

# **PUBLIC DISCLOSURE**

January 25, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Liberty Bank  
Certificate Number: 17943

315 Main Street  
Middletown, Connecticut 06457

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 **Outstanding**.

An institution in this group has an outstanding 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.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory		X	
Low 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.			

**The Lending Test is rated Outstanding.**

- Liberty Bank’s (Liberty) lending levels reflect excellent responsiveness to assessment area credit needs.
- The bank made a substantial majority of its loans in its assessment areas.
- The geographic distribution of loans reflects an adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, good penetration among retail customers of different income levels and business customers of different sizes.
- The bank makes extensive use of innovative or flexible lending practices in order to serve the credit needs of its assessment areas.
- Liberty is a leader in making community development loans.

**The Investment Test is rated High Satisfactory.**

- Liberty has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank occasionally uses innovative or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are accessible to essentially all portions of the bank's assessment areas, including low- and moderate-income areas.
- To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the bank's assessment areas, particularly low- and moderate-income geographies and/or individuals.
- Liberty is a leader in providing community development services.

## **DESCRIPTION OF INSTITUTION**

Liberty is a state-chartered, mutually owned institution headquartered in Middletown, Connecticut (CT). The bank and its branches operate entirely within the state of CT, including within the counties of Hartford, Middlesex, Tolland, New Haven, New London, Windham, and Fairfield. Liberty does not maintain a holding company relationship, but does wholly own seven subsidiaries that include the following: a passive investment company; three real estate holding companies: a commercial mortgage company: an affordable housing development partnership: and a not-for-profit charitable foundation.

Liberty received an "Outstanding" rating at its previous Federal Deposit Insurance Corporation (FDIC) Community Reinvestment Act (CRA) evaluation dated October 16, 2017, based on Interagency Large Institution CRA Examination Procedures.

Since the prior evaluation, Liberty acquired five full-service branches as a part of its acquisition of Simsbury Bank and Trust (SBT) in October 2019, which all remain in operation. As with existing Liberty branches, SBT also operated exclusively within the state of CT, and the newly acquired branches are a part of the existing communities Liberty serves.

## Operations

Liberty operates 60 offices and 77 automated teller machines (ATMs) within its assessment areas (AAs), with the following distribution by county:

- Hartford County – 16 branch and 20 ATMs,
- Middlesex County – 16 branches and 24 ATMs,
- New Haven County – 16 branches and 18 ATMs,
- New London County – 8 branches and 11 ATMs,
- Tolland County – 1 branch and 1 ATM,
- Windham County – 2 branches and 2 ATMs, and
- Fairfield County – 1 branch and 1 ATM.

The bank also opened two loan production offices (LPO) since the prior examination, during November 2020. These LPOs offer strictly commercial loan products. One LPO is located in Hartford County, while the other operates within New Haven County.

Liberty's alternative delivery channels and services include the ATM network, internet banking, mobile banking, telephone banking, and electronic bill pay. Liberty offers a range of deposit and lending products tailored to meet the needs of its local community. These products include personal checking and savings accounts, commercial checking and savings accounts, online and mobile banking, and home mortgage, commercial, and consumer loans.

## Ability and Capacity

As of September 30, 2020, the bank reported total assets of \$6.8 billion. Loans are the primary asset at \$4.7 billion, while securities total \$1.1 billion. Deposits total \$5.5 billion.

The following table provides a breakdown of the loan portfolio as of September 30, 2020.

<b>Loan Portfolio Distribution</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	120,537	2.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	1,307,640	28.1
Secured by Multi-family (5 or more) Residential Properties	916,927	19.7
Secured by Non-farm Non-Residential Properties	1,264,602	27.1
<b>Total Real Estate Loans</b>	<b>3,609,706</b>	<b>77.5</b>
Commercial and Industrial Loans	1,002,789	21.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer	10,148	0.2
Obligations of states and political subdivisions	3,539	<0.1
Loans to non-depository institutions	30,406	0.7
<b>Total Loans</b>	<b>4,656,588</b>	<b>100.0</b>
<i>Source Report of Condition and Income 9/30/2020</i>		

There are no financial, legal, or other impediments affecting the bank's ability to meet the credit needs of its AAs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs for which examiners will evaluate its CRA performance. Liberty identified the following five separate AAs:

