. RBS Citizens, NA was first with 19.35 percent of the market share and Bank of America was second with 17.11 percent. Middlesex Savings Bank and Dedham Institution for Savings placed third and fourth with 12.07 percent and 11.58 percent respectively.

Financial capacity, legal impediments, local economic conditions, demographics and market competition are all considered when examining the bank's CRA performance. Needham operates in a competitive environment, where the financial institutions have significant influence on the rates and services offered, keeping them competitive. There are, however, no legal or financial impediments that would impact the bank's ability to lend.

Needham was last examined by the Federal Deposit Insurance Corporation (FDIC) for compliance with the CRA on March 8, 2005 under the large bank performance standards. That examination resulted in a "Satisfactory" rating. As of March 25, 2008

Needham Bank joined the Federal Reserve as a state member bank. Thus, this is Needham Bank's first CRA examination conducted by the Federal Reserve Bank of Boston.

DESCRIPTION OF ASSESSMENT AREA

CRA requires a financial institution to identify an assessment area where it focuses its lending efforts. Needham's assessment area is comprised of eight suburban towns located southwest of Boston; several are considered affluent. The eight towns include Dedham, Dover, Medfield, Natick, Needham, Wellesley, Weston and Westwood. Six are located in Norfolk County and the Boston-Quincy Metropolitan Statistical Area (MSA) and two are located in Middlesex County in the Cambridge-Newton-Framingham MSA. The assessment area consists of 31 census tracts, 23 census tracts are located in an upper-income tract and 8 are located in middle-income tracts. There are no low-income or moderate-income census tracts located within the assessment area.

According to the 2000 US Census data, the population of the assessment area is 154,575. Within the assessment area 24.25 percent reside in middle-income tracts and 75.75 percent reside in upper-income tracts. There are 55,688 households located in the assessment area. Consistent with the population distribution, 27.50 percent of households are located in middle-income tracts, and 72.50 percent are located in upper-income tracts.

The distribution of households by income within the bank's assessment area is remotely similar to the distribution for the State of Massachusetts. There are 13.68 percent of low-income households and 10.31 percent of moderate income households within the assessment area compared to 24.54 percent and 15.55 for the state. Middle-income households for the assessment area comprise 14.41 percent compared to 18.46 percent for the state. The vast majority of households in the assessment area are upper-income households which represent 61.60 percent of total households in comparison to 41.45 for the state. The Department of Housing and Urban Development (HUD) estimated the 2007 median family income for the Boston-Quincy MSA as \$76,900 and the Cambridge-Newton-Framingham MSA as \$88,900. Both MSAs exceed the median family income for the state of Massachusetts (\$71,700).

Year 2000 Census data indicated that 79.10 percent of the assessment area's housing supply consists of one-unit detached homes, which exceeds 56.39 percent for the State of Massachusetts. Further, the percentage of owner occupied units in the assessment area, 78.83 percent, surpasses the state's percentage of 57.52. The median age of the housing stock within the assessment area is 46 years and is consistent with the state's median age of 44 years.

According to 2007 Dun and Bradstreet analysis, there are 8,669 businesses within the assessment area. Small business organizations are the majority, as 87.5 percent

recorded gross annual revenues of less than or equal to \$1 million. The leading industries in the area are retail, technology, financial, and health care. The area's largest employers are Harvard Pilgrim and Sun Life. Several towns in the assessment area are flourishing with high end retail stores, restaurants and office parks.

Unemployment rates for the eight towns represented in the bank's assessment area and the counties where they are located are shown in the table below. Based on this data, the unemployment rates for each town and county are lower than the U.S. The unemployment rates for the assessment area fare better or are consistent with the unemployment rate for the state of Massachusetts.

UNEMPLOYMENT RATES (8/08)	
Dedham	4.5
Dover	2.9
Medfield	4.2
Natick	5.1
Needham	3.4
Wellesley	3.3
Weston	5.1
Westwood	3.5
Middlesex County	5.1
Norfolk County	4.5
UNITED STATES	6.1
MASSACHUSETTS	5.1

Source: Massachusetts Department of Labor as of August, 2008

As part of the CRA examination process, examiners met with a community development organization that assists in accommodating the needs of the residents of Needham. The organization provides services to the elders to the community and organizes a food pantry for those in need. The contact identified several areas of community need, including services for the growing elderly population. Although much is left to be accomplished, the contact expressed the willing participation of local financial institutions to provide funding and support for need based programs and special project.

