



## **PUBLIC DISCLOSURE**

February 20, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Georgetown Bank  
Charter Number 717986

2 East Main Street - P. O. Box 260  
Georgetown, MA 01833

Office of the Comptroller of the Currency

99 Summer St  
Suite 1400  
Boston, MA 02110

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

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

The major factors supporting the institution's rating are:

- The Bank's level of lending, as reflected by the loan-to-deposit ratio, is more than reasonable.
- A majority of originated and purchased loans were made within the Bank's assessment area (AA).
- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the census tracts of different income levels.

**SCOPE OF EXAMINATION**

Georgetown Bank (Georgetown or Bank) was evaluated using Small Bank Community Reinvestment Act (CRA) evaluation procedures, which includes a lending test. Our review covered the Bank's lending performance from January 1, 2013, through December 31, 2014, as this was representative of the Bank's lending strategy since its last CRA evaluation.

Georgetown Bank is both a mortgage and commercial lender. The Bank's primary loan product, based on originations during the evaluation period, is residential mortgage loans, which totaled 72% of originations. For purposes of this evaluation, residential loans are home purchase, home refinance, and home improvement loans reported pursuant to the Home Mortgage Disclosure Act (HMDA). As indicated by the December 31, 2014, Uniform Bank Performance Report (UBPR), 1-4 family residential real estate loans represent approximately 40% of the Bank's overall loan portfolio.

The Bank reports data under the requirements of the HMDA. We conducted a data integrity exam of the Bank's HMDA data for residential real estate loans originated/purchased, and found that the data was reliable. All residential real estate loans originated and purchased during the assessment period were included in our evaluation of the Bank's lending.

A full scope review was performed on the Bank's one AA, which includes the entirety of Essex County, MA and Rockingham County, NH and is a part of the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area (MSA). The majority of the Bank's deposits, lending activity, and physical presence are in this market.

## **DESCRIPTION OF INSTITUTION**

Georgetown Bank is \$271 million federal stock thrift headquartered in Georgetown, Massachusetts. The Bank is owned by Georgetown Bancorp Inc. The Bank does not have any operating subsidiaries or affiliate activities that were considered in this evaluation. In addition to the Bank's main office located in Georgetown, MA, the institution operates two full service branches and one loan production office. The full service branches are located in North Andover, MA and Rowley, MA and the lending center is located in Stratham, NH. The Bank's main branch in Georgetown, MA is located in an upper-income census tract, while the other two full service branches are located in middle-income geographies. Branch hours are typically 08:30AM to 4:00PM Monday through Wednesday with extended hours on Thursday and Friday. Saturday hours are typically from 08:30AM to 01:00PM. All three branches offer drive-through service. No branches were closed during the evaluation period. There have not been any significant changes to the Bank's corporate structure since the last CRA evaluation.

Georgetown offers a standard array of traditional loan and deposit products for both personal and business customers. The Bank's website, [www.georgetownbank.com](http://www.georgetownbank.com), provides a listing and description of its deposit and loan services. The Bank offers a variety of different account access alternatives including mobile banking and online banking with bill pay options. The Bank operates full-service automated teller machines (ATMs) at all three of its branches.

Residential and commercial lending is the Bank's primary focus. Georgetown originates loans for its own portfolio as well as for the secondary market. Loan products include conventional mortgage loan products including fixed and adjustable rate mortgages.

As of December 31, 2014, total assets were \$271 million, total deposits were \$186 million, and net tier one capital was \$27 million. The loan portfolio totaled \$234 million, or roughly 86% of total assets, as of the same date.

The following table provides a summary of the loan mix.

