

# **PUBLIC DISCLOSURE**

August 28, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Woodsville Guaranty Savings Bank  
Certificate Number: 18031

63 Central St  
Woodsville, New Hampshire 03785

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
New York Regional Office

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

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

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 Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

## DESCRIPTION OF INSTITUTION

### **Background**

Woodsville Guaranty Savings Bank (WGSB) is a state chartered savings bank headquartered in Woodsville, New Hampshire (NH). WGSB is a wholly owned subsidiary of Guaranty Bancorp, Inc., a one-bank holding company also headquartered in Woodsville, NH. The bank received a Satisfactory rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated July 6, 2020, based on Intermediate Small Institution Examination Procedures. There was no merger or acquisition activity during the evaluation period.

### **Operations**

WGSB operates nine full-service offices in Grafton (8) and Coos (1) Counties, NH. The bank's primary business focus is residential and commercial lending. Residential lending includes residential mortgages, home equity lines of credit, home equity loans, and residential construction loans. Commercial lending includes commercial mortgages, construction loans, agricultural loans, lines and letters of credit, and equipment loans. The bank also offers loan programs through the Small Business Administration (SBA), the United States (US) Department of Agriculture, Northern Community Investment Corporation, and New Hampshire Business Finance Authority. The bank also offers personal and business banking products and services. Personal banking products and services include checking and savings accounts, health savings accounts, certificates of deposit, individual retirement accounts, and trust and investment services. Business banking products and services include checking and savings accounts, credit card processing, and cash management services. In addition, WGSB offers various alternative retail delivery services such as Automated Teller Machines (ATMs), on-line and mobile banking, bill pay, remote deposit capture, person-to-person payments, and mobile wallet.

### **Ability and Capacity**

Bank assets totaled \$686.9 million as of June 30, 2023, which included total loans of \$480.2 million and securities totaling \$142.9 million. Bank deposits totaled \$579.0 million. Since the prior evaluation, total assets, loans, and deposits increased by 23.7 percent, 13.0 percent, and 33.7 percent, respectively. These increases are attributed to normal business growth. The following table illustrates the loan portfolio as of June 30, 2023.

<b>Loan Portfolio Distribution as of 06/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	24,256	5.1
Secured by Farmland	1,538	0.3
Secured by 1-4 Family Residential Properties	317,992	66.2
Secured by Multifamily (5 or more) Residential Properties	27,669	5.8
Secured by Nonfarm Nonresidential Properties	62,090	12.9
<b>Total Real Estate Loans</b>	<b>433,545</b>	<b>90.3</b>
Commercial and Industrial Loans	28,192	5.8
Agricultural Production and Other Loans to Farmers	250	0.1
Consumer Loans	10,462	2.2
Obligations of State and Political Subdivisions in the U.S.	5,590	1.2
Other Loans	2,149	0.4
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>480,188</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment areas credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. WGSB designates a single assessment area including all of Grafton County, and portions of Coos County, NH. In addition, the bank includes six census tracts in neighboring Caledonia and Orange Counties, Vermont (VT). Although the census tracts in Caledonia and Orange Counties are not within NH, these tracts do not substantially extend beyond the Non-MSA portion of the assessment area in NH. There are no underserved or distressed nonmetropolitan middle-income census tracts in the assessment area. The designated assessment area has not changed from the previous CRA evaluation.

### **Economic and Demographic Data**

The assessment area includes 37 census tracts reflecting the following income designations according to the 2020 Census data:

- 0 low-income census tracts,
- 8 moderate-income census tracts,
- 24 middle-income census tracts, and
- 5 upper-income census tracts.

While the designated assessment area has not changed from the previous CRA evaluation, the number of census tracts and the income designation of select tracts have changed as a result of the 2020 Census. At the prior evaluation, the same assessment area included 28 census tracts reflecting the following income designations according to the 2015 American Community Survey (ACS).