- Hartford-East Hartford-Middletown, CT Metropolitan Statistical Area (MSA) #25540: This AA includes all of Hartford and Middlesex counties, as well as a small portion of Tolland County. This is Liberty's primary AA as it maintains a majority of its branches, deposits, and lending activity.
- New Haven-Milford, CT MSA #35300: This AA is composed solely of New Haven County. This is the bank's second most active AA based upon branch, deposits, and lending activity.
- Norwich-New London, CT MSA #35980: This AA includes most of New London County. This is the bank's third most active AA based upon branch, deposits, and lending activity.
- Worcester, MA-CT MSA #49340: This AA includes only a small portion of Windham County within the state of CT.
- Bridgeport-Stamford-Norwalk, CT MSA #14860: This AA is composed of only a small portion of Fairfield County.

Refer to the separate AA sections of this evaluation for a detailed description of each AAs demographic data and performance context.

## SCOPE OF EVALUATION

### General Information

Examiners used the Interagency Large Institution CRA Examination Procedures to evaluate Liberty's performance since the previous evaluation dated October 16, 2017, to the current evaluation date of January 25, 2021. The procedures consist of the Lending, Investment, and Service Tests (see Appendices).

Examiners used full-scope procedures to assess Liberty's performance in its Hartford-East Hartford-Middletown, CT MSA, New Haven-Milford, CT MSA, and Norwich-New London, CT MSA AAs, as the bank maintains high market shares and a high concentration of its activities in these areas. Examiners used limited-scope procedures for the bank's Worcester, MA-CT MSA and Bridgeport-Stamford-Norwalk, CT MSA AAs, as these areas account for a comparatively lower proportion of the institution's activity and operations, and the performance in these areas had minimal influence

on the overall conclusions. The evaluation gave much more weight to the bank's performance in its Hartford-East Hartford-Middletown, CT MSA AA when determining the overall rating, as this area accounts for most of the bank's branch office network and deposits, and a majority of its home mortgage and small business loans.

### **Activities Reviewed**

Examiners analyzed Liberty's CRA performance using home mortgage and small business loan data, as these loan types represent the bank's major product lines based on a review of bank records, business strategy, loan portfolio composition, and discussions with bank management. Liberty did not originate any small farm loans during the evaluation period.

Examiners reviewed the bank's home mortgage loans for 2017, 2018, and 2019, which included residential loans subject to the Home Mortgage Disclosure Act's (HMDA) data reporting requirements. The HMDA-reportable loans include home purchase and home improvement loans, including refinancing, on 1-4 family and multifamily (five or more unit) properties. The bank's HMDA activity included mostly 1-4 family mortgage loans during the review period, with 4,667 loans totaling \$943.2 million. Liberty made 73 multifamily loans totaling \$648.1 million during the review period, which is nominal activity relative to its total HMDA lending. As a result, this evaluation presents the bank's multifamily lending within the Assessment Area Concentration criterion only, since it did not affect the bank's overall performance and rating. Examiners compared the bank's 1-4 family residential lending to American Community Survey (ACS) census demographic data for 2017, 2018, and 2019, and to the aggregate HMDA data for 2017, 2018, and 2019.

Examiners reviewed the bank's small business loans for 2017, 2018, and 2019. Small business loans include commercial real estate or commercial and industrial loans and lines of credit in amounts of \$1.0 million or less. The bank reported 1,403 small business loans totaling \$164.9 million during the three-year review period. Examiners compared the bank's record of small business lending to Dun & Bradstreet (D&B) demographic data for 2017, 2018, and 2019, and to the aggregate small business loan data for 2017 and 2018, the most recently available data.

Under the Lending Test, examiners place the most weight on the 1-4 family loans, with a secondary emphasis on the small business loans based on the number of loans originated and discussions with bank management. The lending review included originations and purchases, as the bank does purchase loans. In addition, while the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

The CRA evaluation also reviewed the bank's community development loans, investments, and services for the period since the previous CRA evaluation. Qualified investments included new investments and grants, as well as outstanding qualified investments from the prior evaluation.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

The Lending Test is rated “Outstanding.” Liberty’s excellent performance in the Lending Activity, Assessment Area Concentration, Community Development Loans, and Innovative or Flexible Lending Practices criteria, as well as its good performance in the Borrowers’ Profile criteria, primarily supports this rating. The bank’s overall performance was consistent with its primary AA, the Hartford-East Hartford-Middletown, CT MSA AA, which received the most emphasis. Liberty’s performance in its New Haven-Milford, CT MSA AA was consistent with the overall performance, while its performance in the Norwich-New London, CT MSA, Worcester, MA-CT MSA, and Bridgeport-Stamford-Norwalk, CT MSA AAs was inconsistent with the overall performance.