The following table provides demographic information:

Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	3,491	8.5
Moderate-income	0	0.0	0	0.0	0	0.0	4,358	10.6
Middle-income	8	25.8	9,841	24.0	274	2.8	6,790	16.6
Upper-income	23	74.2	31,095	76.0	524	1.7	26,297	64.2
Total Assessment Area	31	100	40,936	100	798	1.9	40,936	100
	Housing Units by Tract	Housing Types by Tract						
		Owner-occupied			Rental		Vacant	
		#	%	%T	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	15,714	10,619	23.6	67.6	4,714	30.0	381	2.4
Upper-income	41,302	34,326	76.4	83.1	5,993	14.5	983	2.4
Total Assessment Area	57,016	44,945	100	78.8	10,707	18.8	1,364	2.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	1,935	22.3	1,711	22.6	185	19.8	39	25.5
Upper-income	6,734	77.7	5,872	77.4	748	80.2	114	74.5
Tract not reported	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	8,669	100	7,583	100	10,707	100	153	100
	Percentage of Total Businesses:			87.5		10.8		1.8

Source: 2000 Census Data and CHAT

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Given the bank's market composition, lending capacity and the percentage of loans extended in the assessment area, Needham Bank's level of lending is considered satisfactory.

The following details the bank's efforts with regard to each performance criteria.

Comparison of Credit Extended Inside and Outside of Assessment Area

This criterion evaluates the concentration of loans originated by the bank in its assessment area. Needham originated more than half of its residential, 52.1 percent and nearly half of its commercial loans, 45 percent, by number inside the assessment area. By dollar amount, 57.7 percent and 45 percent of residential and commercial loans were respectively originated inside the assessment area. In aggregate these figures do not meet the standards for satisfactory performance under this criterion, as the bank originated less than a majority of their reviewed loans within the assessment area. It was noted however, that the bank's lending did reflect the local borrowers' credit needs for funding outside of the assessment area. Given the relative affluence of the area, customers that have an established relationship with Needham Bank often request loans for second homes and small businesses located outside of the bank's defined assessment area. Moreover, the bank did originate the majority of its residential loans inside its assessment area and originated a majority of all loans by dollar amount. The bank expects that lending inside the assessment area will increase given its marketing efforts and increased loan demand.

Table 1 illustrates the bank's level of residential and commercial lending both inside and outside its assessment area.

Table 1								
Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Total Residential*	219	52.1	121,577	57.7	201	47.9	89,267	42.3
Total Commercial	18	45.0	6,478	45.0	22	55.0	8,247	55.0
Total Loans	237	49.3	128,055	53.4	243	50.7	97,514	46.6

* Source –Residential and commercial mortgage loans originated between 1/1/05 through 12/31/07

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

When compared to area demographics and aggregate performance, Needham's

distribution of lending to borrowers of different incomes is acceptable, and its lending to businesses of different sizes is also adequate.

Residential Lending

An analysis of the residential loan distribution based on the borrower's income in comparison to the income distribution of families in the assessment area was performed. Originations were categorized by the ratio of the applicant's reported incomes to the 2005, 2006 and 2007 estimated median family incomes for the Boston-Quincy MSA and for the Cambridge-Newton-Framingham MSA in the state of Massachusetts. Needham's lending to low- and moderate-income borrowers (11.4 percent) was below the percentage of family households in those income categories (19.2 percent). When compared to the 2007 aggregate performance (9 percent) for the assessment area, the bank's 2007 distribution of 8.2 percent effectively matches the aggregate for low- and moderate-income borrowers, and is considered reasonable.

Table 2 Residential Loan Distribution by Borrower Income										
Year	Low		Moderate		Middle		Upper		NA	
% of Family Households	%		%		%		%		%	
	8.6%		10.6%		16.5%		64.3%		0.0	
2007 Aggregate Data	1.6%		7.4%		16.0%		59.7%		15.2%	
	#	%	#	%	#	%	#	%	#	%
2005	4	6.7	5	8.3	7	11.7	35	58.3	9	15.0
2006	3	4.5	5	7.5	8	11.9	47	70.1	4	6.0
2007	0	0.0	8	8.2	13	14.1	68	73.9	3	3.3
Total	7	3.2	18	8.2	28	12.8	150	68.5	16	7.3

Source: 2005 – 2007 HMDA data

Small Business Lending by Revenue and Loan Amount

Examiners analyzed Needham's commercial loans originated within the assessment area to determine the distribution among businesses of various sizes. A small business is defined as one with gross revenues of \$1 million or less. Loans originated from 2005 through 2007 were reviewed during the exam. By number 83 percent of Needham's commercial loans were made to businesses with revenues of \$1 million or less. The bank's performance is in line with the percentage of businesses in the assessment area that are considered small businesses (87.5 percent).