<b>Loan Portfolio Summary by Loan Product</b>	
<b>December 31, 2014</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
1-4 Family Residential Mortgage – Closed End	40%
Commercial Real Estate	33%
Home Equity	7%
Commercial & Industrial	7%
Construction and Development	12%
Consumer Loans	<1%

*Source: Federal Deposit Insurance Corporation (FDIC) Call Report, December 31, 2014.*

The Bank has no financial or legal impediments to meeting the credit needs of the community. The Bank was rated "Satisfactory" using small bank procedures, at the last CRA evaluation dated January 25, 2010.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The CRA requires a Bank to define an AA in which it will be evaluated. Georgetown Bank has one AA that meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

Georgetown Bank has one defined AA consisting of Essex County, Massachusetts and Rockingham County, New Hampshire. Both counties are a part of the Boston-Cambridge-Quincy MA-NH Metropolitan Statistical Area (MSA).

Georgetown's AA is comprised of 227 census tracts, including 33 low-income tracts (15%), 39 moderate-income census tracts (17%), 109 middle-income census tracts (48%), 45 upper-income census tracts (20%), and one NA tract. The 2010 U.S. Census Data indicates that 41% of families within the AA are considered low- or moderate-income and approximately 10% of households are below the poverty line.

The following table reflects the AA's demographic and economic characteristics based on 2010 Census Bureau data and the 2014 Housing and Urban Development Agency (HUD) data.

Demographic Information for Georgetown AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	227	15%	17%	48%	20%
Population by Geography	1,038,382	12%	17%	50%	21%
Owner-Occupied Housing by Geography	275,291	5%	14%	57%	24%
Small Business/Farms by Geography	73,341	6%	12%	47%	35%
Family Distribution by Income Level	267,050	23%	18%	22%	37%
Household Distribution by Income Level	397,635	25%	15%	17%	43%
2010 Census Median Family Income (MFI)		\$89,171	2010 Median Housing Value		\$356,513
HUD Updated MFI: 2014		\$89,171	Median Age of Housing		54
Households Below Poverty Level		9.49%	Unemployment Rate*		4.3%

Source: 2010 U.S. Census data \*Data from U.S. Bureau of Labor Statistics as of December 2014. Rate is for Boston-Cambridge-Quincy MA-NH MSA.

Georgetown operates in a highly competitive market with competition from commercial banks and savings banks. The Federal Deposit Insurance Corporation's Institutions Deposit Market Share Report, as of June 30, 2014, indicates 48 institutions operate branches within the Bank's AA. Georgetown ranks 25th with a deposit market share of approximately 0.75%. Local competitors include Beverly Bank, Haverhill Bank, Optima Bank and Trust Company, Salem Co-operative Bank, The National Grand Bank of Marblehead, First Ipswich Bank, and The Rockport National Bank. Large nationwide banks that provide further competition and are deposit market share leaders include TD Bank, National Association (16% market share), Bank of America, National Association (9% market share), and Santander Bank, National Association (8% market share).

Several local and nationwide institutions provide additional competition for mortgage loans within the Bank's AA including: Wells Fargo Bank, National Association; JPMorgan Chase, National Association; US Bank, National Association; Salem Five Mortgage Company; and Citibank National Association. The 2012 Peer Mortgage Market Share data indicates that Georgetown Bank competes with 510 lenders within the AA. The top ten lenders dominate the market with an overall market share of approximately 40%.

Per Moody's Analytics July 2014 reports, the economies in Rockingham County, NH and Essex County, MA are in the late stages of recovery moving into an expansionary period of economic growth. The booming Boston economy is driving job and wage gains in high-tech industries. Other industries that are economic drivers in the two counties are financial centers, medical centers, and retiree management. Job creation and private industry hiring within the Boston Metropolitan area, continues to drive down unemployment rates, keeping rates in the AA below national and New England average rates. As of December 2014, the unemployment rate in the Boston-Cambridge-Quincy MA-NH MSA is 4.3%, according to the U.S. Bureau of Labor Statistics.

According to Moody's Analytics, the Rockingham County economy benefits from the strong growth in Boston, as much of the County's population commutes to Boston; however, this creates a high dependency on Boston's economy. Rockingham's comparative advantage over Boston is its significantly lower cost of living and lower taxes. Although Rockingham has an aging population, with a large share of the population near or at retirement, the local workforce's core strength comes from being one of the most educated in the nation. The Boston economy is expanding steadily with healthcare and technology sectors as major drivers and financial services will continue to strengthen. The Boston area benefits from a highly skilled labor force and research universities, helping to maintain a significant income advantage over most of the country. Weaknesses of the economy include high business and living costs and high exposure to the cyclical finance and technology sectors.