- 0 low-income census tracts,
- 4 moderate-income census tracts,
- 20 middle-income census tracts, and
- 4 upper-income census tracts.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	37	0.0	21.6	64.9	13.5	0.0
Population by Geography	115,092	0.0	19.4	63.9	16.6	0.0
Housing Units by Geography	67,714	0.0	23.6	65.4	11.0	0.0
Owner-Occupied Units by Geography	32,796	0.0	18.7	70.1	11.2	0.0
Occupied Rental Units by Geography	12,729	0.0	22.1	60.7	17.2	0.0
Vacant Units by Geography	22,189	0.0	31.9	61.1	7.1	0.0
Businesses by Geography	13,067	0.0	18.0	66.0	16.0	0.0
Farms by Geography	618	0.0	14.1	77.3	8.6	0.0
Family Distribution by Income Level	27,802	22.1	18.2	22.5	37.2	0.0
Household Distribution by Income Level	45,525	25.2	16.2	18.6	40.0	0.0
Median Family Income Non-MSAs - NH	\$85,473	Median Housing Value		\$233,057		
Median Family Income Non-MSAs - VT	\$77,189	Median Gross Rent		\$1,072		
		Families Below Poverty Level		6.5%		

*Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0%*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

There are 67,714 housing units in the assessment area. Of these units, 48.4 percent are owner-occupied, 18.8 percent are rental occupied, and 32.8 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As reflected in the table above, only 18.7 percent of owner-occupied housing units are located in moderate-income census tracts. This distribution reflects limited opportunities to originate home mortgage loans in moderate-income census tracts in the assessment area.

Examiners used 2022 FFIEC-updated median family income (MFI) data to analyze home mortgage loans under the borrower profile criterion. The following table shows MFI ranges for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>NH NA Median Family Income (99999)</b>				
2022 (\$94,500)	<\$47,250	\$47,250 to <\$75,600	\$75,600 to <\$113,400	≥\$113,400
<b>VT NA Median Family Income (99999)</b>				
2022 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840

*Source: FFIEC*

The analysis of small business loans under the borrower profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. According to 2022 D&B data, there were 13,067 non-farm businesses in the assessment area. These businesses have the following GAR characteristics:

- 86.2 percent had GARs of \$1.0 million or less;
- 3.8 percent had GARs of more than \$1.0 million; and
- 10.0 percent had unreported GARs.

Service industries represent the largest share of total businesses in the assessment area at 37.3 percent, followed by non-classifiable establishments (19.0 percent), retail trade (11.0 percent), and finance, insurance, and real estate (9.0 percent). Most businesses have four or fewer employees (63.8 percent) and operate at a single location (89.8 percent). This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area. Major employers in the assessment area include Dartmouth-Hitchcock Medical Center, Dartmouth College, Littleton Regional Healthcare, and Plymouth State University.

The following table summarizes unemployment data from the Bureau of Labor Statistics at county, state, and national levels. During the evaluation period, the unemployment rate within the assessment area varied from a low of 1.0 percent (April 2023) in Grafton County to a high of 9.1 percent (July 2020) in Coos County. In 2020, the COVID-19 pandemic resulted in heightened unemployment rates.

Unemployment Rates				
Area	2020	2021	2022	June 2023
	%	%	%	%
Coos County, NH	5.8	2.7	3.3	2.0
Grafton County, NH	3.9	1.9	2.2	1.7
Caledonia County, VT	4.3	2.7	3.3	2.5
Orange County, VT	4.0	2.5	2.6	2.1
NH Statewide	4.3	2.1	2.5	1.8
VT Statewide	4.2	2.4	2.7	2.1
National Average	6.7	3.9	3.5	3.6

*Source: Bureau of Labor Statistics (Year End). YTD 2023 figures are as of June 2023.*

## **Competition**

The bank’s assessment area reflects a moderately competitive market for financial services. According to the June 30, 2022 FDIC and National Credit Union Administration (NCUA) deposit market share data, 17 financial institutions operated 58 full-service offices in the assessment area. Of these institutions, WGSB ranked 3<sup>rd</sup> with a 12.4 percent deposit market share. The other top institutions in the assessment area based on deposit market share were Mascoma Bank (23.0 percent); Bank of America, National Association (NA) (12.5 percent); Citizens Bank, NA (8.6 percent) and Ledyard National Bank (8.5 percent).

