

PUBLIC DISCLOSURE

December 14, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BayCoast Bank
Certificate Number: 90196

330 Swansea Mall Drive
Swansea, Massachusetts 02777

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

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

This institution is rated Satisfactory by the Federal Deposit Insurance Corporation (FDIC) and High Satisfactory by the Commonwealth of Massachusetts Division of Banks (Division). The agencies agree on the bank's overall performance, but Part 345 of FDIC Regulations does not provide for a High Satisfactory overall rating. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following table indicates the performance level of BayCoast Bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Satisfactory**			
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

** FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests. This jointly issued public evaluation uses the term "satisfactory" in lieu of "low satisfactory" for the Lending, Investment, and Service Test ratings, as the Division does not have a "low satisfactory" rating.

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- An adequate percentage of loans were made in the institution's assessment area.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution has made a relatively high level of community development loans.

The Investment Test is rated Outstanding.

- The institution has an excellent level of qualified community development, investment and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are reasonably accessible to essentially all portions of the assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals.
- The institution provides a relatively high level of community development services

SCOPE OF EVALUATION

General Information

This performance evaluation, conducted jointly by the FDIC and the Division, covers the period from the prior evaluation, dated September 5, 2017, to the current evaluation dated December 14, 2020. Examiners used the Interagency Large Institution CRA Examination Procedures. These procedures evaluate the bank's CRA performance pursuant to three tests: Lending, Investment, and Service.

The Lending Test considered the institution's performance according to the following criteria.

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative and/or flexible lending practices
- Community development loans

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

An institution must achieve at least a Satisfactory rating on the Lending Test to obtain an overall Satisfactory Rating. This evaluation includes lending activity from affiliate BayCoast Mortgage Company.

Loan Products Reviewed

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

Examiners analyzed originated and purchased residential loans from BayCoast Bank and its subsidiary, BayCoast Mortgage Company. As of January 1, 2019, BayCoast Bank changed its residential lending strategy and no longer originates residential mortgages for the purchase or refinance of a home. Instead, the bank only originates home equity products and small business loans. BayCoast Mortgage Company now originates the residential mortgages. Additionally, as of September 22, 2017, Priority Funding LLC (Priority) became a wholly owned subsidiary of BayCoast Bank. Priority originates chattel loans for mobile and manufactured homes. Examiners did not analyze lending activity from Priority as the bank did not elect to have it considered.

Analyzed loans include originated and purchased loans from January 1, 2017 through December 31, 2019, which the bank reported on its 2017, 2018, and 2019 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LARs) and CRA loan registers. In addition, examiners analyzed originated and purchased residential loans reported on the mortgage company's 2017, 2018, and 2019 HMDA LARs for the same period. The evaluation considered all reported bank lending, but only considered mortgage company loans made in the assessment area.

Examiners presented combined HMDA data from the bank and mortgage company for 2019 performance in the geographic distribution and borrower profile tables, as 2019 is the most recent year that aggregate data is available. Additionally, they presented the bank's 2018 and 2019 small business performance in the geographic distribution and borrower profile tables, as 2018 is the most recent year that aggregate data is available and 2019 data allows for trend analysis. Furthermore, examiners presented all years of bank performance in the assessment area concentration section, but excluded mortgage company data.

BayCoast Bank originated and purchased 940 HMDA loans totaling \$200.7 million in 2017, 789 loans totaling \$181.4 million in 2018, and 1,156 loans totaling \$315.7 million in 2019. Inside the assessment area, BayCoast Mortgage Company originated 61 HMDA loans totaling \$15.4 million in 2017, 86 loans totaling \$22.7 million in 2018, and 571 loans totaling \$164.0 million in 2019. For small business loans, BayCoast Bank originated 165 loans totaling \$38.4 million in 2017, 149 loans totaling \$39.1 million in 2018, and 156 loans totaling \$42.9 million in 2019. Examiners placed more weight on the combined home mortgage lending when drawing conclusions due to substantially higher origination activity compared to small business lending during the evaluation period.

Under the Lending Test, examiners evaluated the bank's community development lending and innovative and flexible lending from September 5, 2017 through December 14, 2020. Under the Investment and Service Tests, examiners considered qualified investments, community development services, and retail services for the same period.

Examiners obtained the demographic and economic information referenced in the evaluation from the 2015 American Community Survey (ACS), D&B, Moody's Analytics, and the United States (U.S.) Bureau of Labor Statistics (BLS).

DESCRIPTION OF INSTITUTION

Background

BayCoast Bank, incorporated in 1851, is a state-chartered stock savings bank headquartered in Swansea, Massachusetts (MA) that operates in southeastern Massachusetts and southeastern Rhode Island (RI). The bank is a wholly owned subsidiary of Narragansett Financial Corp., a mutual holding company. Additionally, BayCoast Bank wholly owns two subsidiaries that offer credit-related products and services. These include BayCoast Mortgage Company and Priority Funding LLC.

The FDIC and the Division last evaluated the bank's CRA performance on September 5, 2017 using Interagency Intermediate Small Bank Examination Procedures. The bank received an overall Satisfactory rating, with the Lending Test rated Satisfactory and the Community Development Test rated Outstanding.

Operations

BayCoast Bank operates 21 full-service branches in its assessment areas that cover the southeastern portions of Massachusetts and Rhode Island. Of the 21 branches in the assessment areas, 18 are in Massachusetts throughout Bristol County and Norfolk County and 3 are in Rhode Island throughout Providence County and Newport County. The bank opened four branches since the previous evaluation in Berkley (upper-income) and Foxborough (middle-income) in Massachusetts and Cranston (middle-income) and Little Compton (upper-income) in Rhode Island. BayCoast Bank opened the Little Compton branch in 2018 and the others in 2019. Additionally, the bank operates commercial loan production offices in Attleboro, Massachusetts and New Shoreham and Providence in Rhode Island. The Attleboro office is in a middle-income tract, and the New Shoreham and Providence offices are in upper- and moderate-income census tracts, respectively. Meanwhile, the mortgage company operates residential loan production offices in Auburn, North Easton, and Plymouth in Massachusetts and Bristol and Warwick in Rhode Island. Since the previous evaluation, the bank acquired subsidiary, Priority Funding LLC that originates chattel loans for mobile and manufactured homes.