An analysis was also conducted based on loan amount. Loans originated with lower dollar amounts are typically considered to be made to small businesses indicating a willingness to engage in small business lending. Fifty percent of the bank's commercial loans were made in an amount less than or equal to \$250,000. Specifically, 22 percent of commercial loans extended were less than \$100,000 and 28 percent ranged from \$100,000 to \$250,000.

Geographic Distribution of Loans

The bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Residential Lending and Small Business Lending

The geographic distribution of loans was performed to gauge how well the bank is meeting the needs of the assessment area. Limited weight is placed on this performance criterion as there are no low or moderate-income census tracts located in the bank's assessment area. More emphasis is allocated on the lending distribution by borrower income. Nevertheless, the bank's geographic distribution is reflective of the composition of the assessment area and considered adequate.

A similar review of the bank's commercial loans originated from 2005 through 2007 was performed. Overall, the geographic distribution of commercial loans reflects a reasonable penetration throughout the assessment area.

Loan-to-Deposit Ratio

The bank's average net loan-to-deposit (LTD) ratio of 122 percent is considered to be more than reasonable. This conclusion is based on the bank's asset size, financial condition, and the credit needs of its assessment area. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits. This ratio is also reflective of the bank's borrowings from the federal home loan bank. The calculation incorporated twelve quarters (representing the period since the prior examination) of the bank's net loans to total deposit figures as reflected in the bank's quarterly FFIEC consolidated Reports of Condition and Income (Call Reports). The quarters reviewed included the period from January 31, 2005 through December 31, 2007.

The bank's net LTD ratio has increased since the prior examination. Loan growth increased approximately 60 percent from January 2005 to December 2007, while deposit increased approximately 52 percent for this same time period.

The average loan-to-deposit ratios of other competitors in the bank's assessment area were also considered over the same time period. As shown below in Table 3, the bank's average net LTD ratio is considered favorable to its local competitors.

Table 3			
Loan-To-Deposit Ratios			
Institution	Total Assets* \$(000s)	Average Loan-To- Deposit Ratio**	Net Loan-To- Deposit Ratio *
Dedham Institution for Savings	1,014,465	76	83
Middlesex Savings Bank	3,569,445	60	62
Needham Bank	802,825	122	136
Wellesley Bank	221,017	105	109

* As of June 30, 2008

** From 1/1/05 through 12/31/07

Flexible Lending

Needham offers flexible residential lending products that are designed to assist low- and moderate-income individuals. They provide a first-time homebuyer product which consists of reduced closing costs, lower down payments and up to 90% LTV without PMI. In 2007 the bank generated 27 residential loans to first time home buyers which totaled approximately \$10 million. In addition, the bank aligned itself with the Massachusetts Housing Partnership to offer a SoftSecond Loan Program.

Needham works with the Riverside Community Care which is a non profit organization that provides affordable housing to mentally challenged, low-income adults.

Response to Complaints

The bank has not received any CRA-related complaints since the previous examination; therefore, this criterion was not assessed.

COMPLIANCE WITH FAIR LENDING LAWS AND REGULATIONS

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the evaluation.

CONCLUSIONS: LENDING TEST

The bank's effort to ensure that credit needs throughout the assessment area are addressed is evident in the distribution of residential loans to all geographies and to

borrowers of different incomes. Although the bank does not have any low- or moderate-income census tracts within its assessment area, they do extend efforts to accommodate low- and moderate-income individuals. Given the composition of the assessment area, the bank's lending levels reflect a reasonable level of responsiveness and therefore the lending performance is rated "Satisfactory".

COMMUNITY DEVELOPMENT TEST

According to the community development test, an institution should assess the needs in its community; engage in different types of community development³ activities based on those needs and the institution's capacities; and take reasonable steps to apply its community development resources strategically to meet those needs. Areas examined in the course of this review include community development lending, qualified investments, and community development services. When conducting the analysis, the composition of the census tracts in the assessment area and the extra effort to identify community development opportunities were considered.

Lending

The bank's community development loans were evaluated as part of the examination. A community development loan is defined as a loan that has community development as its primary purpose and has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan. The bank originated qualified community development loans for the period under review. Detailed below are the loans that fulfilled the community development criteria.