#### Lending Activity

Lending levels reflect excellent responsiveness to the credit needs of its AAs on a combined basis, based primarily upon the bank’s market rank among all lenders reporting 1-4 family loans, which is the bank’s primary loan product line. The bank’s lending activity in its Hartford-East Hartford-Middletown, CT MSA AA primarily supports this conclusion given its higher concentration of branches, deposits, and loans.

As of September 30, 2020, loans totaled \$4.7 billion and composed 68.2 percent of total assets. The loan portfolio grew 29.8 percent since the prior evaluation, with a continued focus on 1-4 family lending primarily, as well as secondarily on commercial lending.

Liberty is an active 1-4 family mortgage lender in its AAs, originating 4,171 loans totaling \$710.7 million inside its AAs since the prior evaluation, including 792 loans in 2017; 1,489 loans in 2018; and 1,890 loans in 2019. The bank’s volume of 1-4 family loan originations and purchases increased significantly by 88.0 percent in 2018 and 26.9 percent in 2019, which remained strong. According to the 2019 aggregate HMDA data, Liberty’s market rank by the number of loans was excellent for most AAs, and included the following:

- Fourth out of 433 reporting lenders, at a 3.7 percent market share, inside its Hartford-East Hartford-Middletown, CT MSA AA;
- Fourteenth out of 396 reporting lenders, at a 2.0 percent market share, in its New Haven-Milford, CT MSA AA;
- Sixth out of 267 reporting lenders, at a 3.9 percent market share, in its Norwich-New London, CT MSA AA; and
- First out of 91 reporting lenders, at an 8.2 percent market share, in its Worcester, MA-CT MSA AA.

Within the bank’s Bridgeport-Stamford-Norwalk, CT MSA AA, it ranked twenty-first by number of loans out of 162 reporting lenders, at a 1.2 percent market share, which was adequate.



Liberty is also an active small business lender in its AAs. The bank originated 1,336 small business loans totaling \$156.6 million inside its AAs since the prior evaluation, including 329 loans in 2017; 442 loans in 2018; and 565 loans in 2019. The bank's volume of small business loan originations and purchases increased notably by 34.3 percent in 2018 and 27.8 percent in 2019, which was good. According to the 2018 aggregate CRA data, Liberty's market rank by the number of loans was adequate for its AAs, and included the following:

- Nineteenth out of 117 reporting lenders, at 0.8 percent market share, inside its Hartford-East Hartford-Middletown, CT MSA AA;
- Eighteenth out of 118 reporting lenders, at a 0.8 percent market share, in its New Haven-Milford, CT MSA AA;
- Eighteenth out of 70 reporting lenders, at a 0.7 percent market share, in its Norwich-New London, CT MSA AA;
- Twenty-fifth out of 69 reporting lenders, at a 0.6 percent market share, in its Worcester, MA-CT, MSA AA; and
- Sixty-ninth out of 124 reporting lenders, at a 0.1 percent in its Bridgeport-Stamford-Norwalk, CT MSA AA.

Given Liberty's performance context, the competition for loans in its AAs, and the strong market rankings for 1-4 family lending throughout most of its AAs, including its primary AA, the Hartford-East Hartford-Middletown, CT MSA, the bank's lending levels show excellent responsiveness to the credit needs of its AAs on an overall basis.

### **Assessment Area Concentration**

Liberty made a substantial majority of its loans inside its AAs for each of the bank's primary product lines, including 1-4 family and small business lending. As shown in the following table, the bank originated 90.2 percent of its total loans by number and 54.1 percent by dollar volume inside its AAs. As stated previously, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served. In addition, the dollar volume of loans made outside the bank's AAs was largely skewed lower in general by a relatively small number of multifamily loans in the greater New York Metro area of very large dollar amounts.