BayCoast Bank offers a wide range of lending products, including commercial real estate loans, commercial and industrial loans, home equity loans, and lines of credit, construction loans, consumer credit cards, and overdraft lines of credit. Additionally, BayCoast Bank offers standard personal and business deposit products including checking, savings, certificates of deposit, money market accounts, and retirement accounts. Alternative banking services include 14 walk-up or drive-up automated teller machines (ATMs) and 26 interactive teller machines (ITMs), remote deposit capture, electronic bill pay, and 24-hour online and mobile banking for consumers and businesses.

Ability and Capacity

As of September 30, 2020, the bank had total assets of \$2.2 billion and total deposits of \$1.7 billion. Total assets increased significantly from \$1.35 billion at the prior evaluation. The

growth occurred through commercial lending and the purchase of Priority Funding. Total loans were \$1.7 billion and represented 78.6 percent of total assets. As the following table indicates, approximately 33.8 percent of the bank's loans are secured by residential properties and approximately 49.1 percent of the bank's portfolio is commercial loans. The bank was primarily a residential lender; however, the loan portfolio does not fully reflect this, as the mortgage company also performs residential lending and residential loans are sold on the secondary market.

Loan Portfolio Distribution as of 9/30/2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	191,210	11.2
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	441,739	25.9
Secured by Multi-family (5 or more) Residential Properties	133,929	7.9
Secured by Non-farm Non-Residential Properties	559,363	32.8
Total Real Estate Loans	1,326,241	77.9
Commercial and Industrial Loans	277,600	16.3
Agricultural Production and Other Loans to Farmers	37,779	2.2
Consumer Loans	61,770	3.6
Obligations of States and Political Subdivisions in the United States	141	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,703,531	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial or legal impediments that would limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

BayCoast Bank designated two assessment areas: the first encompasses part of Massachusetts and Rhode Island and is part of the Providence-Warwick, RI-MA Metropolitan Statistical Area (MSA); the second encompasses part of Massachusetts and is part of the Boston, MA Metropolitan Division (MD). The Providence-Warwick, RI-MA MSA assessment area contains the following counties, cities, and towns:

Bristol County, MA

- | | | |
|-------------|---------------|------------|
| ○ Acushnet | ○ Fairhaven | ○ Seekonk |
| ○ Attleboro | ○ Fall River | ○ Somerset |
| ○ Berkley | ○ Freetown | ○ Swansea |
| ○ Dartmouth | ○ New Bedford | ○ Westport |
| ○ Dighton | ○ Rehoboth | |

Providence County, RI

- | | | |
|------------|-------------------|--------------|
| ○ Cranston | ○ East Providence | ○ Providence |
|------------|-------------------|--------------|

Newport County, RI

- | | |
|------------------|------------|
| ○ Little Compton | ○ Tiverton |
|------------------|------------|

The Boston, MA MD assessment area contains the town of Foxborough in Norfolk County.

Since the previous evaluation, the bank opened a branch in Foxborough in October 2019. This prompted the bank to create a second assessment area, the Boston, MA MD assessment area. Additionally, in conjunction with the Berkley, Cranston, and Foxboro branch openings in 2019, BayCoast Bank expanded the Providence-Warwick, RI-MA MSA assessment area to include Attleboro, Berkley, Cranston, East Providence, and Providence.

The CRA requires separate performance analyses and conclusions for each MSA where the bank maintains a branch. Except for Foxborough, all branches are within the Providence-Warwick, RI-MA MSA. The Foxborough branch is within the Boston, MA MD. Examiners presented data and conclusions on BayCoast Bank and BayCoast Mortgage Company performance within the Providence-Warwick, RI-MA MSA assessment area. Due to the Foxborough branch's late opening in 2019, there was limited lending activity (one loan in Foxborough) in the Boston, MA MD assessment area and examiners excluded the Boston, MA MD assessment area from CRA evaluation presentation.

Economic and Demographic Data

The assessment area comprises 165 census tracts that reflect the following income designations:

- 36 low-income tracts
- 46 moderate-income tracts
- 48 middle-income tracts
- 34 upper-income tracts
- 1 census tract with no income designation

Since the previous evaluation, the bank added 75 census tracts to its assessment area. These include Attleboro (8), Berkley (1), Cranston (17), East Providence (10), and Providence (39). Of the additional tracts, 16 are low-income tracts in Providence and 21 are moderate-income tracts in Attleboro (3), Cranston (2), East Providence (4), and Providence (12).

In the assessment area, the 36 low-income tracts are distributed throughout Fall River (6), New Bedford (14), and Providence (16). The 46 moderate-income tracts are distributed throughout Attleboro (3), Cranston (2), East Providence (4), Fall River (14), New Bedford (11), and Providence (12). The one census tract with no income designation in Providence contains a large shopping mall and multiple government buildings. The following table illustrates the demographic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	165	21.8	27.9	29.1	20.6	0.6
Population by Geography	713,626	18.1	25.6	30.8	24.9	0.6
Housing Units by Geography	302,068	18.9	26.7	31.0	22.7	0.8
Owner-Occupied Units by Geography	148,370	7.5	18.7	40.3	33.1	0.3
Occupied Rental Units by Geography	124,134	30.4	35.5	21.9	11.0	1.3
Vacant Units by Geography	29,564	27.5	29.4	23.0	19.2	0.9
Businesses by Geography	49,848	16.5	24.8	30.5	27.2	1.0
Farms by Geography	1,179	8.3	13.9	29.5	48.2	0.1
Family Distribution by Income Level	169,932	29.3	17.7	19.0	34.0	0.0
Household Distribution by Income Level	272,504	31.3	15.4	15.9	37.4	0.0
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$73,950	Median Housing Value			\$241,016
			Median Gross Rent			\$851
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS and 2019 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The population within the assessment area is 713,626 persons, of which 49.7 percent are low- and moderate-income. Of the low-income families in the area, 13.4 percent live below the poverty level. Families with such low incomes are unlikely to qualify for home mortgages based on the area home prices. The median housing value is \$241,016 and of the 302,068 housing units in the assessment area, 49.1 percent are owner occupied, 41.1 percent are rental occupied, and 9.8 percent are vacant.

In the assessment area, Providence, New Bedford, and Fall River have considerably different demographics than the towns making up other portions of the assessment area. The population and income differences in these cities compared to the above demographics, demonstrate the divide. Providence has a population of 178,680 persons, of which 70.6 percent are low- and moderate-income, and 24 percent of families have incomes below the poverty level. New Bedford has a population of 94,909 persons, of which 75 percent are low- and moderate-income, and 19.5 percent of families have incomes below the poverty level. Lastly, Fall River has a population of 88,727 persons, of which 79.4 percent are low- and moderate-income and 19.4 percent of families have incomes below the poverty level. The assessment area's urban areas contain the majority of the low- and moderate-income population, while other areas primarily contain the middle- and upper-income populations.

