

PUBLIC DISCLOSURE

July 6, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marlborough Co-operative Bank
26510**

**175 Main Street
Marlborough, Massachusetts 01752**

**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 **Marlborough Co-operative Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 6, 2004**. 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 depicts 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. Small bank CRA evaluation procedures were utilized, which consist of a review of five lending criteria: Loan-to-Deposit Ratio; Lending in the Assessment Area; Borrower Profile; Geographic Distribution of Loans; and response to CRA complaints, if applicable. The rating is supported by the following conclusions:

- The average loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institutions size, financial condition, and assessment area credit needs.
- A majority of the bank's residential loans were extended within its delineated assessment area.
- The distribution of loans originated to borrowers of different incomes, given the demographics of the assessment area, reflects an excellent penetration among individuals of different income levels (including low- and moderate-income). Lending performance substantially exceeded that of the aggregate market. The preceding conclusions were determined utilizing bank collected HMDA data.
- The geographic distribution of residential real estate loans reflects an excellent dispersion throughout the assessment area. There were some significant lending gaps noted during the evaluation period; however, none were attributable to the one moderate-income geography. The bank does not maintain any offices in geographies that did not have any activity. Overall, the bank's performance substantially exceeded that of the aggregate market.
- There were no CRA-related complaints received during the examination period and there was no evidence of discriminatory acts or practices detected during a fair lending review.

DESCRIPTION OF INSTITUTION

Marlborough Co-operative Bank (MCB) is an \$82,554,000 state-chartered, mutually owned co-operative bank established in January 1890 and headquartered in Marlborough, Massachusetts. In addition to the main office located at 175 Main Street, the bank operates one additional branch office located at 234 East Main Street in Marlborough. The main office provides drive-up facilities, automatic teller machines (ATMs), and a complete line of loan products. The branch office provides drive-up and walk-up vestibule services. Also, the branch office facility offers check cashing, deposit, and loan payment receipt services. Both offices are located in middle-income census tracts. The bank operates a remote service facility (RSF) at the Holiday Inn located at 265 Lakeside in Marlborough. This RSF is located in a middle-income geography. MCB customers may utilize their ATM and Debit cards (no transactional or surcharge fees will be assessed) at all Massachusetts Price Chopper Supermarket locations. Additionally customers may use the SUM ATM network for free ATM usage. The bank has not opened any branch offices during the evaluation period; however, closed one branch office located at 19 Main Street, Hudson, Massachusetts (middle-income geography). This branch was closed on December 1, 2001.

MCB is considered a full-service financial institution that offers its retail customers a wide array of financial services. In terms of deposit services, customers have the option of choosing from a selection of savings, checking, time deposits, and retirement accounts. In terms of credit services, MCB offers various types of residential, commercial, and consumer loan products.

The bank's primary business focus is residential real estate loans, which comprise approximately 83.2 percent of the total loan portfolio. Total assets have increased \$14,429,000 or 17.5 percent since September 1999. Table 1 below reflects a breakdown of the entire loan portfolio, as of March 31, 2004. Also, MCB reported a total of \$45,812,000 in net loans and \$66,922,000 in deposits as of that date. A detailed listing of the bank's lending and deposit products is appropriately maintained in the CRA Public File.

Table 1 - Loan Distribution as of March 31, 2004		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	2,552	5.6
1-4 Family Residential	35,300	77.1
Multi-Family (5 or more) Residential	556	1.2
Commercial	4,824	10.5
Total Real Estate Loans	43,232	94.4
Commercial and Industrial	1,179	2.6
Consumer	1,730	3.8
Less: Unearned Income	<329>	<0.8>
Total Loans	\$45,812	100.0%

Source: Consolidated Report of Condition and Income (Call Reports)