WGSB is not required to collect or report its home mortgage and small business loan data, and it has not elected to do so. Therefore, the analysis of home mortgage and small business loans under



the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for such products and is, therefore, included for performance context.

Aggregate data on home mortgage loans for 2022 shows that 238 reporting lenders originated or purchased 3,069 home mortgage loans in the assessment area, indicating a high level of competition for this product. The top lenders included Mascoma Bank; Rocket Mortgage; Meredith Village Savings Bank; Citizens Bank, NA; and Bar Harbor Bank & Trust.

Aggregate data on small business loans for 2021 (most recent available) shows that 81 reporting lenders originated or purchased 4,012 small business loans at the full county level that includes the assessment area, indicating a moderate level of competition for this product. The top reporting lenders included American Express National Bank; JPMorgan Chase Bank, NA; Mascoma Bank; Citibank, NA; and Capital One Bank, NA.

### **Credit and Community Development Needs and Opportunities**

Considering information from bank management and demographic and economic data, examiners determined that affordable housing programs, specifically home buyer assistance programs, along with affordable and obtainable small business loans, are primary credit needs in the assessment area.

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the previous evaluation, dated July 6, 2020, to the current evaluation dated August 28, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the Lending Test and the Community Development Test. Please see Appendices for complete descriptions of these tests.

### **Activities Reviewed**

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, as well as the number and dollar volume of loans originated during the evaluation period according to bank records. Examiners gave greater weight to home mortgage lending when determining overall conclusions due to the larger dollar volume and business focus when compared to small business loans. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. However, the volume of small business loans was elevated in 2020 and 2021 due to the bank originating Paycheck Protection Program (PPP) loans. The PPP consisted of a short-term loan product offered through, and forgiven by, the U.S. Small Business Administration (SBA) in response to the COVID-19 pandemic. This evaluation did not consider small farm or consumer loans, as neither represented a major product line.

The bank is not required to collect and report home mortgage data pursuant to the Home Mortgage Disclosure Act. Accordingly, examiners selected a statistical sample of residential mortgage loans originated in 2022 and considered this sample representative of the bank's performance during the review period. In 2022, the bank originated 282 residential mortgage loans totaling \$89.8 million, of which 55 loans totaling \$18.3 million comprise the sample. Examiners compared the bank's home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria to the 2020 US Census data.

As an intermediate small institution, the bank is not required to collect and report small business loan data and did not do so during the evaluation period. Accordingly, examiners selected a statistical sample of small business loans originated in 2022 and considered this sample representative of the bank's performance during the entire review period. In 2022, the bank originated 184 small business loans totaling approximately \$17.5 million, of which 51 loans totaling \$4.4 million comprise the sample. Examiners compared the bank's small business lending performance under the Geographic Distribution and Borrower Profile criteria to D&B demographic data.

Although the evaluation presents the number and dollar volume of each loan product, examiners emphasized the percentage by number of loans, as it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior evaluation date of July 6, 2020, to the current evaluation date of August 28, 2023.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

WGSB's overall Lending Test performance is rated "Satisfactory." The bank's reasonable performance under the Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile criteria supports the rating. The following sections present the bank's overall performance under the Lending Test.

#### Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. WGSB's LTD ratio, calculated from Call Report data, averaged 80.8 percent over the past 12 calendar quarters from September 30, 2020 to June 30, 2023. The LTD ratio fluctuated during the evaluation period, ranging from a low of 75.0 percent as of December 31, 2021, to a high of 93.7 percent as of September 30, 2020. The bank's average LTD ratio is below the 101.3 percent average LTD ratio considered at the prior evaluation.