Housing demographics are also considerably different from the overall assessment area. Providence has 71,080 housing units, of which only 30.2 percent are owner occupied with 56.3 being rented and 13.5 percent vacant. New Bedford has 43,291 housing units with 38.1 percent owner occupied, 54.4 percent rental occupied, and 9.6 percent vacant. Lastly, Fall River has 43,725 housing units, of which 31.1 percent are owner occupied, 57.7 percent are rental occupied, and 11.3 percent are vacant. The cities all support a large rental population, the majority of which are low- and moderate-income individuals.

Despite the cities having significantly different population, income, and housing demographics, they all maintain a similar median housing value to the overall assessment area. The median housing value is \$219,050 in Providence, \$199,004 in New Bedford, and \$227,415 in Fall River. The high urban low- and moderate-income populations and percent of families below the poverty level, compared to the relatively consistent median housing value across the assessment area indicate that urban home affordability is a challenge. Families below the poverty level are unlikely to qualify for home mortgages based on area home prices. Further, the large rental population in the cities and the low owner occupancy rates indicate there may be further barriers to home ownership.

The following table illustrates the median family income for the Providence-Warwick, RI-MA MSA assessment area. The table also breaks out the income ranges for low-, moderate-, middle-, and upper-income families.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$80,600)	<\$40,300	\$40,300 to <\$64,480	\$64,480 to <\$96,720	≥\$96,720
2019 (\$85,100)	<\$42,550	\$42,550 to <\$68,080	\$68,080 to <\$102,120	≥\$102,120
<i>Source: FFIEC</i>				

According to 2019 D&B data, 49,848 non-farm businesses and 1,179 farms are in the assessment area. Of those, 43,275 or 85.0 percent have gross annual revenues (GARs) of \$1 million or less. Service industries represent the largest portion of businesses at 41.0 percent, followed by retail

trade at 14.3 percent, and finance/insurance businesses at 9.2 percent. Additionally, 64.1 percent of businesses operate with four employees or less.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area declined from 2017 to 2019, as illustrated in the following table:

Unemployment Rates			
Location	2017	2018	2019
	%	%	%
Providence-Warwick, RI-MA MSA	5.5	5.3	4.7
Massachusetts	3.7	3.4	2.9
Rhode Island	4.5	4.3	3.7

Source: Bureau of Labor Statistics

According to Moody’s Analytics 2020 information, the Providence-Warwick, RI-MA MSA experienced a sharp increase in unemployment due to the COVID-19 pandemic. At its highest point, unemployment was at 17.2 percent in June 2020, after which it began to improve, likely due to the easing of state and local business restrictions. Top employers in the area include Lifespan, Care New England, and CVS Health Corporation, all Healthcare-related employers that have been crucial since the pandemic’s onset.

Competition

BayCoast Bank operates within a competitive market for financial services. Based on 2019 peer deposit data, 39 financial institutions operated 206 branches in the assessment area. BayCoast Bank ranked 4th with 5.6 percent market share and was the highest ranked community bank, while Citizens Bank ranked 1st, Bank of America ranked 2nd, and Santander Bank ranked 3rd.

The market for home mortgage loans is competitive as well. Based on 2019 HMDA aggregate lending data, there were 402 lenders that originated or purchased 24,464 loans within the assessment area. BayCoast Mortgage company ranked 9th with 2.3 percent market share and BayCoast Bank ranked 13th with 2.0 percent market share. BayCoast Mortgage Company was the highest ranked community lender. The top three lenders in the area were Citizens Bank, Residential Mortgage Services, and Wells Fargo Bank.

Aggregate small business lending data is only available at the full county level for the Providence-Warwick, RI-MA MSA assessment area. Based on 2018 aggregate small business lending data, there is a high degree of loan competition in Providence, Bristol, and Newport Counties, with 112 small business lenders originating or purchasing 27,188 loans. BayCoast Bank ranked 24th with 0.6 percent market share and performed in line with other community banks. The top three lenders in the area make up approximately 40 percent of the market share and include American Express Bank, Bank of America, and Chase Bank.

Community Contact

As part of the CRA evaluation, examiners contact organizations active in the assessment area to better understand and assess credit and community development needs and opportunities. Obtained information helps determine the responsiveness of local financial institutions to identified needs.

Examiners contacted two organizations within the assessment area. The first was an affordable housing organization focused on providing safe affordable housing, suitable living conditions, and expanded economic opportunities to low- and moderate-income persons and areas. The contact expressed a significant need for affordable housing, public services, and revitalization in the City of Fall River. The majority of individuals living in the city struggle with housing cost burden and pay between 30-50 percent of their income on housing costs. Most affordable housing in the city is in pre-1950's multifamily units with minimal vacancy. Most units are not handicap accessible, have lead paint, and need restoration. There are mill conversions in progress that will create more affordable housing, but more is needed.

Additionally, economic opportunities are limited and the COVID-19 pandemic exacerbated the need for jobs. Small businesses were struggling prior to the pandemic and now many have closed. The contact mentioned the Paycheck Protection Program (PPP) loans helped some small businesses continue operating, and BayCoast Bank was particularly helpful by providing these loans.

The second organization revitalizes buildings or homes and focuses on providing safe and affordable housing for low- and moderate-income persons in the City of Providence. The contact expressed a need for affordable housing and home repair opportunities. A majority of Providence's housing stock was built pre-1940s and low- and moderate-income homeowners struggle to afford purchasing and caring for these properties.

According to the contact, first-time homebuyers and low- and moderate-income persons struggle to afford purchasing a home in Providence and obtained home ownership through loans with flexible down payment options and down payment loans. However, low- and moderate-income borrowers that purchase homes using these targeted programs often have large mortgages or multiple liens on their property, which reduces their available home equity. Consequently, the contact stated that many low- and moderate-income homeowners struggle to qualify for home equity loans or lines of credit, which forces them to pay for repairs and improvements out of pocket, or defer necessary maintenance and allow their homes to fall into disrepair. Much of the available housing stock needs rehabilitation, as many homes have code violations, lead paint, and foundation or roofing problems.

The contact also noted that small business and micro-business owners require financial assistance due to the pandemic.

Credit and Community Development Needs and Opportunities

Based on demographic and economic information and discussions with bank management and community contacts, the assessment area needs affordable housing, revitalization and stabilization, and economic development. Financial institutions have an opportunity to support community needs through innovative and flexible lending programs, community development loans, investments, and services.

