

# **PUBLIC DISCLOSURE**

**November 9, 1998**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Medford Cooperative Bank  
26572**

**60 High Street  
Medford, Massachusetts**

**Federal Deposit Insurance Corporation**

**15 Braintree Hill Office Park  
Braintree, Massachusetts**

**NOTE: 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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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Medford Cooperative Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **November 9, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The bank's CRA performance reveals that adequate credit, investments, and services are provided to the assessment area. This rating is supported by the following:

A majority of loans were originated within the bank's assessment area.

An analysis of loan originations reveals that the distribution of loans to borrowers reflects an adequate penetration among individuals of different incomes.

A reasonable dispersion of loans within the assessment area has been achieved.

The average loan-to-deposit ratio reflects a more than reasonable level of responsiveness to community credit needs.

Qualified investments and services provide meaningful and productive resources to the community.

No written complaints were received since the prior CRA performance evaluation.

The above rating is based upon the institution's HMDA lending performance from January 1, 1996, through September 30, 1998 and small business lending from January 1, 1997, through October 31, 1998, given the performance context of the assessment area. The analysis is based on an expanded assessment area since the prior evaluation. The assessment area previously was the City of Medford, with it now including eight contiguous towns and cities. This expansion resulted in sixteen additional moderate-income census tracts and a more diverse population base. Detailed on the following pages are supporting documentation and analyses pertaining to the performance criteria summarized above.

## **DESCRIPTION OF INSTITUTION**

Medford Cooperative Bank is a Massachusetts chartered bank founded in 1886 with \$184 million in total assets as of September 30, 1998. The bank converted from a mutual to a stock institution on January 8, 1998. Mystic Financial, Inc. was organized as a bank holding company and has acquired all of the capital stock of the bank.

Medford Cooperative Bank has a main office located at 60 High Street, and operates two additional full service branches at 201 Salem Street and 430 High Street, both in the City of Medford. The bank also has an educational branch office at Medford High School, 489 Winthrop Street, Medford.

As of September 30, 1998, loans totaled \$145,137,000, representing 79% of total assets at \$184,156,000. The bank's primary lending focus is residential real estate, which represents 77% of the total loan portfolio. The remainder of the portfolio is comprised of commercial real estate (18%), commercial (4%), and consumer (1%) loans. Although the bank's primary lending focus is secured by 1-4 family residential properties, during the past three years the bank has made a major commitment to small business commercial lending. The bank has expanded its commercial lending department with the addition of two senior officers and has developed a support staff to run the commercial loan department. The bank is currently supported by 48 full-time and 21 part-time employees.

The bank was assigned a CRA rating of "Outstanding" as a result of both the Commonwealth of Massachusetts and FDIC evaluations dated May 5, 1997 and March 29, 1996, respectively. No apparent financial or legal impediments exist that would prevent the institution from continuing to meet the credit needs of the assessment area.

## DESCRIPTION OF ASSESSMENT AREA

CRA requires a bank to designate one or more assessment areas within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the regulation as it does not arbitrarily exclude low- or moderate-income areas, is made up of whole geographies, and does not extend beyond state boundaries. The current configuration of the assessment area is based on the bank's branch offices in Medford and the contiguous towns that it serves. In addition to Medford, the assessment area municipalities include Arlington, Everett, Lexington, Malden, Melrose, Somerville, Stoneham, and Winchester. All the cities and towns in the assessment area are located in Middlesex County and the Boston Metropolitan Statistical Area (MSA).

The following statistics are provided to more fully describe the assessment area, and to facilitate conclusions with respect to evaluating the bank's performance. All information, unless otherwise noted, was obtained from the 1990 U.S. Census Data.