The median housing prices in the AA remain relatively high compared to median family income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the AA. Low-income families earn less than \$44,585 a year and moderate-income families earn between \$44,585 and \$71,337, making it difficult to afford housing in the AA. Based on the 2010 Census Data, the average median cost of housing in the AA is \$356 thousand. According to Zillow, recent median housing costs are approximately the same as reported in the 2010 Census Data for the Bank's AA.

In assessing the Bank's performance, we reviewed a recent community contact with an organization whose mission is to provide financial assistance, including a wide range of debt and equity products, for low-income communities and individuals and for emerging businesses and entrepreneurs. Together, with their affiliates, they have invested over \$900 million in underserved communities. Some key programs involve lending to community projects such as affordable housing, childcare facilities, schools, youth programs, and community facilities. The contact stated credit needs in the area include financing mixed income commercial space with ground floor retail. Charter schools, health centers, and supermarket financing are all emerging credit needs of the community.

Another community contact discussed the high cost of living in the area, including high housing prices. Demand for properties to purchase and rent is high, while available inventory is low. Both of the contacts mentioned that the local financial institutions are supportive of the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Georgetown's performance under the lending test is satisfactory, given the significant competition and credit needs of the AA. Georgetown's loan-to-deposit ratio is more than reasonable. A majority of loans were originated inside the Bank's AA. Overall, the distribution of loans reflects reasonable penetration among individuals of different income levels. The geographic distribution of loans within the AA reflects a reasonable dispersion throughout the census tracts of different income levels.

### Loan-to-Deposit Ratio

The Bank's loan-to-deposit ratio is more than reasonable given the Bank's size and AA credit needs. The Bank's net loan-to-deposit ratio averaged 116% over the past 20 quarters, since the previous CRA evaluation. During this period, the loan-to-deposit ratio ranged from a quarterly low of 91% to a high of 125%. The Bank's loan-to-deposit ratio is higher than the national peer bank loan-to-deposit ratio average of 82% over the same period.

### Lending in Assessment Area

A majority of Georgetown's primary loan products were originated inside the Bank's AA and the Bank meets the standard for satisfactory performance. Georgetown Bank originated 59% by number and 60% by dollar amount of loans in the AA. The following table details the Bank's lending within the AA by number and dollar amount of loans.

Lending in Georgetown's AA (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	81	57%	61	43%	142	21,882	56%	17,321	44%	39,203
Home Refinance	101	58%	74	42%	175	30,310	60%	19,827	40%	50,137
Home Improvement	24	75%	8	25%	32	5,658	73%	2,068	27%	7,726
Totals	206	59%	143	41%	349	57,850	60%	39,216	40%	97,066

Source: HMDA – reported data from January 1, 2013 through December 31, 2014.

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

The distribution of home loans within the Bank's AA reflects reasonable penetration among individuals of different income levels.

Home purchase and home refinance loans represent the most significant portion of the Bank's originations during the evaluation period, therefore, these categories were given more consideration in the lending test. The percent of home purchase loans made to low-income borrowers is reasonable compared to the percent of peer aggregate lending data, which is the Bank's primary comparator. The percent of home purchase loans made to moderate-income borrowers is reasonable compared to the percent of peer aggregate lending data and reflects excellent penetration compared to the percent of moderate-income families in the AA.

The percent of home improvement loans made to low-income borrowers is low compared to peer aggregate lending data. Although, borrower distribution of home improvement loans to moderate-income families compared to the peer aggregate lending data reflects low penetration, the volume of home improvement loans made by the Bank is low, representing only 9% of loans originated during the evaluation period.

