

# **PUBLIC DISCLOSURE**

**February 8, 1999**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Marblehead Savings Bank  
90234**

**21 Atlantic Avenue  
Marblehead, Massachusetts 01945**

**Federal Deposit Insurance Corporation**

**15 Braintree Hill Office Park  
Braintree, Massachusetts 02184**

**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 **Marblehead Savings Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February 8, 1999**. 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 **Outstanding**.

The bank's CRA performance depicts an outstanding practice of providing for the credit needs of its assessment area. The rating is supported by the following:

- **Lending to borrowers of different incomes** - The bank's percentage of HMDA originations to moderate-income applicants exceeds the percentage of moderate-income households in the assessment area. The bank's percentage of originations to both low- and moderate-income applicants exceeds the aggregate's percentages.
- **Lending in the assessment area** - The bank originated the majority of its residential mortgage loans within its assessment area and obtained the highest market share for both 1996 and 1997.
- **Loan-to-deposit ratio** - The average loan-to-deposit ratio, calculated at 104 percent, reflects a strong response to the credit needs of the area.
- **Geographic distribution** - As there are no low- or moderate-income census tracts within the assessment area, this factor does not bear much weight on the overall CRA rating. However, the dispersion of the bank's residential mortgage loans made in the one middle-income and four upper-income census tracts within the assessment area is reasonable. Also, a review of all HMDA originations revealed that MSB is originating loans in low- and moderate-income census tracts outside its assessment area.
- **CRA-related complaints** - The bank's responsiveness to CRA-related complaints was deemed adequate.

## DESCRIPTION OF INSTITUTION

Marblehead Savings Bank (MSB), located in Marblehead, Massachusetts, is a mutually owned bank with \$117,006,000 in total loans and \$154,191,000 in total assets. The bank's primary business focus is the origination of residential real estate mortgages. As of September 30, 1998, the loan portfolio consisted of 86 percent residential real estate, 1 percent multi-family real estate, 1 percent construction, 7 percent commercial real estate, and 5 percent other loans.

The bank's main office is located at 21 Atlantic Avenue, Marblehead, Massachusetts and a full service branch is located at 1 Humphrey Street in Marblehead. Automated teller machines are located at both branch offices.

### **Description of Institution (continued)**

There are no significant financial or legal impediments which limit the bank's ability to help meet the credit needs of its community. The bank's performance under the Community Reinvestment Act (CRA) was deemed "Outstanding" at both the previous FDIC examination dated April 29, 1996, and the Commonwealth of Massachusetts Commissioner of Banks examination dated December 22, 1997.

## **DESCRIPTION OF ASSESSMENT AREA**

The Community Reinvestment Act (CRA) requires financial institutions to identify one or more assessment areas in which they intend to focus their lending efforts. Marblehead Savings Bank has designated its assessment area as the towns of Marblehead and Swampscott, MA, both of which are located in the Boston, MA-NH PMSA. According to 1990 Census data, the total population of the assessment area is 33,560.

### **Income Levels**

The assessment area consists of five census tracts, of which one is middle-income and four are upper-income. There are no low- or moderate-income census tracts. According to 1990 Census data, the median household income for the assessment area is \$63,970, which is significantly higher than Boston PMSA median income of \$48,688. There are 13,492 households in the assessment area, of which 2,201 (16 percent) are low-income, 1,665 (12 percent) are moderate-income, 2,406 (18 percent) are middle-income, and 7,220 (54 percent) are upper-income.

### **Housing**

There are 14,371 housing units, of which 68 percent are owner occupied, 26 percent are rental units, and 6 percent are vacant. According to 1990 Census data, the median value of a house is \$242,784, and the median gross rent is \$794 per month. The most recent data indicates that the average median price of a home sold in the assessment area during the third quarter of 1998 was \$264,000. In comparison, the median price of homes sold in Essex County during this period was \$165,000.

### **Competition**

MSB faces significant competition from one local institution, The National Grand Bank of Marblehead, and from mortgage companies, credit unions, and several large regional banks.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The following conclusions are based on data obtained from the bank's 1996, 1997, and YTD 1998 (November) Home Mortgage Disclosure Act Loan Application Registers (HMDA LARs). Loan originations rather than total applications, were utilized to evaluate the bank's performance.

**LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES**

The bank’s performance regarding lending to borrowers of different incomes exceeds the standards for satisfactory performance. Under this criterion, the distribution of the bank’s lending is compared to the distribution of households by income level in the assessment area. As the bank is primarily an originator of residential mortgages (86 percent of gross loans), the analysis for this performance factor is based entirely on the distribution of residential real estate loans originated during 1996, 1997, and through November 30, 1998.

Much of the analysis contained in this report is based on 1990 U.S. Census Bureau data. However, the Department of Housing and Urban Development (HUD) adjusts the 1990 median family household income (MFHI) figures for each PMSA annually. The following table shows the adjusted figures for the Boston PMSA for 1996, 1997, and 1998.

ESTIMATED INCOME FIGURES FOR 1996, 1997 AND 1998			
PMSA	HUD estimated 1996 MFHI	HUD estimated 1997 MFHI	HUD estimated 1998 MFHI
Boston, MA-NH	\$56,500	\$59,600	\$60,000

The following table shows the income ranges by *dollar amount* for the Boston PMSA.

BOSTON MA-NH PMSA MFHI RANGES				
Income Level	Percent of Median Family Income	1996 Income Ranges	1997 Income Ranges	1998 Income Ranges
Low income	Less than 50%	\$0 - \$28,249	\$0 - \$29,799	\$0 - \$29,999
Moderate income	50% to < 80%	\$28,250 - \$45,199	\$29,800 - \$47,679	\$30,000 - \$47,999
Middle income	80% to < 120%	\$45,200 - \$67,799	\$47,680 - \$71,519	\$48,000 - \$71,999
Upper income	120% and over	\$67,800+	\$71,520+	\$72,000+

The following table shows the number of loans made by Marblehead Savings Bank to borrowers of different income levels *within its entire assessment area* from January 1996 through November 1998. In addition, the table includes the percentage of households within each income level according to the 1990 Census data.

<b>RESIDENTIAL REAL ESTATE LOANS</b>					
<b>INCOME LEVEL</b>	<b>PERCENT OF HOUSEHOLDS</b>	<b>NUMBER OF LOANS</b>	<b>PERCENT OF # OF LOANS</b>	<b>DOLLAR AMOUNT OF LOANS (000'S)</b>	<b>PERCENT OF \$ OF LOANS</b>
Low	16%	25	4%	\$2,456	3%
Moderate	12%	81	14%	\$8,808	10%
Middle	18%	164	29%	\$20,803	24%
Upper	54%	302	53%	\$55,426	63%
<b>TOTALS</b>	<b>100%</b>	<b>572*</b>	<b>100%</b>	<b>\$87,493</b>	<b>100%</b>

\* excludes five instances in which the applicant income was not available.

As shown in the table above, Marblehead Savings Bank originated 572 residential mortgage loans within its assessment area during the period reviewed. The bank's lending to moderate-, middle-, and upper-income individuals was either comparable to or exceeded the percentage of households in the assessment area in each category. Conversely, the bank's lending to low-income individuals (4 percent) is substantially lower than the percentage of low-income households within the assessment area (16 percent). A mitigating factor to consider is the affordability of the assessment area's housing stock. For families earning less than \$30,000 a year, a home with the average median price of \$242,784 may be difficult to qualify for, even using flexible underwriting standards.

Another comparative analysis was performed to help gauge the bank's lending performance to low- and moderate-income borrowers. Data computed by Tactician CRA Analyzer software was used to compare MSB's lending performance with the lending performance of all financial institutions that originated HMDA reportable loans in the assessment area during 1996 and 1997 (the most recent data available). The following table summarizes the comparison of MSB with the aggregate market.