- \$500,000 was advanced to the Senior Housing Crime Prevention Foundation which provides affordable housing, safety and crime prevention for low-and moderate-income seniors.
- First and secondary financing for \$7.2 million and \$4.5 million was provided to The Meadows of Dover, LLC which is a housing project that includes affordable housing units.
- A \$15,000 line of credit was provided to Needham Opportunities Inc. for affordable housing purposes.

³ Community development means—

- (a) affordable housing (including multifamily rental housing) for low- or moderate-income individuals;
- (b) community services targeted to low- or moderate-income individuals;
- (c) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
- (d) activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas or distressed or underserved non-metropolitan middle-income geographies.

Overall the bank provided an adequate level of community development loans in the assessment area.

Investments

The institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments⁴ that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The following criteria were evaluated: (1) the dollar amount of qualified investments; (2) the responsiveness of qualified investments to credit and community development needs; and (3) the degree to which the qualified investments are not routinely provided by private investors.

Needham is an active supporter of numerous economic, educational and social organizations in its assessment area. The bank made charitable donations to several community organizations through direct contributions from the bank. During the period under review, the bank donated \$61,232 for community development purposes. Some of the recipients include the YMCA of Greater Boston, Charles River Association for Retarded Citizens (ARC), Needham Housing Authority, Riverside Community Care, Springwell Inc.

In addition to grants and donations, the bank made two qualified investments, both serving a community development purpose. Needham extended approximately \$1.1 million for a mortgage backed security pool comprised of single family loans for low-and moderate-income individuals. A \$500,000 investment was made by Needham Bank to the Senior Housing Crime Prevention Foundation Investment Corporation which, as previously indicated in the lending section, is an organization that supports safe and affordable housing for low and moderate-income elders.

Services

The institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent of its community development services was evaluated as part of the examination.

⁴ A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate- income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies, or distressed or underserved middle-income areas.

Accessibility of Branches

Needham operates 5 full service offices within its assessment area; all are located in upper-income census tracts. The bank's branch offices are readily accessible to the assessment area, all have ATM access and two branches offer drive-up windows. Teller services are conveniently available at 7 AM at all locations. In addition, Needham's tellers are fluent in several foreign languages, this helps to accommodate bank customers. Some examples of the languages spoken are Cantonese, Italian, Hindi, Russian, Urdu, as well as many others.

Availability of Delivery Systems

The bank offers services that meet the needs of the community, including low- and moderate-income borrowers. Needham's deposit products include checking and savings accounts, certificates of deposit and IRA accounts. Loan services include residential loans, construction loans, home equity lines, small business loans and commercial real estate loans. In addition, Needham bank services are readily available through alternative delivery systems such as telephone banking and personal banking via the bank's website. Telephone services enable customers to retrieve balances and transfer funds. Online banking permits customers to pay bills, view account activities, or transfer funds. ATM service is available at each branch location.

Changes in Branch Locations

The bank's record of opening and closing branch offices has not adversely affected accessibility of its delivery systems, particularly to low- and moderate-income individuals. Since the previous examination, the bank has not closed any branch offices in the assessment area.

Community Development Services

Needham Bank provides community development services throughout its assessment area. Several bank personnel are involved with organizations that have a community development purpose. Bank employees have provided financial expertise, led fundraising efforts and offered financial education to low- and moderate-income individuals. The bank promotes community development opportunities that foster economic development, affordable housing, or social services to low- or moderate-income persons. These organizations include: Charles River ARC, Needham Opportunities Inc., South Shore Affordable Housing Alliance, Medfield Housing Authority, Needham Exchange Club, Southwest Affordable Housing Partnership (SWAHP), Dedham Housing Authority, Neponset Valley Chamber of Commerce, etc. Needham also offers homebuyer education seminars, which arm potential first time homebuyers with essential home purchasing fundamentals.

CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

Given the investment opportunities and level of competition in the assessment area, as well as the level of community involvement displayed by the bank, the institution's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans and loan programs, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

CRA APPENDIX A

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.

Block numbering area (“BNA”): A statistical subdivision of a county for grouping and numbering blocks in nonmetropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

Census tract: 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 statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and 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 the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract or a block numbering area delineated by the U.S. 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 data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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 (for example, 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 metropolitan area/assessment area.

Metropolitan area (“MA”): Any primary metropolitan statistical area (“PMSA”), metropolitan statistical area (“MSA”) or consolidated metropolitan statistical area (“CMSA”) as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

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.

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.

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") and the Thrift Financial Reporting ("TFR") 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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