Lending Inside and Outside of the AAs										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
1-4 Family										
2017	792	84.3	147	15.7	939	157,737	61.4	99,017	38.6	256,755
2018	1,489	88.1	201	11.9	1,690	241,029	71.6	95,442	28.4	336,471
2019	1,890	92.7	148	7.3	2,038	311,898	89.1	38,112	10.9	350,009
<b>Subtotal</b>	<b>4,171</b>	<b>89.4</b>	<b>496</b>	<b>10.6</b>	<b>4,667</b>	<b>710,664</b>	<b>75.3</b>	<b>232,571</b>	<b>24.7</b>	<b>943,235</b>
Multifamily										
2017	4	26.7	11	73.3	15	3,195	1.8	177,415	98.2	180,610
2018	15	45.5	18	54.5	33	23,521	10.0	211,045	90.0	234,566
2019	13	52.0	12	48.0	25	56,689	24.3	176,189	75.7	232,878
<b>Subtotal</b>	<b>32</b>	<b>43.8</b>	<b>41</b>	<b>56.2</b>	<b>73</b>	<b>83,405</b>	<b>12.9</b>	<b>564,649</b>	<b>87.1</b>	<b>648,054</b>
Small Business										
2017	329	94.3	20	5.7	349	38,912	95.8	1,688	4.2	40,600
2018	442	98.0	9	2.0	451	50,164	97.8	1,108	2.2	51,272
2019	565	93.7	38	6.3	603	67,507	92.5	5,496	7.5	73,003
<b>Subtotal</b>	<b>1,336</b>	<b>95.2</b>	<b>67</b>	<b>4.8</b>	<b>1,403</b>	<b>156,583</b>	<b>95.0</b>	<b>8,292</b>	<b>5.0</b>	<b>164,875</b>
<b>Total</b>	<b>5,539</b>	<b>90.2</b>	<b>604</b>	<b>9.8</b>	<b>6,143</b>	<b>950,652</b>	<b>54.1</b>	<b>805,512</b>	<b>45.9</b>	<b>1,756,164</b>

Source 2017, 2018, and 2019 HMDA data; 2017, 2018, and 2019 CRA data

## **Geographic Distribution**

Liberty's geographic distribution of loans reflects an adequate penetration throughout its AAs. Examiners assigned the rating based primarily upon the bank's 1-4 family lending performance within its Hartford-East Hartford-Middletown, CT MSA AA, given its higher concentration of branches and loans. Liberty's performance in its New Haven-Milford, CT MSA AA exceeded the overall performance, and was good, while its performance in the Norwich-New London, CT MSA AA was poor. The bank's performance in the Worcester MA-CT MSA and Bridgeport-Stamford-Norwalk, CT MSA AAs was consistent with the overall performance. Refer to the Geographic Distribution comments within the Lending Test section for each AA for a more detailed discussion of the bank's performance.

## **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, a good penetration based on borrower profile primarily due to the bank's 1-4 family lending performance, which is Liberty's most significant product line; while the bank's penetration among businesses of different size was excellent. The bank's overall performance was consistent with its primary AA, the Hartford-East Hartford-Middletown, CT MSA AA, which received the most emphasis. The bank's performance in its New Haven-Milford, CT MSA AA and Norwich-New London, CT MSA AAs was consistent

with the overall performance, while its performance Worcester, MA-CT MSA and Bridgeport-Stamford-Norwalk, CT MSA AAs was inconsistent with the overall performance. Refer to the Borrower Profile comments within the Lending Test section for each AA for a more detailed discussion of the bank's performance.

### **Innovative or Flexible Lending Practices**

Liberty makes extensive use of innovative or flexible lending practices to serve the credit needs of its AAs. Examiners analyzed the bank's performance for this criterion at the institution level only, as a detailed breakdown by AA was not available. Importantly, the bank offers all of its innovative or flexible lending programs in each of its AAs. During the evaluation period, the bank extended 1,533 loans totaling \$182.4 million through innovative or flexible lending programs. Approximately 85.2 percent of loans extended involved residential lending. These loans demonstrate the bank's responsiveness to the primary credit needs of the AAs. In addition, the bank developed several in-house programs, including the HomeStyle Renovation and Credit Builder Loan and Saver loan products, and continued to be a leader among banks making Connecticut Housing Finance Administration loans.