WGSB maintained a reasonable average net LTD ratio compared to those of similarly situated institutions, as shown in the table below. Examiners selected these institutions based on geographic location, lending focus, and asset size.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Woodsville Guaranty Savings Bank</b>	<b>686,908</b>	<b>80.8</b>
Claremont Savings Bank	548,920	91.2
Franklin Savings Bank	785,855	74.6
Sugar River Bank	385,140	73.9

*Source: Reports of Condition and Income 9/30/2020 - 6/30/2023*

#### Assessment Area Concentration

The bank originated a majority of its home mortgage and small business loans, by number, in the assessment area. By dollar volume, the majority of sampled small business loans were in the assessment area, but a majority of sampled home mortgage loans were outside the assessment area. The bank purchasing home mortgage loans for investment purposes through two third-party relationships contributed to the larger dollar volume of home mortgage loans located outside the assessment area.

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										
2022	33	60.0	22	40.0	55	7,517	41.1	10,785	58.9	18,302
Small Business										
2022	43	84.3	8	15.7	51	3,083	70.6	1,282	29.4	4,365
<b>Total</b>	<b>76</b>	<b>71.7</b>	<b>30</b>	<b>28.3</b>	<b>106</b>	<b>10,600</b>	<b>46.8</b>	<b>12,066</b>	<b>53.2</b>	<b>22,666</b>

*Source: Bank Data. Due to rounding, totals may not equal 100.0%*

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable performance of home mortgage lending and excellent performance of small business lending support this conclusion. Examiners focused on the percentage, by number, of loans in moderate-income census tracts.

#### ***Home Mortgage Loans***

The geographic distribution of sampled home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank’s performance in moderate-income census tracts trailed the percentage of owner-occupied housing units and trailed its excellent performance noted at the previous evaluation. The lower percentage of lending in moderate-income census tracts is primarily due to the change in the income level of the tract where the bank’s main office is located. Prior to 2022, the census tract the main office is located in was moderate-income based on 2015 ACS data. In 2022, the designated income level of this census tract changed to middle-income based on the 2020 Census. The bank originates a high level of its loans in close proximity to the main office.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	18.7	2	6.1	217	2.9
Middle	70.1	28	84.8	6,338	84.3
Upper	11.2	3	9.1	962	12.8
<b>Total</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>7,517</b>	<b>100.0</b>

*Source: 2020 U.S. Census and Bank Data. Due to rounding, totals may not equal 100.0%*

#### ***Small Business Loans***

The geographic distribution of sampled small business loans reflects excellent dispersion throughout the assessment area. The bank’s performance in moderate-income census tracts by both number and dollar amount exceeded the percentage of businesses in those tracts.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	0.0	0	0.0	0	0.0
Moderate	18.0	10	23.3	1,402	45.5
Middle	66.0	33	76.7	1,681	54.5
Upper	16.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>3,083</b>	<b>100.0</b>

*Source: 2022 D&B Data and Bank Data. Due to rounding, totals may not equal 100.0%*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. WGSB’s reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers and the number of small business loans to businesses with GAR of \$1.0 million or less.

### ***Home Mortgage Loans***

The distribution of sampled home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to demographic data. As shown in the following table, the bank’s penetration of home mortgage lending to low-income borrowers was below demographic data. However, a low-income family in the assessment area may not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$233,057. Therefore, the opportunities for lending to low-income families are limited. This helps explain the difference between the bank’s performance and the percentage of families at this income level. The bank’s penetration of sampled home mortgage loans to moderate-income borrowers exceeded demographic data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	22.1	4	12.1	256	3.4
Moderate	18.2	8	24.2	694	9.2
Middle	22.5	9	27.3	1,057	14.1
Upper	37.2	12	36.4	5,510	73.3
<b>Total</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>7,517</b>	<b>100.0</b>

*Source: 2020 U.S. Census and Bank Data. Due to rounding, totals may not equal 100.0%*