<b>COMPARISON OF ORIGINATIONS EXTENDED WITHIN THE ASSESSMENT AREA</b>				
<b>APPLICANT INCOME LEVEL</b>	<b>1996</b>		<b>1997</b>	
	<b>MSB</b>	<b>AGGREGATE MARKET</b>	<b>MSB</b>	<b>AGGREGATE MARKET</b>
	<b>PERCENT OF # OF LOANS</b>	<b>PERCENT OF # OF LOANS</b>	<b>PERCENT OF # OF LOANS</b>	<b>PERCENT OF # OF LOANS</b>
Low	4%	2%	5%	3%
Moderate	17%	11%	16%	11%
Middle	27%	22%	30%	23%
Upper	51%	63%	48%	61%
NA*	1%	2%	1%	2%
<b>TOTALS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Income was not reported

The comparison demonstrates that MSB has been more successful than its competitors in lending to low- and moderate-income borrowers and further supports MSB's performance.

#### **LENDING IN ASSESSMENT AREA**

The bank's performance under this criterion exceeds the standards for satisfactory performance. MSB originated 72 percent of the number and 76 percent of the dollar volume of all residential real estate loans, from 1996 through YTD 1998, within its assessment area.

Further supporting the bank's assessment area concentration is an analysis of the competition level within the assessment area. According to Market Rank Reports obtained from the Tactician CRA Analyzer Software (most recent data available), MSB ranked number one out of 153 and 160 entities originating HMDA loans in the assessment area for 1996 and 1997, respectively.

#### **LOAN-TO-DEPOSIT RATIO**

Marblehead Savings Bank's Loan-to-Deposit (LTD) ratio exceeds the standards for satisfactory performance. The bank's average LTD ratio of 104 percent was calculated using quarterly data from the FDIC Consolidated Reports of Condition (Call Reports) since the previous FDIC examination. The bank's September 30, 1998 ratio is 119 percent. Of the local competitors, only two are similar to the bank in terms of size: Heritage Co-Operative Bank and The National Grand Bank of Marblehead, with ratios (as of September 30, 1998) of 80 percent and 72 percent, respectively.

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

This performance criterion evaluates the bank's distribution of loans among census tracts of different income levels, focusing on low- and moderate-income census tracts. As the bank's assessment area does not contain any low- or moderate-income census tracts, this criterion does not bear significant weight on the bank's overall CRA rating.

A comparison of the distribution of loans among the one middle- and four upper-income census tracts to the percentage of the population residing within those areas, revealed the bank has extended monies consistently among all five census tracts.

A review of the total HMDA originations revealed that MSB does originate loans in both low- and moderate-income census tracts. For the period under review (1996 to 1998), the bank originated 8 and 26 loans within low- and moderate-income census tracts outside its assessment area, respectively. Further exemplifying the bank's willingness to lend in these areas is the fact that during this timeframe, MSB originated approximately 80 percent of the *applications* it received from low- and moderate-income tracts.

## **RESPONSE TO COMPLAINTS**

Management's responsiveness to consumer complaints was evaluated and deemed to meet the standards for satisfactory performance. Since the last FDIC examination, the bank received one CRA-related complaint. The complaint in question resulted from the denial of an unsecured personal loan. The FDIC Regional Office determined that the bank acted in an appropriate manner.

## **QUALIFIED INVESTMENTS AND SERVICES**

At the bank's request, qualified investments and services were reviewed. To be considered, an investment or service must meet the definition of community development. According to Part 345 of the FDIC Rules and Regulations, community development is defined as affordable housing, community services, economic development, or community stabilization or revitalization of low- and moderate-income geographies. Further, a qualified investment is defined as a lawful investment, deposit, membership, or grant that has its primary purpose community development. Community development services must relate to the provision of financial services. The following is a summary of the bank's qualified investments and services:

- Low Cost Deposit Products - MSB is a participant in the Massachusetts Bankers Association Voluntary Programs. In response to the “Basic Banking for Massachusetts” Program, the bank offers Personal Checking accounts and interest bearing Passbook or Statement Savings accounts with no fees and a \$10 minimum balance. The bank also participates in the Massachusetts Community Banking Council’s Voluntary Government Check Cashing Program which allows non-customers to cash government checks.