### Census tracts:

68 census tracts are located within the assessment area  
17, or 25%, are in moderate-income census tracts  
37, or 54%, are middle-income census tracts  
14, or 21%, are upper-income census tracts

### Median family household income:

Boston MSA 1998 adjusted median family household income = \$60,000  
Low-income (<50%)..... \$29,999  
Moderate-income (50-79%).....\$30,000 to 47,999  
Middle-income (80-120%).....\$48,000 to 72,000  
Upper-income (>120%).....\$72,001

### Population:

367,426  
24% of the total household population is low-income  
17% of the total household population is moderate-income  
20% of the total household population is middle-income  
39% of the total household population is upper-income

### Housing:

Median housing value = \$198,329  
Total number of housing units = 151,102  
Median age of housing stock = pre-1940  
Owner occupancy rate = 50%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance criteria are reviewed to determine the level of commitment to the CRA. The areas considered include lending within the assessment area, lending to borrowers of different incomes and businesses of different sizes, the geographic distribution of loan originations, the loan-to-deposit ratio, and consumer complaints. In addition, the bank exercised its option to have qualified services and investments considered. As the bank's major product line is residential mortgages, originated loans as reported on the HMDA Loan Application (LAR) from January 1, 1996, to September 30, 1998, were analyzed. In addition, since increased emphasis and activity has occurred in the small business loan portfolio, originations from January 1, 1997 to October 30, 1998 were evaluated. Detailed below are the bank's efforts with regard to each of the above-mentioned performance criteria.

### Lending in Assessment Area

Medford Cooperative Bank's lending activity meets the standards for satisfactory performance. In order to qualify for a satisfactory rating on this factor at least a majority of its loans (by number and dollar volume) must be originated inside the assessment area. Although both the dollar and number volume are reviewed, emphasis is placed on the number of originations, as this does not have any bearing on the applicant's income level, business size, or the varying housing values within the assessment area. HMDA loan originations within the assessment area totaled 75% and 72% by number and dollar of total originations, respectively. In addition, a majority of small business lending occurred inside the assessment area.

The following table provides the LAR originations inside and outside the assessment area by calendar year. Noteworthy is the significant increase of loan originations inside the assessment area during 1998. This increase can be attributed to the favorable refinancing market experienced during 1998 as well as a modest increase in the area's real estate sales volume.

HMDA LAR Originations Inside and Outside the Assessment Area

	Inside Assessment Area				Outside Assessment Area			
	Number	%	\$000's	%	Number	%	\$000's	%
1996	178	78%	\$21,723	74%	50	22%	\$7,527	26%
1997	170	70%	\$21,730	66%	72	30%	\$11,442	34%
YTD 1998	205	78%	\$26,827	77%	59	22%	\$7,848	23%
<b>TOTAL</b>	<b>553</b>	<b>75%</b>	<b>\$70,280</b>	<b>72%</b>	<b>181</b>	<b>25%</b>	<b>\$26,817</b>	<b>28%</b>

## Lending in Assessment Area (Continued)

Satisfactory lending levels during 1996 and 1997 are also supported within the aggregate lending data. According to 1996 HMDA aggregate data, the bank ranked 12th out of 245 reporters, attaining a 2.12% market share relative to total originations. HMDA data for 1997 reflected a ranking of 16th out of 272 reporters, attaining a 1.96% market share. Market share represents the bank's ranking in relation to all institutions that originated mortgages within the assessment area.

The following table provides the small business loan originations inside and outside the assessment area by calendar year.

Small Business Loan Originations Inside and Outside the Assessment Area

	Inside Assessment Area				Outside Assessment Area			
	Number	%	\$000	%	Number	%	\$000	%
1997	70	60%	7,743	60%	46	40%	5,242	40%
YTD 1998	35	57%	4,207	44%	27	43%	5,263	56%
TOTAL	105	59%	11,950	53%	73	41%	10,505	47%

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

Medford Cooperative Bank has successfully originated loans to borrowers of different income levels and to businesses of different sizes. The following table details the distribution of assessment area mortgage originations among the four borrower income levels. For comparison purposes the table includes both the demographic data and the 1996 and 1997 aggregate data of the assessment area. The bank has consistently surpassed the aggregate and household demographics levels when lending to moderate-income applicants. However, lending levels to low-income borrowers shows a declining trend and was below aggregate levels during 1997.