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank’s penetration of sampled loans to businesses with GAR of \$1.0 million or less trailed demographic data, but represents an adequate level of penetration.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	86.2	32	74.4	1,750	56.8
>\$1,000,000	3.8	11	25.6	1,333	43.2
Revenue Not Available	10.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>43</b>	<b>100.0</b>	<b>3,083</b>	<b>100.0</b>

*Source: 2022 D&B Data & Bank Data. Due to rounding, totals may not equal 100.0%*

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

WGSB’s overall Community Development Test performance is rated “Satisfactory.” The bank’s community development performance demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

### **Community Development Loans**

The bank originated 41 community development loans totaling \$6.8 million during the evaluation period. This level of activity represents 1.1 percent of average total assets and 1.7 percent of average total loans during the evaluation period. In comparison to the previous evaluation, WGSB’s volume of community development lending was similar by total dollar amount and was higher by number of loans. At the previous evaluation, the bank originated six community development loans totaling \$8.0 million, representing 1.6 percent of average total assets and 2.1 percent of average total loans. The increase in the number of loans is largely due to the bank’s participation in SBA’s PPP, particularly loans that revitalized or stabilized low- and moderate-income census tracts.

The bank’s community development lending compared favorably to one similarly situated institution by number of loans, but fell significantly below the other institution by total dollar

amount. Nonetheless, the bank’s level of community development lending demonstrates that the bank has been responsive to community development lending opportunities in the assessment area.

The following table illustrates the bank’s community development lending activity by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
7/6/2020 – 12/31/2020	1	400	2	211	0	0	4	48	7	659
2021	2	1,525	3	630	0	0	22	1,324	27	3,479
2022	1	100	3	738	1	1,200	0	0	5	2,038
1/1/2023 – 8/28/2023	1	100	1	500	0	0	0	0	2	600
<b>Total</b>	<b>5</b>	<b>2,125</b>	<b>9</b>	<b>2,079</b>	<b>1</b>	<b>1,200</b>	<b>26</b>	<b>1,372</b>	<b>41</b>	<b>6,776</b>

*Source: Bank Data*

The following is a sample of community development loans that benefited the assessment area or the broader statewide or regional area.

- In 2020 and 2021, the bank originated 25 PPP loans totaling \$842,332 that qualified as community development loans. The PPP loans to area businesses and nonprofit organizations helped to revitalize or stabilize low- and moderate-income areas by retaining jobs, businesses, organizations, and residents during the COVID pandemic.
- In 2021, the bank participated in a \$6.5 million affordable housing development by providing two loans totaling over \$1.5 million to a limited liability corporation (LLC). The development includes the construction of a 28-unit affordable housing project in Bethlehem, Grafton County, NH. The Federal Home Loan Bank of Boston’s Affordable Housing Program also subsidized the project. This loan enhances affordable housing opportunities in the assessment area.
- In 2021, the bank made a \$380,000 loan to a nonprofit organization for the purchase of a medical clinic in Newbury, VT. The organization is a federally-qualified health center (FQHC) that provides comprehensive primary health care for area residents, particularly those who are under-insured or uninsured. This loan supports community development service in the assessment area.
- In 2022, the bank granted a \$1.2 million loan to a local Habitat for Humanity organization to purchase a property for its affiliated Restore outlet. Restores are retail outlets where the organization sells used and surplus building materials to the public at a fraction of market prices. Proceeds from Restores help fund the construction of homes built by Habitat for Humanity. This loan supports affordable housing in the assessment area.

**Qualified Investments**

WSBG has 114 qualified investments and donations totaling approximately \$1.5 million, including two prior period investments with a book value of \$1.0 million and 112 donations, including tax credits, totaling \$429,505. This level of activity represents 0.2 percent of average total assets and 1.1 percent of average total securities during the evaluation period. In comparison to the previous evaluation, WGSB’s volume of qualified investments exceeds by number, but trails by total dollar amount. At the previous evaluation, the bank reported 77 qualified investments and donations totaling \$6.3 million. The primary factor in the decline is that the bank is no longer holding two school district tax credit bonds totaling \$3.2 million; however, the current level of qualified investments indicates that the bank has been responsive to opportunities for qualified investments, particularly through donations.