The following table shows the loan activity attributed to the bank's innovative or flexible programs. The table does not include programs that the bank implemented recently in response to the Coronavirus Pandemic, or COVID-19, which this evaluation discusses separately.

Innovative or Flexible Lending Programs for Combined AAs								
Type of Program	2018		2019		2020		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Good Neighbor Program	62	8,514	134	20,502	241	44,022	437	73,038
Good Neighbor Home Equity	0	0	0	0	24	239	24	239
Equity Builder Program	7	77	10	150	10	150	27	377
CHFA Program	127	21,473	121	20,979	60	11,180	308	53,632
CHFA DAP	25	163	33	189	18	104	76	456
FHA	18	3,793	34	6,701	16	3,466	68	13,960
VA	5	1,218	3	874	1	300	9	2,392
SBA Express	51	3,286	33	2,127	14	1,022	98	6,435
SBA 7a	10	2,998	14	1,841	2	490	26	5,329
SBA 504	1	721	4	1,806	2	594	7	3,121
HomeStyle Renovation	9	1,941	12	2,721	18	5,250	39	9,912
Credit Builder	0	0	20	16	21	17	41	33
Academy for Small Business	11	55	29	145	16	80	56	280
USDA	0	0	1	199	1	229	2	428
SmartMove	118	4,442	109	4,142	80	2,784	307	11,368
HomeReady	2	344	4	552	17	2,707	23	3,603
<b>Totals</b>	<b>446</b>	<b>49,025</b>	<b>561</b>	<b>62,944</b>	<b>541</b>	<b>72,634</b>	<b>1,548</b>	<b>184,603</b>
<i>Source Bank Records</i>								

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

Below are notable examples of the bank's innovative and flexible home mortgage-related loan programs:

#### ***Good Neighbor Program***

The Good Neighbor loan is a loan program designed by Liberty Bank to stabilize and revitalize properties in urban neighborhoods within the bank's CRA AAs. The program is available to borrowers purchasing or refinancing 1-4 residential properties in low- and moderate-income census tracts. It allows higher loan-to-value ratios, includes closing cost credits, and has a below market interest rate.

#### ***Good Neighbor Home Equity***

The bank launched this new product since the prior examination. It is a special purpose credit program introduced to help the bank better serve low- and moderate-income families and areas. This product is available only for 1-4 family residential properties, offers loan amounts up to \$10,000 at a competitive 3.25 percent interest rate, with no annual fee, no prepayment penalty, and a loan-to-value up to 105.00 percent.

### *Equity Builder Program*

Eligible homebuyers can receive up to \$15,000 in down payment and closing cost assistance. This program is available to households with incomes at or below 80.0 percent of Department of Housing and Urban Development (HUD) area median income based on property location. Grants are contingent upon participation in a homebuyer education/counseling program.

### *Connecticut Housing Finance Administration*

The organization helps low- and moderate-income families and individuals achieve homeownership through flexible lending programs. These programs include income limits and target first-time homebuyers and families facing financial hardship. Liberty also participates in the Down Payment Assistance Program, which provides financial assistance in the form of second mortgage loans to eligible first-time homebuyers based on their financial needs to assist in the purchase of a home.

### *Federal Housing Administration (FHA)*

FHA loans benefit low- and moderate-income borrowers who would otherwise not qualify for conventional financing. Under the FHA guidelines, borrowers are able to qualify for loans with up to a 96.5 percent loan-to-value.

### *Housing Development Fund SmartMove*

Eligible homebuyers receive up to 20.0 percent of the purchase price of their home to use toward a down payment or closing costs. Loans are in a second-lien position and include a 3.0 percent fixed rate over a 20-year term. Borrowers contribute 1.0 percent of their own funds. This program is primarily for borrowers with limited financial means and first time homebuyers.

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

Below are examples of the bank's flexible small business loan programs:

#### *Academy for Small Business*

The Academy for Small Business (ASB) program is a comprehensive training program that provides instruction and guidance on how to operate a small business. Upon completion of six of the eight training modules, the business owner is eligible for an initial business line of credit of \$5,000, without credit verification. This program minimizes barriers for small businesses to obtain credit and provides business literacy component through the Federal Deposit Insurance Corporation and the Small Business Administration' (FDIC/Small Business Administration) Money Smart for Small Business Curriculum.