Lending to Borrowers of Different Income Levels

Borrower Income Level	Households in Assessment Area	1996		1997		1998
		Bank	vs. Aggregate	Bank	vs. Aggregate	Bank Only
Low Income	24%	7%	5%	2%	4%	2%
Moderate Income	17%	24%	17%	23%	16%	18%
Middle Income	20%	29%	25%	33%	25%	28%
Upper Income	39%	39%	39%	40%	39%	52%

## Lending to Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

A review of small business loans originated during 1997 and YTD 1998 revealed that the bank has provided an adequate number and dollar volume of loans to businesses within the assessment area. The following table shows a breakdown of qualifying small business loans by size.

### Lending to Businesses of Different Sizes

Small Business Loans				
Loan Size	Number	%	\$000	%
Less than \$100,000	68	65%	2,534	21%
\$100,000 to \$250,000	29	27%	4,546	38%
\$250,001 and Over	8	8%	4,870	41%
TOTAL	105		\$11,950	

As shown above the majority of loans were small in dollar amount, with loans originated as low as \$5,000. In addition, the vast majority of the loans were originated to businesses with gross annual revenues under \$1 million. The bank's lending performance in the small business loan area supports an adequate penetration of lending to businesses of different incomes and sizes.

## Geographic Distribution of Loans

The distribution reflects an adequate dispersion throughout the assessment area and meets the standards for satisfactory performance. The main focus of analyzing the bank's geographic distribution is to determine the dispersion of loans among geographies that comprise the bank's assessment area. As the following table displays, lending levels within the moderate-income census tracts are considerably lower than aggregate and demographic data. The majority of the moderate-income tracts are in the towns of Everett and Somerville. Both of these towns were recently added to the bank's assessment area and have well established local banks that provide added competition. In addition, the housing demographics of the moderate-income census tracts reveal that approximately two-thirds of the households are non-owner occupied and therefore limit the possible lending opportunities. The following table illustrates the bank's HMDA-reportable loan origination activity within the assessment area by moderate-, middle-, and upper-income census tracts.

## Geographic Distribution of Loans (Continued)

### Distribution by Income Category of Census Tracts

Geographic Income Level	Households in Assessment Area	1996		1997		1998
		Bank	vs. Aggregate	Bank	vs. Aggregate	Bank Only
Low Income	NA	NA	NA	NA	NA	NA
Moderate Income	25%	7%	16%	10%	16%	9%
Middle Income	54%	81%	55%	76%	55%	76%
Upper Income	21%	12%	29%	14%	29%	15%

### Loan-to-Deposit Ratio

Medford Cooperative Bank's loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The quarterly average LTD ratio since the prior CRA evaluation, dated March 29, 1996, remains high at 88%. This ratio indicates that the vast majority of deposits are reinvested in the funding of loans. The trend of the LTD ratio has consistently been maintained at more than a reasonable level. In support of this performance the ratio was evaluated in light of information from the performance context including, the institution's capacity to lend, demographic and economic factors present in the assessment area, and the lending opportunities available to the institution.

### Qualified Investments

The bank benefits its community by making contributions to various community groups and non-profit organizations. The bank's has made numerous contributions to various organizations which specifically serve low- and moderate-income individuals or promote economic development within the assessment area. The following details some of the bank's noteworthy efforts in meeting community needs.

#### Cooperative for Human Services (CHS)

Medford Cooperative Bank and the Thrift Fund provided a loan for \$566,000 to CHS. CHS provides innovative residential and supportive services to adults with developmental disabilities. The loan enabled CHS to purchase three single family homes in Medford, which are occupied by individuals with less than 50% of the Boston MSA median family income. The bank's portion of the loan (\$287,000) was partially funded through an FHLBB Affordable Housing Program direct subsidy.