There are no legal impediments that would adversely impact the bank's performance pursuant to CRA guidelines, and the bank's financial condition does not appear to be a factor in precluding the extension of credit in a safe and sound manner. The bank received a CRA rating of *Satisfactory*, at the previous FDIC CRA Performance Evaluation conducted on June 16, 1999. The preceding rating was indicative of a satisfactory record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

MCB operates in an extremely competitive market in terms of the provision of financial services. The bank's primary competitors are Marlborough Savings Bank (Marlborough); Community National Bank, now known as Citizens Bank of Massachusetts (Hudson); Hudson Savings Bank (Hudson), and St. Mary's Credit Union (Marlborough). Citizens Bank of Massachusetts and Hudson Savings Bank maintain branch offices in Marlborough. CRA regulations mandate the identification and comparison of lending records to *similarly situated* financial institutions. Citizens Bank of Massachusetts and Hudson Savings Bank are considered *large banks* pursuant to CRA regulations. St. Mary's Credit Union is considered a *large credit union* by the Massachusetts Division of Bank and is evaluated accordingly. Marlborough Savings Bank, though somewhat larger than MCB in terms of total assets, is considered a *small bank*.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires a financial institution to define an assessment area, or areas within which it will concentrate its lending efforts. Predicated on the preceding criteria, MCB established or delineated one contiguous assessment area. The entire assessment area is located within the political boundaries of the State of Massachusetts. According to 1990 census data, the assessment area consists of 16 census tracts located in 9240, Worcester, MA-CT MSA (Worcester County) and 13 geographies located in the 1120, Boston, MA-NH CMSA (Middlesex County). The Worcester MSA is part of the Boston CMSA. Further defined, the assessment area includes the City of Marlborough and the Towns of Hudson, Stow, and Maynard in Middlesex County (1120, Boston, MA-NH CMSA) and the Towns of Clinton, Berlin, Shrewsbury, Northborough, Southborough, and Westborough in Worcester County (9240, Worcester, MA-CT MSA).

According to the 1990 census the assessment area contained 29 census tracts, with income classifications as follows: 1 moderate-, 15 middle-, and 12 upper-income census tracts. One census tract (3882.98), located in the City of Marlborough has no households, does not have an assigned tract income classification, and is designated as N/A. The preceding census tract was eliminated in the 2000 census. The moderate-income tract was located in Marlborough.

Although the geographical alignment of the bank's assessment area has not changed since 2002, the 2000 United States census compilations have renumbered some census tracts and reconfigured some of the assessment areas' geographical income classifications. The 2000 census reflects an increase in the number of census tracts to 30 geographies. The breakdown is as follows: 18 middle-income and 12 upper-income census tracts. There are no low- or moderate-income tracts. Both of the bank's offices are located in middle-income census tracts in the City of Marlborough. *The Interstate Banking and Branching Efficiency Act of 1994 (IBBEA) is not applicable, as the bank does not maintain any branch offices in the Worcester, MA-CT MSA; which as previously noted is part of the Boston, MA-NH CMSA.*

While not a factor in this Public Evaluation (analytical years are 2002 and 2003), it should be noted that due to census revisions, commencing in 2004 the bank's delineated assessment area is composed as follows: 2 moderate-income census tracts (Marlborough); 17 middle-income geographies, and 11 upper-income census tracts. Based on 2004 census data the bank's main office is located in a moderate-income geography.

The analysis of the 2002 residential mortgage data will be conducted utilizing 1990 census data, while year 2003 residential mortgage analysis will be performed using 2000 census.

According to 1990 United States Census data, the population of the assessment area was 137,072, residing in 36,634 households. Of these households, 13.2 percent are low-income, 15.4 percent are moderate-income, 23.7 percent are middle-income, and 47.7 percent are upper-income family households. Approximately 3.0 percent of family households fall below the poverty level.