Overall, due to high home prices, varied income, and housing demographics, affordable housing is needed, especially in low- and moderate-income geographies. Low- and moderate-income individuals would benefit from low-cost home mortgage loans, first-time homebuyer programs, and down payment assistance. Additionally, in Providence, Fall River, and New Bedford, where housing stock is outdated, the areas could benefit from revitalization. Additionally, low- and moderate-income homeowners in these areas would benefit from home repair loans that support owners with limited to no home equity.

Lastly, there is a need for economic development as low- and moderate-income areas continue to struggle with unemployment and business retention, a need elevated by the ongoing COVID-19 pandemic. Small dollar loans would help low- and moderate-income individuals struggling to pay basic expenses due to job loss. Small businesses affected by the pandemic and individuals struggling to navigate the loan application process would benefit from small dollar loans, financial literacy programs, and multi-lingual loan officers.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's Lending Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

Lending Activity

BayCoast Bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019, BayCoast Mortgage Company originated or purchased 571 loans and BayCoast Bank originated or purchased 498 loans within the assessment area. According to 2019 aggregate mortgage data, BayCoast Mortgage Company ranked 9th and BayCoast Bank ranked 13th out of 402 lenders in the assessment area.

The bank's small business lending activity also supports this conclusion. Aggregate small business lending data is only available at the full county level for the Providence-Warwick, RI-MA MSA assessment area. According to 2018 aggregate small business data, BayCoast Bank originated 167 loans and ranked 24th out of 112 lenders in the area. The bank's performance is in line with other community lenders in the assessment area and is notable because of significant competition from large national lenders.

Assessment Area Concentration

An adequate percentage of the bank’s loans were made within the assessment area. The bank’s home mortgage lending inside the assessment area shows a decreasing trend since 2017 and is below 50 percent. This is partially due to the bank’s lending strategy of purchasing loans from its subsidiary, BayCoast Mortgage Company. BayCoast Mortgage Company operates from loan production offices in Bristol, Plymouth, and Worcester Counties in Massachusetts and Bristol, Kent, Providence, and Washington Counties in Rhode Island driving originations from outside the assessment area. The bank’s small business lending activity inside the assessment area increased since 2017 and helps offset the lower percentage of home mortgage lending activity in the assessment area. As a result, the overall lending activity inside the assessment area is 52.3 percent.

The following table details BayCoast Bank’s lending inside and outside of the assessment area for each product type.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	538	57.2	402	42.8	940	115,195	57.4	85,479	42.6	200,674
2018	381	48.3	408	51.7	789	93,316	51.5	88,045	48.5	181,360
2019	498	43.1	658	56.9	1,156	144,160	45.7	171,519	54.3	315,678
Subtotal	1,417	49.1	1,468	50.9	2,885	352,671	50.5	345,042	49.5	697,713
Small Business										
2017	115	69.7	50	30.3	165	27,405	71.4	10,979	28.6	38,384
2018	102	68.5	47	31.5	149	22,378	57.3	16,678	42.7	39,056
2019	119	76.3	37	23.7	156	28,935	67.4	13,970	32.6	42,905
Subtotal	336	71.5	134	28.5	470	78,718	65.4	41,627	34.6	120,345
Small Farm										
2017	1	100.0	0	0.0	1	400	100.0	0	0.0	400
Subtotal	1	100.0	0	0.0	1	400	100.0	0	0.0	400
Total	1,754	52.3	1,602	47.7	3,356	431,789	52.8	386,669	47.2	818,458
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area. BayCoast Bank’s good home mortgage lending performance primarily supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts and market share reports when evaluating geographic distribution.

Home Mortgage Lending

Home mortgage lending reflects good penetration throughout the assessment area. In 2019, BayCoast Bank’s performance was below aggregate and the percentage of owner-occupied units in both low- and moderate-income tracts. However, demographics and aggregate performance are based on the revised assessment area, which includes 16 additional low-income and 21 additional moderate-income census tracts that were not part of the assessment area until mid-2019. Additionally, although not illustrated in the table, the number and dollar volume of loans in both low- and moderate-income tracts nearly doubled from 2017 to 2019. Based on 2019 aggregate home mortgage data in low-income tracts, BayCoast Bank ranked 15th and BayCoast Mortgage Company ranked 26th out of 180 lenders. In moderate-income tracts, BayCoast Mortgage Company ranked 23rd followed by BayCoast Bank at 24th out of 237 lenders.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	7.5	9.8	72	6.7	17,593	5.7
Moderate						
2019	18.7	19.5	144	13.5	29,516	9.6
Middle						
2019	40.3	37.3	486	45.5	134,896	43.8
Upper						
2019	33.1	32.9	365	34.1	125,597	40.8
Not Available						
2019	0.3	0.5	2	0.2	578	0.2
Totals						
2019	100.0	100.0	1,069	100.0	308,181	100.0
<i>Source: 2015 ACS; Bank Data, 2017, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Lending

Small business lending reflects good penetration throughout the assessment area. BayCoast Bank's performance in low-income tracts is above aggregate performance and the percentage of businesses. Performance in moderate-income tracts is below aggregate and the percentage of businesses. Similar performance was noted in 2017 and 2018. Additionally, as indicated in the Description of Assessment Area, the bank faces significant competition for small business lending from national banks; nonetheless, BayCoast Bank performed in-line with other community lenders within the assessment area.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	16.4	16.9	22	21.6	3,501	15.6
2019	16.5	--	25	21.0	7,551	26.1
Moderate						
2018	24.6	24.4	14	13.7	4,388	19.6
2019	24.8	--	22	18.5	6,357	22.0
Middle						
2018	30.7	29.6	38	37.3	8,053	36.0
2019	30.5	--	45	37.8	10,570	36.5
Upper						
2018	27.2	28.5	28	27.5	6,436	28.8
2019	27.2	--	27	22.7	4,457	15.4
Not Available						
2018	1.0	0.6	0	0.0	0	0.0
2019	1.0	--	0	0.0	0	0.0
Totals						
2018	100.0	100.0	102	100.0	22,378	100.0
2019	100.0	--	119	100.0	28,935	100.0
<i>Source: 2017, 2018 & 2019 D&B Data; Bank Data; 2017 & 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among borrowers of different income levels and business customers of different sizes. BayCoast Bank's good home mortgage lending performance and excellent small business lending performance support this conclusion. Examiners focused on the percentage by number of loans to low- and moderate-income borrowers, the percentage by number of small business loans to businesses with GARs of \$1.0 million or less, and market share reports.