## **Qualified Investments (Continued)**

### Community Investment Program “Plus” (CIP+)

Medford Cooperative Bank was awarded over \$13 million in Federal Home Loan CIP funds in 1998. The funds will be used to finance affordable homeownership and rental housing opportunities for qualifying households through loans for acquisition, refinancing, construction and/or rehabilitation.

### Lawrence Memorial Hospital MHEFA Bond

Medford Cooperative Bank purchased a \$200,000 MHEFA bond in 1977. This bond was used to partially finance a mortgage loan to Lawrence Memorial Hospital, which is the only hospital located in Medford. The bond matured in October of 1997.

### Qualified Grants

From January 1996 to October 1998 approximately \$20,000 in gifts and contributions were made to various organizations which have community development as their primary purpose. The ultimate recipients of these donations included affordable housing related services, health programs, senior citizen organizations, food assistance, and educational services.

The investments described above benefit the community and low- and moderate-income individuals, and therefore provide additional support to the overall rating.

## **Qualified Services**

The bank’s main office and two branches are considered accessible and convenient to the community within which the bank serves. The branch distribution of offices is considered adequate with all branches located in middle-income geographies. Business hours are reasonable at all banking locations, with extended Thursday evening hours and Saturday banking hours offered at all locations. After hours banking is available through the use of night depositories and Automated Teller Machines (ATMs), of which the bank is a surcharge free alliance member. In addition, a voice response toll-free telephone 24-hour access system was installed in September of 1997. This allows customers to perform certain banking functions over the phone.

A new deposit account was introduced called the “Bridal Registry” account. This is primarily a deposit account, but if the savings are used toward a downpayment, qualified applicants are given a mortgage with no closing costs. This deposit and loan product was designed to help young couples, who are just starting out, accumulate enough savings for a downpayment on a home.

## **Qualified Services (Continued)**

In addition, a number of bank officers and employees provide numerous hours in assisting area organizations in their efforts. The following provides a sample of the area organizations that benefit from bank employee involvement.

### First Time Homebuyers Seminars

Several homebuyer seminars are conducted each year. During 1998 two seminars were held for interested members of the community. The bank has further supported first time homebuyers by allocating \$5 million in mortgage funding for these applicants. In addition, Medford Cooperative Bank, in conjunction with five other banks, funded the costs of two-first time homebuyer seminars conducted by Medford Community Housing during 1996. The bank's Senior Vice President/Chief Lending Officer is on the board of directors of this organization.

### Telecom City Commission- Mystic Valley Development Commission (MVDC)

MVDC is an independent development authority created by the State legislature to foster the development of an office/research park. The facilities are to be located on a 200 acre parcel which includes portions of Medford, Malden, and Everett. The commission has a \$1 million operating budget and another \$100 million in State bonds committed for infrastructure and site preparation. The commission is comprised of seven members including the three mayors from the respective cities, an appointed designee from each city and the Lieutenant Governor as an ex officio member. Medford Cooperative Bank's President is the Medford representative on the commission. Planners estimate the creation of up to 8,000 new jobs and private sector investments of \$750 million in the development and construction of the facilities.

### The Melville Trust

This trust was established by the late David G. Melville to assist needy residents in the City of Medford. Mr. Melville suggested in his will that, "aid be given to those temporarily embarrassed who through pride or for other reasons may not ask for or receive assistance through ordinary welfare channels, and to those persons who through age or illness may such aid be provided with the necessary hospital or medical care or be assisted in entering hospitals, sanitarium or homes where they may be permanently provided for." President Surabian serves as one of the three trustees and assists with investing and disbursing the endowment funds.

The services described above provide meaningful and productive resources to the community. As a result, they provide additional support to the overall rating.

## **Response to Complaints**

Medford Cooperative Bank has not received any complaints regarding its performance in meeting assessment area credit needs since the prior evaluation.

## **Compliance with Anti-Discrimination Laws and Regulations**

A review of lending policies and procedures, as well as approved and denied credit applications did not reveal any evidence of prohibited discriminatory or other illegal credit practices.