According to the 2000 United States Census data the assessment area population was 158,949, encompassing 42,398 family households. Of these households, 12.9 percent are low-income,

15.3 percent are moderate-income, 21.0 percent are middle-income, and 50.8 percent are upper-income family households. Approximately 3.3 percent of family households residing in the bank's delineated assessment area are living below the poverty level. Total population of the assessment area increased 13.8 percent from 1990 to 2000. The majority of the population (42.7 percent) resides in the City of Marlborough (Middlesex County) and the Town of Shrewsbury (Worcester County).

According to 1990 United States Census information, the population resides in 54,562 housing units. Included in the housing stock are 62.5 percent owner-occupied, 31.9 percent occupied rental units, and 5.6 percent consist of vacant/boarded-up units. A further analysis of housing stock reveals that 77.4 percent represent 1-4 family units, 20.1 percent multifamily units, and 2.5 percent represent mobile homes and other types of units. The relatively high owner occupancy rate presents significant opportunities for purchase money, refinance, and home improvement lending.

According to 2000 United States Census information total assessment area housing units experienced a significant increase from 1990. Total housing units increased to 62,810 housing units, representing an increase of 13.1 percent. Included in the housing stock are 67.4 percent owner-occupied, 29.9 percent occupied rental units, and 2.7 percent consist of vacant/boarded-up units. A further analysis of housing stock reveals that 79.5 percent represent 1-4 family units, 19.0 percent multifamily units, and 1.5 percent represents mobile homes and other types of units. Again, the relatively high owner occupancy rate presents significant opportunities for purchase money, refinance, and home improvement lending. As noted previously, 3.3 percent of the total family households are living below the poverty level, making it significantly more difficult to support the debt obligations commensurate with the median housing values in the middle- and upper-income geographies.

Refer to Table 2 and 2a for additional statistical information.

Table 2 - Selected Housing Characteristics by Income Category of the Geography (1990 Census Data)									
Geographic Income Category	Percentage						Median		
	Census Tracts	Family Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age*	Home Value*	Gross Rent**
Low	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0
Mode rate	3.4	4.1	5.2	3.2	8.9	6.2	51	\$150,100	\$596
Middle	51.7	53.9	57.0	51.2	68.1	57.9	33	\$158,400	\$636
Upper	41.4	42.0	37.8	45.6	22.9	35.9	23	\$195,804	\$742
N/A	3.4	0.0	0.0	0.0	0.0	0.0	0	0	0
Total or Median ***	100	100	100	100	100	100	29	\$176,338	\$657

Source: U.S. Census, * - Owner-Occupied Units, ** - Renter-Occupied Units, *** - Total Percentage may not add to 100 due to rounding.

Table 2a - Selected Housing Characteristics by Income Category of the Geography (2000 Census Data)									
Geographic Income Category	Percentage						Median		
	Census Tracts	Family Households	Housing Units	Owner-Occupied	Rental Units	Vacant Units	Age*	Home Value*	Gross Rent**
Low	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Moderate	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Middle	60.0	53.3	58.2	51.4	73.1	63.3	41	\$178,227	\$724
Upper	40.0	46.7	41.8	48.6	26.9	36.7	26	\$245,513	\$937
Total or Median ***	100	100	100	100	100	100	33	\$213,282	\$782

Source: U.S. Census, * - Owner-Occupied Units, ** - Renter-Occupied Units, *** - Total Percentage may not add to 100 due to rounding.

Table 3 details the Worcester MA-CT MSA and the Boston, MA-NH CMSA median family incomes utilized in analyzing the bank's lending data over the review period (calendar years 2002 and 2003). The 1990 MSA income figures were utilized to determine the income level category for each census tract or geography located in the assessment area. Median Family Income levels for individuals are determined by utilizing annually adjusted estimates provided by the Department of Housing and Urban Development (HUD). Income levels are determined as follows: low-income individuals equal to or less than 50.0 percent of median family income; moderate-income persons greater than 50.0 percent to equal to or less than 80.0 percent of median family income; middle-income individuals greater than 80.0 percent and less than 120.0 percent of median family income; and upper-income individuals are equal to or greater than 120.0 percent of median family income.