Home Mortgage Lending

The distribution of home mortgage loans reflects good penetration among borrowers of different income levels. BayCoast Bank's performance among low-income borrowers is below aggregate and the percentage of families; however, the number and dollar volume of loans tripled since 2017. Performance among moderate-income borrowers in 2019 is slightly below aggregate, but above the percentage of families. Additionally, lending to moderate-income borrowers by number and dollar volume doubled since 2017. According to 2019 aggregate home mortgage data, BayCoast Bank ranked 17th followed by BayCoast Mortgage Company at 18th out of 137 lenders that originated or purchased loans for low-income borrowers in the assessment area. According to 2019 aggregate home mortgage data, BayCoast Mortgage Company ranked 13th and BayCoast Bank ranked 19th out of 206 lenders that originated or purchased loans for moderate-income borrowers in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	29.3	6.7	51	4.8	7,108	2.3
Moderate						
2019	17.7	22.8	203	19.0	39,880	12.9
Middle						
2019	19.0	24.3	296	27.7	73,946	24.0
Upper						
2019	34.0	30.1	451	42.2	151,441	49.1
Not Available						
2019	0.0	16.1	68	6.4	35,806	11.6
Totals						
2019	100.0	100.0	1,069	100.0	308,181	100.0
<i>Source: 2015 ACS; Bank Data, 2017, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Lending

The distribution of small business loans reflects excellent penetration among businesses of different sizes. BayCoast Bank's performance among businesses with GARs of \$1 million or less is well above aggregate performance. Additionally, based on 2018 aggregate small business data, BayCoast Bank ranked 17th out of 112 lenders that originated or purchased loans for businesses with GARs of \$1 million or less in the area. The assessment area is highly competitive due to the high number of credit card and national banks; nonetheless, BayCoast Bank's performance was better than most other community lenders. Only one similarly-situated institution performed slightly better with three additional loans. The bank's excellent performance compared to aggregate and market share ranking supports the rating.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2018	82.5	35.1	56	54.9	12,263	54.8
2019	84.5	--	62	52.1	15,167	52.4
>\$1,000,000						
2018	6.7	--	46	45.1	10,115	45.2
2019	5.8	--	57	47.9	13,768	47.6
Totals						
2018	100.0	100.0	102	100.0	22,378	100.0
2019	100.0	--	119	100.0	28,935	100.0
<i>Source: 2017, 2018 & 2019 D&B Data; Bank Data; 2017 & 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative and Flexible Lending

BayCoast Bank makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs. During the evaluation period, BayCoast Bank originated 2,067 innovative and/or flexible loans, totaling more than \$247.4 million to individuals and small businesses. Of these innovative and/or flexible loans, BayCoast Bank originated 821 loans totaling over \$97.2 million through residential lending programs and 1,174 loans totaling over \$150.2 million through small business lending programs.

The following summarizes BayCoast Bank's innovative or flexible loan programs during the evaluation period.

Residential Loan Programs

Federal Housing Administration (FHA) Loans – The FHA offers loans with low down payment options, expanded qualifying criteria, and no income limits. During the evaluation period, BayCoast Bank originated 100 FHA loans totaling \$27.1 million within the assessment area.

Veterans Affairs (VA) Loans – The VA offers flexible financing to eligible active military service personnel and U.S. veterans. The program offers a fixed-rate mortgage with no down payment, no income limits, expanded qualifying criteria, and no required mortgage insurance. During the evaluation period, BayCoast Bank originated 37 VA loans totaling \$11.1 million within the assessment area.

United States Department of Agriculture (USDA) Guaranteed Rural Housing Program – The USDA administers a program that assists approved lenders in providing low- and moderate-income households the opportunity to own a home in eligible rural areas. The program offers loans with no down payment for those who qualify. During the evaluation period, BayCoast

Bank did not originate any USDA loans within the assessment area, but continues to make the product available.

First-time Homebuyer Program (FTHB) – BayCoast Bank’s FTHB loans create affordable home ownership opportunities for first-time homebuyers. The program offers expanded qualifying criteria and no required mortgage insurance. During the evaluation period, BayCoast Bank originated 86 FTHB loans totaling \$22.9 million within the assessment area.

Federal Home Loan Mortgage Corporation (Freddie Mac) Home Possible Program – The Home Possible Program offers mortgage financing to only eligible low-income borrowers. The financing offers fixed-rate mortgages with low down payment options and flexible underwriting and pricing standards. During the evaluation period, BayCoast Bank originated 52 Home Possible loans totaling \$12.2 million within the assessment area.

Federal National Mortgage Association (Fannie Mae) Home Ready Program – The Home Ready Program assists approved lenders in providing mortgages to qualifying low-income and first-time homebuyers. The program offers low down payment options, flexible down payment funding, and flexible pricing and underwriting criteria. During the evaluation period, BayCoast Bank originated 72 Home Ready loans totaling \$15.9 million within the assessment area.

MassHousing Loans– MassHousing is a quasi-public authority designed to increase affordable homeownership opportunities for low- and moderate-income individuals, veterans, and first-time homebuyers. Available loans offer below-market interest rates, low to no down payment options, and expanded underwriting standards. Through MassHousing, BayCoast Bank also participates in the Buy Cities programs located in Fall River, New Bedford, Taunton, and Attleboro. These targeted programs promote homeownership in areas designated as needing more affordable housing and community development opportunities. During the evaluation period, BayCoast Bank originated 11 MassHousing loans totaling \$1.6 million in the assessment area.

RIHousing Loans – RIHousing aims to increase affordable home ownership opportunities in Rhode Island. Available programs include first-time homebuyer loans, down payment assistance, and home renovation loans. Loans to qualified low- and moderate-income borrowers offer no required down payment and flexible pricing and underwriting guidelines. During the evaluation period, BayCoast Bank originated 7 loans totaling \$804,100 within the assessment area.

HEAT Loans – BayCoast Bank offers loans through the Mass Save HEAT loan program for Massachusetts residents and through National Grid for Rhode Island residents. The loan offers interest-free financing for energy-efficient home upgrades. During the evaluation period, BayCoast Bank originated 528 HEAT loans totaling \$5.6 million within the assessment area.

Small Business Loan Programs

SBA PPP Loans – PPP loans are SBA insured loans designed to support the basic operating needs of small businesses, including rent, utilities, and payroll during the COVID-19 pandemic.

The SBA will forgive the PPP loans if recipients meet all employee retention criteria and use the funds according to SBA guidelines. PPP loans offer below market interest rates, six-month payment deferrals, no origination fees, and no collateral requirements. During the evaluation period, BayCoast Bank originated 1,161 PPP loans totaling \$148.3 million.