The percent of home refinance loans made to low-income borrowers is reasonable compared to the peer aggregate lending data. The percent of home refinance loans made to moderate-income borrowers reflects reasonable penetration compared to the peer aggregate lending data and the percent of moderate-income families in the AA.

Georgetown Bank's performance is considered satisfactory given the need for affordable housing and significant market competition. The lack of affordable housing limits lending opportunities for low- and moderate-income borrowers. The median housing value in the AA remains relatively high compared to the median family income in the AA. Based on the 2010 U.S. Census data, the median home price in the AA is \$356 thousand. The 2014 HUD updated median family income is \$89,171, which means that a low-income borrower would earn less than \$44,585, making it difficult to qualify for a home loan. Additionally, a moderate-income borrower would also encounter difficulty qualifying for a home loan with an income range of at least \$44,585 but less than \$71,337.

Market competition for home loans is significant within the AA. According to the 2012 Peer Mortgage Market Share data, mortgage lending in the AA is largely controlled by nationwide banks and larger local institutions with the top ten institutions holding approximately 40% of the overall market share. Georgetown Bank ranks 59th for volume of home loan originations with a market share of less than one percent (0.35%).



The following table shows the percent of home loan originations made by the Bank compared to the percent of peer aggregate lending data, at each borrower income level.

<b>*Table 2 – Aggregate Lending Data for Borrower Distribution in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	10	6	25	22	27	29	38	43
Home Improvement	7	4	19	8	27	30	47	58
Home Refinance	5	3	16	13	27	25	52	59

*\*Source: HMDA reported data from January 1, 2013 through December 31, 2014.*

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

<b>*Table 2A - Borrower Distribution of Residential Real Estate Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	23	6	18	22	22	29	37	43
Home Improvement	23	4	18	8	22	30	37	58
Home Refinance	23	3	18	13	22	25	37	59

*\*Source: HMDA reported data from January 1, 2013 through December 31, 2014.*

### **Geographic Distribution of Loans**

The Bank's geographic distribution of home loans within the AA reflects a reasonable dispersion throughout the census tracts of different income levels. Georgetown Bank's AA includes 33 low-income census tracts and 39 moderate-income census tracts. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

The percent of home purchase loans is reasonable compared to the percent of peer aggregate lending data in the low-income census tracts. The percent of home purchase loans represents excellent dispersion in the moderate-income tracts compared to the peer aggregate lending data and the percent of owner occupied housing.

Home improvement lending only comprised 9% of the Bank's total originations during the evaluation period. The Bank did not make any home improvement loans in the low-income census tracts, but this is considered reasonable given the low percent of peer aggregate lending data. The percent of home improvement loans reflects low dispersion in the moderate-income tract compared to the peer aggregate lending data and the percent of owner occupied housing.

The percent of home refinance loans reflects reasonable dispersion compared to the peer aggregate lending data in the low-income census tracts and low dispersion compared to peer aggregate lending data in the moderate-income tract.

Overall, Georgetown Bank's performance is considered satisfactory given the lack of affordable housing and significant market competition. A greater emphasis was given to home purchase and home refinance lending, as this made up 91% of home originations during the evaluation period.

The following tables detail the Bank's performance compared to the percentage of owner-occupied housing units in each census tract income level and aggregate lending data for all HMDA reporters within the Bank's AA.

<b>*Table 3 – Aggregate Lending Data for Geographic Distribution in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	4	2	13	14	47	51	36	33
Home Improvement	1	0	8	4	45	46	46	50
Home Mortgage Refinance	1	1	8	5	45	37	46	57

*\*Source: HMDA reported data from January 1, 2013 through December 31, 2014.*

<b>*Table 3A - Geographic Distribution of Residential Real Estate Loans in the AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	5	2	14	14	57	51	24	33
Home Improvement	5	0	14	4	57	46	24	50
Home Mortgage Refinance	5	1	14	5	57	37	24	57

*\*Source: HMDA reported data from January 1, 2013 through December 31, 2014.*

### **Responses to Complaints**

The Bank did not receive any CRA related complaints during this evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.