The bank’s level of qualified investments was comparable to one similarly situated institution by number of investments, but fell significantly below the other institution by total dollar amount. The primary reason for the difference is WSBG’s lack of equity investments.

The following table illustrates the bank’s qualified investment activity by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	2	1,029	0	0	2	1,029
7/6/2020-12/31/2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,029</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>1,029</b>
Qualified Grants & Donations	7	119	92	174	10	136	1	1	112	430
<b>Total</b>	<b>7</b>	<b>119</b>	<b>92</b>	<b>174</b>	<b>12</b>	<b>1,165</b>	<b>1</b>	<b>1</b>	<b>114</b>	<b>1,459</b>
<i>Source: Bank Data</i>										

The following is a sample of qualified investments and donations that benefit the assessment area or broader statewide or regional area.

- Prior to the evaluation period, the bank purchased two Small Business Investment Company (SBIC) Bonds that have a combined book value of \$1.0 million. The SBA licenses the SBICs, and these bonds provide equity and debt financing for startup and small businesses. These investments support economic development in the broader regional area that includes the assessment area.
- During the review period, the bank donated \$110,000 to a community-based housing development organization. The organization provides quality affordable rental housing, financial education, and homeownership opportunities to low- and moderate-income



individuals in northern NH. This donation supports affordable housing efforts within the bank’s assessment area.

- During the review period, the bank donated \$75,000 to the economic development of Littleton, NH. Leveraging private, state, and federal dollars, the Town of Littleton government created the Riverfront Commons project to support local residents and businesses through a Welcome Center, expanded parking, and space for a Farmer’s Market. This donation supports economic development efforts within the bank’s assessment area.

### **Community Development Services**

During the evaluation period, bank staff provided 328 hours of qualified community development services to 11 organizations serving the assessment area or a broader statewide or regional area. In comparison to the previous evaluation, WGSB’s community development services significantly trailed by total hours and number of organizations. At the previous evaluation, the bank provided 1,926 hours to 22 organizations. The examiners took into consideration that many nonprofit organizations either reduced or ceased operations in response to the COVID-19 pandemic, which limited the opportunities for banks to provide community development services. Many other financial institutions in the regional area also reported a decline in community development services due to the pandemic. The following table illustrates the bank’s community development service hours by year and purpose.

<b>Community Development Services (by hours)</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
7/6/2020 – 12/31/2020	6	7	19	0	<b>32</b>
2021	11	14	38	0	<b>63</b>
2022	23	14	43	0	<b>80</b>
1/1/2023-8/28/2023	27	20	106	0	<b>153</b>
<b>Total</b>	<b>67</b>	<b>55</b>	<b>206</b>	<b>0</b>	<b>328</b>

*Source: Bank Data*

The following is a sample of community development services that benefit the assessment area or a broader statewide or regional area.

- During the evaluation period, a mortgage loan officer provided financial counseling and coaching services to clients of Affordable Housing, Education and Development (AHEAD) in Littleton, NH. AHEAD’s primary purpose is to address affordable housing in the area by constructing or purchasing multifamily properties to house low- and moderate-income individuals and families.
- During the evaluation period, an assistant vice president served on the Board of the Cohase Chamber of Commerce. The Cohase Chamber of Commerce promotes economic development in the assessment area by providing services such as job listings and funding to help small businesses create and retain jobs.

- During the evaluation period, a vice president and a branch manager provided financial literacy training at schools in the assessment area that primarily serve low- and moderate-income students.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act, and did not identify any discriminatory or other illegal credit practices.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

#### **Community Development Test**

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**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.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
  - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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 Area (CBSA):** 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).

**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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**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 (e.g, 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.

**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** (also known as **non-MSA**): 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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.