SBA Loan Programs – BayCoast Bank is an approved SBA lender and offers 504 and 7(a) program loans. These programs offer financing to qualified small businesses that may not be eligible for traditional bank financing. During the evaluation period, the bank originated 12 SBA loans totaling \$1.5 million within the assessment area.

Massachusetts Treasurer’s Small Business Banking Partnership – This program encourages job creation, promotes urban revitalization, and stimulates economic development. Approved lenders are provided state cash deposits under the Treasurer’s control to promote local small business lending. Additional small business loans support job creation and expansion across Massachusetts. During the evaluation period, BayCoast Bank originated 1 loan totaling \$409,000 through this program.

BayCoast Bank also offered deferral and forbearance modifications to existing loans to provide flexibility to borrowers affected by the COVID-19 pandemic. These modifications assisted individuals and businesses facing financial hardship and illustrated BayCoast Bank’s commitment to providing continued credit to low- and moderate-income families and small businesses. In 2020, BayCoast Bank provided 430 pandemic-related loan modifications or deferrals totaling \$343.1 million. The following table illustrates the modifications and deferrals by loan type.

Pandemic Modifications and Deferrals		
Program Type	2020*	
	#	\$(000s)
Residential Loans	165	61,260
Commercial Real Estate Loans	156	228,309
Commercial Loans	51	49,160
Home Equity Lines of Credit	17	2,102
Manufactured Home Loans	19	1,165
Consumer Loans	22	1,119
Total	430	343,115
<i>Source: Bank Data; *1/1/2020-12/14/2020</i>		

Community Development Lending

BayCoast Bank made a relatively high level of community development loans. BayCoast Bank originated 30 community development loans totaling \$28.3 million since the previous evaluation. Although the number of community development loans decreased compared to the previous evaluation (48 qualified loans), the dollar volume of loans more than doubled from \$10.9 million to \$28.3 million. The current lending activity represents 1.6 percent of average total assets and 2.1 percent of average total loans, an increase since the previous CRA evaluation.

Of the 30 community development loans, 17 were PPP loans originated during 2020. The majority of community development loans supported community services and affordable housing. The bank did not originate any economic development loans during 2017, 2018, or 2019, but originated 8 PPP loans for economic development loans in 2020. The affordable housing loans and PPP loans support identified community needs.

As BayCoast Bank was responsive to assessment area needs, examiners qualified loans that benefitted the broader regional area. BayCoast Bank originated 26 loans totaling \$24.6 million that directly benefitted the assessment area and the remaining 4 loans totaling \$3.7 million benefitted a broader regional area.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0	5	810	0	0	0	0	5	810
2018	3	585	2	1,574	0	0	0	0	5	2,159
2019	2	1,047	1	250	0	0	0	0	3	1,297
YTD 2020	1	632	8	10,757	8	12,646	0	0	17	24,035
Total	6	2,264	16	13,391	8	12,646	0	0	30	28,301

Source: Bank Data

The following are notable examples of BayCoast Bank’s community development loans:

- In 2020, BayCoast Bank originated a \$3.7 million PPP loan to a non-profit organization that provides mental health resources, addiction treatment, and domestic violence assistance to low- and moderate-income individuals in Fall River. The funds helped support the organization’s operating needs during the pandemic.
- In 2017, BayCoast Bank originated a \$194,000 loan to a non-profit in Fall River to purchase a building for a new food pantry.
- In 2018, BayCoast Bank originated a \$1.5 million line of credit to a non-profit that provides affordable housing and community services to at-risk and developmentally disabled persons. The line of credit supports the purchase of additional real estate and vehicles that house and transport program participants. The majority of participants are low- and moderate-income and the organization is based in Fall River, which primarily consists of low- and moderate-income census tracts.

INVESTMENT TEST

The bank’s Investment Test performance is rated Outstanding. The following sections discuss the bank’s performance under each criterion.

Investment Activity

BayCoast Bank made an excellent level of qualified investments and donations. During the evaluation period, the bank made 302 qualified investments and donations totaling \$25.6 million. This represents 1.5 percent of average total assets and 9.3 percent of total securities. The bank's qualified investments and donations increased since the prior evaluation, when investments totaled \$20.2 million. Of the investments, \$17.5 million were equity investments and \$2.7 million were grants and donations. The following table illustrates the bank's community development qualified investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	3,472	9	17,008	0	0	0	0	13	20,480
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	2	2,300	2	2,300
Subtotal	4	3,472	9	17,008	0	0	2	2,300	15	22,780
Qualified Grants & Donations	10	339	267	2,401	6	87	4	19	287	2,846
Total	14	3,811	276	19,409	6	87	6	2,319	302	25,626

Source: Bank Data

Equity Investments

Qualified equity investments totaled approximately \$22.8 million, which was 11.8 percent of average total securities. A majority of investments provided community services to low- and moderate-income individuals. The following are notable examples.

Prior Period Investments

- During the prior period, the bank committed to a \$7.5 million bond to a Fall River charter. The funds are to construct a new building, providing the charter school with the opportunity to consolidate its current schools into one campus and increase enrollment. The majority of students are from low- or moderate-income families. The investment's current book value is \$7.1 million.
- The bank continues to hold bonds, with a total current book value of \$3.5 million, for an organization that provides services to low- and moderate-income individuals and families dealing with developmental disabilities and other at-risk situations. With Fall River, New Bedford, and Taunton locations, this organization's services include employment training and job development, day habilitation, community and family support services, residential services, and children's services including early education and care, early intervention, parenting programs, and preschool.

- The bank has prior period investments in an anti-poverty social services agency that supports families during financial crises through its fuel assistance, food pantry, and rental assistance programs. The current book value is \$517,841.

Current Period

- During the current evaluation period, the bank purchased municipal bonds totaling \$2.3 million that will assist Fall River. Fall River is designated as a Gateway City; a mid-sized urban area that faces economic and social challenges and has lower incomes and education attainment than the state average. Of the 25 census tracts that make up the city, 20 are low- or moderate-income. The bank's investment will help revitalize and stabilize these low- and moderate-income areas.

Charitable Contributions

During the evaluation period, qualified donations totaled approximately \$2.8 million. The majority of donations benefited organizations that provide community services to low- and moderate-income individuals. The following are examples of organizations that received qualified donations.

Community Action for Better Housing – Based in New Bedford, this organization provides affordable housing to low- and moderate-income persons in Bristol and Barnstable Counties. Multiple donations in 2018, 2019, and 2020 responded to affordable housing needs.