Low cost checking accounts are available for businesses. Options include: no minimum balance requirements with a low monthly fee of \$7.00; no charges for deposits; no annual fees; and no ATM (at MSB) or POS fees. Business customers are also eligible for earnings credits.

- Alternative Delivery Systems - Banking by telephone is available 24-hours a day by calling the bank’s toll free Automated Banking Center (ABC) line. Telephone banking can be used for all deposit and loan account inquiries; transfers between accounts; product and rate information; interest earnings; last deposits/withdrawals made; last 5 checks cleared; branch locations and hours; and bill payments.

In November 1997, MSB established an Internet web site. The web site provides a comprehensive overview of MSB’s personal and commercial banking products and services; lists branch locations and hours; and posts deposit and loan rates weekly. In April 1998, the bank introduced on-line banking. On-line bank customers can print up-to-date detailed statements; verify account balances; list cleared checks and deposits; track transfers and debit-card transactions; check mortgage and loan balances; make transfers between accounts; and make bill payments. MSB’s on-line banking does not require proprietary software, thus anyone with Internet access can use the system once they receive a personal identification number (PIN).

The Bank also participates in the following programs designed to provide services to its community. These are not considered community development services because they are not specifically targeted towards low- or moderate-income groups. However, these activities clearly benefit the community as a whole and demonstrate the bank’s responsiveness to a range of community needs.

- Savings Makes “Cents” - MSB is a participant in State Treasurer Joe Malone’s Savings Make “Cents” program. Under this program, schools use a curriculum developed by the Treasurer’s Office to teach students the value of money. The bank’s CRA Officer served on the Advisory Committee with the State Treasurer’s Office. The program was piloted at the Glover School in Marblehead and then implemented at Marblehead’s Middle School.

- St. Stephen's Nursery School - Two bank employees participated in a Community Helpers series at St. Stephen's Nursery School. The segment focused on "valuable community services" provided by local organizations and spotlighted individual professions that make a difference in the community.
- College Fairs - Loan department personnel annually attend the Swampscott/Marblehead and Peabody College Fairs to answer questions regarding student loan products and various strategies for financing higher education.
- Marblehead Chamber of Commerce - MSB sponsored The Giving Tree for the Marblehead Chamber of Commerce. The bank served as a drop off point for donations for a local food pantry and provided hot chocolate to donors.
- Spring Home Improvement and Garden Expo - MSB sponsored the first annual Spring Home Improvement and Garden Expo. The Expo showcased a wide range of home improvement and garden services and a series of lectures and panel discussions. It allowed for 50 businesses from Marblehead and surrounding towns to showcase their services. Bank representatives participated in a panel discussion on home refinancing.
- Family First Expo - MSB sponsored the first annual Family First Expo which provided families with informative services offered in and around Marblehead. The Expo gave additional exposure to local businesses that do not have storefronts, such as financial service providers, law offices, daycare providers, and more. Bank representatives facilitated a panel discussion on financial planning issues.
- Community Recognition - MSB was voted Business of the Month in June 1998 and the 1998 Business of the Year by the Marblehead Chamber of Commerce. The Chamber noted that the bank demonstrated its community spirit in many ways, including making charitable contributions to the Electronic Scoreboard at Stanford Hopkins Stadium, athletic and academic fundraisers, the new trophy case at the Community Center, and to the DARE program. MSB continues to serve the community and its customers by sponsoring the annual catered soup-to-nuts customer appreciation day, inviting children and their families to have pictures taken with Santa Claus, creating the charitable giving tree during the holiday season, providing a venue for the town's menorah lighting service, and donating smaller gifts and volunteering manpower whenever possible for other causes. MSB was also recognized for its involvement in organizing events like the Spring Home and Garden Expo and the Family First Expo mentioned above.

#### **COMPLIANCE WITH ANTI-DISCRIMINATION LAWS AND REGULATIONS**

No violations of the substantive provisions of the Equal Credit Opportunity Act, the Fair Housing Act, or the Home Mortgage Disclosure Act were detected at this examination. A review of approved, denied, and withdrawn credit applications was conducted, and no discriminatory or unfair credit practices were detected.