Table 3 - Median Family Income data	
<u>Boston, MA-NH MSA Median Family Income</u>	
1990 Median Family Income (*)	\$48,688
2002 Estimated Median Family Income (*)	\$74,200
2003 Estimated Median Family Income (*)	\$80,800
<u>Worcester, MA-CT MSA Median Family Income</u>	
1990 Median Family Income (*)	\$42,220
2002 Estimated Median Family Income (*)	\$58,400
2003 Estimated Median Family Income (*)	\$68,000

*Figures are based on estimates provided by the Department of Housing and Urban Development (HUD).

Since the bank's delineated assessment area comprises negligible portions of the Worcester MSA and the Boston CMSA from a population perspective, various economic information will be presented by county. The economy in Middlesex and Worcester Counties appear generally strong. The labor market appears to have stabilized, inflation remains negligible, and interest rates remain low. As noted in Table 4, the unemployment rates for both counties have experienced incremental decreases over a one year period. Total housing permits in Middlesex County increased 30.6 percent for the first quarter of 2003 compared to the first quarter of 2004. Total housing permits for Worcester County increased 29.2 percent during the aforementioned period. Multifamily housing permits in both counties experienced substantial increases, potentially helping to address significant affordable housing needs in the area.

Table 4 – Unemployment Rates		
Area of Discussion	First quarter 2003	First quarter 2004
Middlesex County	5.4%	4.6%
Worcester County	7.1%	6.7%
State of Massachusetts	6.3%	5.9%
United States	6.4%	6.1%

Services, retail trade, government, and manufacturing are the four primary industries in the assessment area. Leading employers in the area (in terms of the total number of employees) are Intel Corporation (Hudson), Verizon New England (Marlborough), and Nypro, Inc. (Clinton).

The median housing values in the bank’s delineated assessment area increased from \$176,338 in 1990 to \$213,282 in 2000, representing a 17.3 percent increase. However more notable is that recent sales data indicates the median sales price of single family homes in the City of Marlborough from January through May 2004 is \$308,000. The median sales price for single family homes during the same period in the Town of Shrewsbury is \$338,900. The median housing value divides the value distribution into two equal parts, ones having values above the median and others having values below the medium. The assessment area is relatively affluent as evidenced by the reasonably high median house values, and the substantial number of assessment area family households that are classified as upper-income.

Community Contact

As part of the evaluation process, a third party, active in community affairs, was contacted to assist in assessing the housing and business needs of the bank’s assessment areas. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any are available. The contacted party stated that Marlborough Co-operative Bank is a good partner and is responsive in terms of participating in various residential mortgage lending programs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

MCB's loan-to-deposit ratio (LTD) is considered reasonable and meets the standards for satisfactory performance. This conclusion is based upon economic conditions in the assessment areas, types of loan products offered, the bank's current loan-to-deposit ratio, and the bank's size and financial condition. The loan-to-deposit ratio performance factor is generally assigned the least weight in assessing overall performance; it is primarily utilized as a reference to determine whether an institution is lending to a reasonable degree, in terms of reinvesting deposited funds back into the community.

The bank's average loan-to-deposit ratio for the preceding 19 quarters (September 1999 to March 2004) is 80.3 percent. The ratio experienced wide fluctuations, reaching a high of 94.2 percent in March and June of 2000; the lowest ratio of 66.3 percent occurred in December 2003. During the preceding 19 quarters net loans decreased 16.7 percent, while deposits increased 17.5 percent.