Solomon's Porch Church Timao Center – This temporary emergency overflow homeless shelter, formerly known as First Step Inn in Fall River, was renamed and established as a permanent shelter due to COVID-19 pandemic restrictions. The handicap-accessible shelter provides meals and beds to homeless men and women. Multiple donations in 2018, 2019, and 2020 responded to community service needs, with 2020 donations particularly responsive as the COVID-19 pandemic increased shelter usage.

Pro-Home, Inc. – This public charity produces and advocates for the production and protection of low- to moderate-income affordable housing. Additionally, Pro-Home, Inc. provides first-time homebuyer education programs certified by MassHousing, the Department of Housing and Community Development, the Federal Housing Administration, and the Department of Housing and Urban Development. The bank's 2019 and 2020 donations supported first-time homebuyer education programs and responded to affordable housing needs in the assessment area.

COVID-19 Related Donations

The bank donated to organizations that assist with pandemic relief. These donations receive positive CRA consideration and illustrate the bank's responsiveness in meeting the community's needs.

United Way of Rhode Island, COVID-19 Response Fund – United Way of Rhode Island collaborated with the Rhode Island Foundation to create the COVID-19 Response Fund. The fund makes grants to nonprofits to provide food and housing and secures supplies for healthcare

professionals caring for Rhode Island residents. The bank's donation was highly responsive to community service needs in the assessment area.

United Way of Greater Fall River, COVID-19 Response Fund – United Way of Greater Fall River partnered with local philanthropic and business partners to organize the COVID-19 Response Fund. The fund issues grants to nonprofit and charitable organizations serving those in need to provide food, housing, and vital care referral resources. The bank's donation was highly responsive to community service needs in the assessment area.

SouthCoast Community Foundation Emergency Response Fund – This fund makes grants to nonprofit and charitable organizations benefiting individuals and families considered homeless, low-income, those with food insecurity, immigrants, single mothers, victims of domestic violence, and front-line healthcare workers for personal protective equipment and hazard pay. The bank's donation was highly responsive to community service needs in the assessment area.

Responsiveness to Credit and Community Development Needs

The bank exhibits excellent responsiveness to credit and community development needs. The bank's current period equity investments directly benefitted the assessment area and helped revitalize and stabilize the low- and moderate-income tracts in Fall River. Designated a Gateway City, Fall River is targeted as a high needs area for community development initiatives and projects by the Commonwealth of Massachusetts. The bank also continues to hold prior period equity investments that help provide community development services to low- and moderate-income individuals and affordable housing, community contact-identified community development needs. Furthermore, the bank has been very responsive in providing COVID-19 pandemic related relief through grants to community development organizations throughout the assessment area.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The bank purchases bonds from both community development organizations as well as municipalities. The bond purchases are often in conjunction with loans originated to the organization.

The bank also made several large dollar donations and grants that helped provide critical funding to community development qualified organizations throughout the assessment area. Bank employees often supplement the donations with community development services, primarily through board involvement or financial literacy.

SERVICE TEST

The bank's Service Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. The following table illustrates the distribution of branches, ATMs, and ITMs by census tract income level.

Branch and ATM/ITM Distribution by Geography Income Level										
Tract Income Level	Census Tracts		Population		Branches		ATMs		ITMs	
	#	%	#	%	#	%	#	%	#	%
Low	36	21.4	129,364	17.7	3	14.3	1	7.1	6	23.1
Moderate	46	27.4	182,717	25.0	1	4.8	3	21.4	0	0.0
Middle	49	29.2	225,839	30.9	9	42.9	6	42.9	8	30.8
Upper	36	21.4	188,564	25.8	8	38.0	4	28.6	12	46.2
NA	1	0.6	4,385	0.6	0	0	0	0	0	0.0
Total	168	100.0	730,869	100.0	21	100.0	14	100.0	26	100.0
<i>Source: 2015 ACS Data; Bank Data</i>										

The bank operates three branches in low-income census tracts and one branch in a moderate-income census tract. All branches have at least one deposit-taking ATM or ITM, and the bank operates four remote deposit-taking ATMs in Attleboro, Dartmouth, Bristol, and Little Compton. These remote deposit-taking ATMs are in middle- and upper-income census tracts. The bank also operates several ITMs, including at branches in low-income tracts. ITMs accept deposits, dispense cash, and provide a real time, face-to-face conversation with a teller using video chat. In addition to the branch, ATM, and ITM network, BayCoast Bank provides various alternative delivery systems such as online and mobile banking, which allows consumers and businesses to access their accounts 24 hours a day and perform various transactions

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. The bank opened four branches since the previous evaluation. In 2018, the bank opened a branch in an upper-income tract in Little Compton. In 2019, the bank opened three branches. One in an upper-income tract in Berkley, one in a middle-income tract in Cranston, and one in an upper-income tract in Foxborough. The bank has not closed any branches during the evaluation period.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and individuals. All branches offer the same loan and deposit products and services. Branch hours are generally consistent at each location, with extended business hours at some branches on Thursday and Friday (6 p.m. instead of 5 p.m.) and reduced hours on Saturday (12 p.m. instead of 1 p.m.). Expanded hours are offered at all three branches (Fall River) in the low-income census tracts and

at the one branch (Fall River) in a moderate-income census tract. For the 15 branches with an ITM, they also provide expanded business hours as the ITMs are open from 7 a.m. – 7 p.m. Monday through Friday and from 8 a.m. through 2 p.m. on Saturday. The Elm Street branch in New Bedford (low-income) and the Troy Street branch in Fall River (moderate-income), each have three ITM’s. The ITMs allow for the bank to provide services during nontraditional banking hours. All branches, except for Little Compton, which is located in an upper-income tract, offer drive-up services. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

The bank offers lower-cost checking and savings accounts through the Massachusetts Community and Banking Council’s Basic Banking program. These accounts are particularly beneficial for low- and moderate-income individuals as they feature lower monthly and transaction costs. Further, these account offerings provide affordable, traditional banking services and allow low- and moderate-income consumers to work toward financial security.

Community Development Services

BayCoast Bank provides a relatively high level of community development services primarily through officer involvement on the boards of various community organizations and the provision of educational seminars. During the evaluation period, bank employees provided 165 instances of community services to qualified organizations. This represents an increase since the prior evaluation as the bank provided 66 instances. The majority of the current evaluation period services went to organizations that provide community services to low- and moderate-income individuals. The following table summarizes the community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	2	24	5	2	33
2018	3	27	5	2	37
2019	3	36	3	4	46
YTD 2020	3	39	3	4	49
Total	11	126	16	12	165

Source: Bank Data

The following are some examples of organizations that employees were involved with during the evaluation period.

Greater Fall River Development Corporation – This urban development organization helps revitalize and stabilize low- and moderate-income tracts by developing unused commercial land to attract new businesses, promote job creation, and support local schools and community programs. A bank executive vice president serves on the organization’s Board and Finance Committee.

Greater New Bedford Workforce Investment Board – This organization oversees workforce development initiatives and helps promote economic development in the Greater New Bedford area. The bank’s marketing communications officer serves on the organization’s Marketing Committee.

Habitat for Humanity of West Bay and Northern Rhode Island – This organization creates affordable housing for low- and moderate-income individuals. The housing is built with the help of volunteers and financed with a no interest loan. A bank vice president serves on the organization’s Board.

New Bedford Economic Development Council, Inc. – This organization fosters economic development in New Bedford by providing financing and technical assistance to small businesses, targeting workforce development and job creation, and engaging in city- and regional-wide development efforts. A bank vice president serves as Chairperson of the Microloan Committee, which provides small dollar loans to businesses that do not qualify for traditional financing.

Nativity Preparatory School New Bedford – This independent, tuition-free school serves boys in grades five through eight from low-income families in the New Bedford area. A bank vice president serves on the organization’s Board.

Argosy Collegiate Charter School – This Fall River charter school primarily serves students from low- or moderate-income households. A bank senior vice president serves as a Board member and on the organization’s Finance Committee.

Educational Services and Seminars

First-Time Homebuyer Seminars – During the evaluation period, bank employees provided first-time homebuyer seminars in conjunction with several community development organizations. These organizations primarily serve low- and moderate-income individuals. The bank held 21 workshops with organizations such as Fall River/New Bedford Housing Partnership, Catholic Social Services, New Bedford Community Development, Neighborworks of Southern Massachusetts, Fall River Community Development Agency, One Neighborhood Builders, and Neighborworks Blackstone Valley.

Financial Education and Literacy – Employees provide financial education to local schools that have majority low- and moderate-income populations. These include Credit for Life fairs held at Argosy Charter School and Greater New Bedford Vocational High School. In addition, the bank partners with Everfi to provide financial literacy modules to students at schools that have majority low- and moderate-income populations. These schools include Argosy Charter School, Atlantis Charter School, and B.M.C. Durfee High School in Fall River.

Other Services

Interest on Lawyers' Trust Accounts (IOLTA) – The bank maintains IOLTA and facilitates fundraising for CRA-qualified community organizations. Interest earned on the accounts assists in delivering critical legal aid to low-income Massachusetts residents. The bank is a Massachusetts IOLTA Leadership Institution, which is reserved for institutions that go beyond the eligibility requirements.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

APPENDIX

SCOPE OF EVALUATION

SCOPE OF EVALUATION		
TIME PERIOD REVIEWED	September 5, 2017 - December 14, 2020	
FINANCIAL INSTITUTION	PRODUCTS REVIEWED	
BayCoast Bank	Home Mortgage Loans	Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
BayCoast Mortgage Company	Wholly owned subsidiary	Home Mortgage Loans
Priority Lending LLC	Wholly owned subsidiary	Not Reviewed

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Providence-Warwick, RI-MA MSA	Full-Scope Review		
Boston, MA MD	Not Reviewed		Excluded from evaluation scope. As area recently added, there was limited lending activity to evaluate.

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2018 and 2019 HMDA LARs for BayCoast Bank and BayCoast Mortgage Company to determine if the application flow from different racial groups within the bank's assessment area reflected assessment area demographics. The bank data presented represents combined data for BayCoast Bank and BayCoast Mortgage Company. Examiners compared the bank's 2018 and 2019 residential lending to 2018 and 2019 aggregate data. This assists in deriving reasonable expectations for the minority application rate.

According to 2015 ACS U.S. Census data, the bank's assessment area contained a total population of 730,869 individuals of which 29.4 percent are minorities. The assessment area's minority and ethnic population is 5.9 percent Black/African American, 3.5 percent Asian, 0.3 percent American Indian, 15.9 percent Hispanic or Latino and 3.8 percent other. Refer to the following table for information on the bank's minority application flow as well as aggregate data in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2018		2018 Aggregate Data	Bank 2019		2019 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.2	0.3	2	0.2	0.3
Asian	7	1.5	2.1	6	0.6	2.0
Black/ African American	6	1.3	4.3	12	1.1	4.4
Hawaiian/Pacific Islander	0	0.0	0.3	0	0.0	0.2
2 or more Minority	0	0.0	0.1	2	0.2	0.1
Joint Race (White/Minority)	3	0.6	1.3	5	0.5	1.2
Total Minority	17	3.6	8.4	27	2.5	8.1
White	407	87.0	70.9	935	87.1	69.8
Race Not Available	44	9.4	20.8	111	10.3	22.1
Total	468	100.0	100.0	1,073	100.0	100.0
ETHNICITY						
Hispanic or Latino	17	3.6	8.4	23	2.1	7.9
Joint (Hisp/Lat /Not Hisp/Lat)	4	0.9	0.9	25	2.3	1.0
Total Hispanic Minority	21	4.5	9.2	48	4.5	8.9
Not Hispanic or Latino	395	84.4	70.4	901	84.0	69.6
Ethnicity Not Available	52	11.1	20.4	124	11.6	21.5
Total	468	100.0	100.0	1,073	100.0	100.0

Source: ACS US Census 2015, HMDA Aggregate Data 2018 and 2019, HMDA LAR Data 2018 and 2019.

In 2019, BayCoast Bank received 1,073 HMDA reportable loan applications within the assessment area. Of these, the bank received 27 applications, or 2.5 percent from racial minority applicants. The bank's application flow was below aggregate performance of 8.1 percent for applications from racial minority applicants, particularly for Black/African American applicants. Of the 27 applications to racial minorities, the bank originated 20, or 74.1 percent. Application flow with respect to ethnicity was below aggregate for Hispanic borrowers.

BayCoast Mortgage Company and BayCoast Bank operate among top national and local banks and credit unions in the area's financial marketplace. The bank should continue monitoring its minority application flow and outreach efforts to applicants of racial minority and Hispanic ethnicity. Considering the assessment area's demographic composition and the bank's business strategies, the bank's minority application flow is considered adequate.

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.

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Family Income: Includes the income of all members of a family that are age 15 and older.

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

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings 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.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

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

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 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.

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.