Table 5 – Loan-to-Deposit Ratio (LTD) as of March 31, 2004				
Bank Name	Total Assets \$(000)	Net Loans \$(000)	Total Deposits \$(000)	Current Loan-to- Deposit Ratio
Marlborough Co-operative Bank	\$82,554	\$45,812	\$66,922	68.5%
Hudson Savings Bank	\$541,897	\$407,343	\$378,285	107.7%
Marlborough Savings Bank	\$259,911	\$134,998	\$227,602	59.3%
*St. Mary's Credit Union	\$441,676	\$288,084	\$374,415	76.9%

*LTD ratio as of December 31, 2003.

As Table 5 illustrates, MCB's performance relative to LTD ratio reflects a satisfactory effort to lend in accordance with its resources, capabilities, and assessment area needs. As depicted, the bank's performance exceeds one similarly situated bank and is below that of two other similarly situated institutions. It should be noted that Hudson Savings Bank is considered a *large bank* pursuant to CRA regulations; therefore the comparison is not ideal. Also, St. Mary's Credit Union is considered a *large credit union* by the Massachusetts Division of Banks and is evaluated accordingly.

Lending in Assessment Area

The examination was conducted on-site utilizing small bank CRA evaluation procedures. MCB is a Home Mortgage Disclosure Act (HMDA) reporter, thus HMDA data was utilized to analyze the bank's residential mortgage lending for calendar years 2002 and 2003. As noted previously, the bank's primary business focus is residential mortgage lending; therefore, no other loan categories were analyzed. The bank's performance, relative to this component, is considered reasonable with a majority of residential mortgage loans originated within its delineated assessment area. While this factor is not given significant weight in determining an overall composite rating, it is a measure of whether the institution is actively lending within its delineated assessment area.

Table 6 details the distribution of the bank's residential mortgage loans within and outside of its delineated assessment area. As illustrated, a majority of the bank's residential loans were extended to individuals within its assessment area.

Table 6 - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgage										
2002	47	70.1	20	29.9	67	\$7,611	73.4	\$2,762	26.6	\$10,373
2003	43	59.7	29	40.3	72	\$6,394	55.9	\$5,035	44.1	\$11,429
Total	90	64.7	49	35.3	139	\$14,005	64.2	\$7,797	35.8	\$21,802

Source: Bank records. Total loan numbers are approximates; home equity lines of credit loans are not included in residential totals.

The bank's residential mortgage loan originations, relative to the percentage of the total number of loans extended within its assessment area declined significantly from 2002 to 2003.

Nonetheless, the bank's performance is certainly reasonable, with a majority of residential mortgage loans originated within its delineated assessment area. Residential mortgage lending activity, in terms of the number and dollar amount of loans extended within its assessment area remained reasonably consistent for 2002 and 2003. The preceding lending activity includes residential mortgage loans for the purchase, refinance, or home improvement of 1-4 family or multifamily dwellings.

Much of the lending activity was attributable to refinancings and attractive mortgage interest rates that encouraged borrowers to refinance their respective mortgages. There were no significant differences in the percentage of the number of loans originated within versus outside of the assessment area when analyzing by specific product or loan type.

MCB has at least 399 other financial institutions competing for residential real estate loans within its assessment area. These financial institutions are HMDA reporters, thus MCB's performance can be measured against these lenders to determine market share for lending activity in 2002. The 2003 aggregate HMDA data is not yet available.

The 2002 market share report of all HMDA reporters, making at least one residential mortgage loan in MCB's assessment area, reflects that MCB was ranked 65th with a market share of 0.32 percent by number and 0.26 percent by dollar volume. St. Mary's Credit Union (similarly situated institution) was ranked 8th in 2002 with a market share of 2.11 percent by number and 1.68 percent by dollar volume. Hudson Savings Bank, another similarly situated assessment area lender was ranked 13th in 2002 with a market share of 1.79 percent by number and 1.67 percent by dollar volume. Marlborough Savings Bank (similarly situated institution) was ranked 15th in 2002 with a market share of 1.71 percent by number and 1.09 percent by dollar volume.

Community National Bank (now Citizens Bank of Massachusetts) was ranked 19th in 2002 with a market share of 1.45 percent by number and 0.92 percent by dollar volume. It should be noted that all four of the similarly situated lending institutions are considerably larger, in terms of total

assets than MCB. Additionally, a significant number of the competing financial institutions operating in the bank's delineated assessment area are considered national or regional entities.

Lending to Borrowers of Different Incomes

The bank's performance of the distribution of borrowers reflects excellent penetration among individuals of different income levels (including low- and moderate-income) considering the demographics of the assessment area. *This component is assigned the most weight relative to ascertaining an overall composite rating.*

Table 7 details the distribution of residential mortgage loans by borrower income for 2002 and 2003. The bank performed substantially higher than the aggregate market in 2002, relative to the percentage of the total number loans originated to low- and moderate-income obligors. The preceding lending performance is considered noteworthy. The bank's lending to low- and moderate-income borrowers in 2003 remained reasonably consistent with calendar year 2002. Aggregate market data is not presently available for 2003. There were no significant differences in the percentage of the number of loans originated when analyzing by specific product or loan type.

MCB's combined lending performance to low- and moderate-income borrowers, in terms of the percentage of the total number of loans originated exceeded that of all four similarly situated institutions. Only one similarly situated institution exceeded MCB's lending to low-income borrowers (10.7 percent versus 10.6 percent).

To reiterate, MCB's lending to low- and moderate-income borrowers, relative to the percentage of the total number of loans originated to low- and moderate-income borrowers was excellent. As noted previously, aggregate data is comprised specifically of HMDA reporters, allowing analytical integrity to support an evaluation of the institution's performance, relative to this criterion.

A comparison of 2002 and 2003 lending to low-income borrowers revealed the aggregate market, as well as MCB to be significantly below the demographic numbers (percentage of family households), which indicate that 13.2 percent and 12.9 percent in 2002 and 2003, respectively, of assessment area family households are considered low-income. This disparity is explained, in part, by the high percentage of low-income family households living below the poverty level. Based upon the income levels of low-income borrowers in the assessment area, it would be somewhat difficult for a low-income borrower to qualify for a conventional mortgage, even if flexible underwriting guidelines were offered.

Table 7 – Distribution of Residential Mortgage Loans by Borrower Income										
Borrower Income Level	% of Total Family Households		Aggregate Lending Data (% of #)		2002		2003		Total	
	2002	2003	2002	2003	#	%	#	%	#	%
Low	13.2	12.9	3.1	N/A	5	10.6	3	7.0	8	8.9
Moderate	15.4	15.3	11.5	N/A	11	23.4	11	25.6	22	24.4
Middle	23.7	21.0	22.8	N/A	12	25.5	12	27.9	24	26.7
Upper	47.7	50.8	56.6	N/A	17	36.2	17	39.5	34	37.8
\$0/NA Income	N/A	N/A	6.0	N/A	2	4.3	0	0.0	2	2.2
Total*	100	100	100	N/A	47	100	43	100	90	100

Source: United States Census data, HMDA data (2002), and bank records.

The institution's successful performance within this rating component is due, in part, to its participation in the *Soft Second Loan Program* designed for first-time homebuyers. This program is administered by the City of Marlborough's Department of Community Development (DHCD) and the Massachusetts Housing Partnership Fund Board (MHP Fund). The program is targeted to low- and moderate-income first time homebuyers. The borrower must have closing costs (assistance is provided where needed) and a down payment of 3.0 percent of the purchase price (of which 1.5 percent must be derived from the borrower's personal funds or a minimum of \$1,500). The bank grants a first mortgage up to 77.0 percent of the purchase price, and a second mortgage for the remaining 20.0 percent of the financing. Dividing the mortgage into two lowers the first mortgage and allows participating homebuyers to avoid purchasing Private Mortgage Insurance (PMI). The second mortgage is interest only for ten years. In 2002, the bank originated 2 loans totaling \$259,350. During 2003, MCB did not originate any loans relative to this program. To date in 2004, the bank has originated 3 loans totaling \$428,643.

The bank also participates in a program sponsored by MassHousing entitled the *Municipal Workers 0% Down Program*. While this program is not geared specifically to low- and moderate-income residents, it is nonetheless an excellent source of financing for first-time home buyers. Loan-to-value maximum is 100.0 percent for condominiums and single family homes. In 2002, the bank originated 5 loans totaling \$944,350. During 2003 the bank originated 1 loan totaling \$337,560. To date in 2004, the bank has not originated any loans, relative to this program.

MCB participates in various elder homeowners programs sponsored by Homeowner Options for Massachusetts Elders (H.O.M.E.). The mission of this non-profit agency is to conserve and protect the equity of low- and moderate-income elder homeowners. H.O.M.E. offers a myriad of programs, inclusive of senior home equity lines of credit and reverse mortgages. In 2002, the bank did not originate any loans. During 2003, MCB originated 3 loans totaling \$283,147. To date in 2004, the bank originated 1 loan in the amount of \$315,506.

Geographic Distribution

Overall, the geographic distribution of residential real estate loans reflects an excellent dispersion throughout the assessment area. There were some significant lending gaps noted during the evaluation period; however, none were attributable to low- or moderate-income geographies. The other mitigating factor is that the bank does not maintain a physical presence (branch office) in any of the census tracts that experienced no lending activity. The bank has not arbitrarily excluded any low- or moderate-income geographies.

The primary focus of this analysis is to assess the bank's loan distribution in its delineated assessment area, particularly in low- and moderate-income geographies. As noted previously, MCB's lending performance for 2002 was conducted utilizing 1990 census data. The 2002 delineated assessment area contained 1 moderate-income tract, 15 middle-income geographies, and 12 upper-income census tracts, based on 1990 census data. There was one census tract in Marlborough classified as N/A. There were no low-income geographies.

MCB's 2003 lending performance relative to geographic distribution was conducted utilizing 2000 census data. The 2003 assessment area (based on 2000 census data) contains 18 middle-income geographies and 12 upper-income census tracts, thus is considered homogenous. There are no low- or moderate-income census tracts in the bank's delineated assessment area, predicated on 2000 census data.

Table 8 indicates that in 2002, MCB's lending in the one moderate-income geography substantially exceeded that of the aggregate market (other lenders). Again, 2003 aggregate market data is not yet available.

Table 8 – Distribution of Mortgage Loans by Income Category of the Census Tract										
Census Tract Income Level	% of Total Owner-Occupied Housing Units		Aggregate Lending Data* (% of #)		2002		2003		Total	
	2002	2003	2002	2003	#	%	#	%	#	%
	Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moderate	3.2	N/A	3.6	N/A	4	8.5	N/A	N/A	4	4.4
Middle	51.2	51.4	45.4	N/A	23	48.9	27	62.8	50	55.6
Upper	45.6	48.6	51.0	N/A	20	42.6	16	37.2	36	40.0
Total	100	100	100	N/A	47	100	43	100	90	100

Source: United States Census data, HMDA data (2002), and bank records.

MCB's combined lending performance to the moderate-income geography in 2002, in terms of the percentage of the total number of loans originated exceeded the performance of three out of four of the similarly situated institutions. Only one similarly situated institution exceeded MCB's lending in the moderate-income geography located in Marlborough (10.5 percent versus MCB's 8.5 percent). The bank's overall performance is considered excellent. As noted previously, aggregate data is comprised specifically of HMDA reporters, allowing analytical integrity to support an evaluation of the institution's performance, relative to this criterion.

Response to Complaints

There were no CRA-related complaints submitted to the bank during the evaluation period.

Compliance with Anti-Discrimination Laws and Regulations

There were no violations of the substantive provisions of the anti-discrimination laws or regulations identified during the examination.