#### *Small Business Administration (SBA) Loan Programs*

Liberty participates in several SBA loan programs. The SBA does not make loans itself, but rather guarantees loans made by participating lending institutions. Loans made under these programs help start-up and existing small businesses, with financing guaranteed for a variety of general business purposes. Many of these businesses would otherwise not have qualified for conventional financing.

## **New Credit Builder Loan Product**

### *Credit Builder Loan and Saver*

This is a new product launched by the bank since the previous examination, which is a special purpose credit program. This is a simple personal loan up to \$1,000 in amount, with funds deposited in a certificate of deposit (CD). The CD term is set up to be the same as the loan term. As the funds are repaid, the bank will report a positive credit history to the credit bureaus, and the interest is credited to the CD. Once the loan is paid off, the CD funds are issued to the customer.

## **Responses to COVID-19 Pandemic**

Below are examples of the bank's flexible loan programs and practices regarding the pandemic:

### *Unsecured Personal Loans*

A relief measure offering existing customers the opportunity to apply for unsecured personal loans up to \$5,000 with zero interest costs, which allows a deferral of loan payments up to six months after loan closing. The bank made 593 of these loans totaling more the \$2.9 million.

### *SBA's Paycheck Protection Program (PPP)*

Liberty also participated with the PPP, which is an emergency loan program to provide financial relief and assistance to small businesses experiencing financial hardship and duress due to the pandemic. The PPP financing features a 100.0 percent SBA loan guarantee on loans up to \$10 million. Additionally, businesses pay a below-market fixed interest rate of 1.0 percent over a two-year term, which can be fully forgiven if the business retains the required minimum percentage of workers on the payroll. The federal government launched the PPP on April 3, 2020. As of this evaluation, Liberty made 4,231 loans totaling \$365.0 million through this program, which is significant.

Liberty implemented other lending-related practices that offer flexibility to consumers experiencing financial hardship or duress due to the pandemic, including:

- Waiving late fees for loans in deferment
- Lowering the annual percentage rate from 18.0 to 0.0 percent for 90 days for consumer loans
- Allowing a 90-day or more deferment for consumer loans upon request
- Allowing a 60-day deferment for loan payments on commercial-related loans
- Waiving late fees for loans in forbearance
- Refraining from reporting delinquencies for loans in deferment for consumer loans
- The bank instituted a 90-day period of 0.0 percent annual percentage rate for customers with overdraft lines of credit.

## **Community Development Loans**

Liberty is a leader in making community development loans. The bank's overall performance was consistent with its primary AA, the Hartford-East Hartford-Middletown, CT MSA AA, which received the most emphasis. Liberty's performance in its New Haven-Milford, CT MSA AA was

also consistent with the overall performance, while its performance in the Norwich-New London, CT MSA, Worcester, MA-CT MSA, and Bridgeport-Stamford-Norwalk, CT MSA AAs was inconsistent with the overall performance. Refer to the Lending Test section for each of Liberty's AAs for a detailed discussion of the bank's community development lending activity within those areas.

During the evaluation period, the bank originated 64 community development loans totaling \$135.1 million throughout its AAs on a combined basis and in the broader statewide or regional area, which represents a substantial increase compared to the prior evaluation. This level of activity represents 2.0 percent of total assets (\$6.8 billion) and 2.9 percent of total loans (\$4.7 billion), as of September 30, 2020. The bank's community development loans focused on affordable housing and economic development needs, as well as revitalizing and stabilizing areas in need. Although a portion of the bank's community development lending is outside its AAs, the evaluation gave the bank credit for these loans since Liberty has been responsive to its AA's community development needs.

The following table illustrates the bank's community development activity by AA and purpose.

<b>Community Development Loans by Purpose and AA</b>										
<b>Assessment Area</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>
Hartford-East Hartford- Middletown, CT MSA	25	21,922	5	5,024	4	28,948	4	8,728	<b>38</b>	<b>64,622</b>
New Haven- Milford, CT MSA	10	10,631	0	0	6	2,175	1	25,233	<b>17</b>	<b>38,039</b>
Norwich-New London, CT MSA	4	2,560	0	0	0	0	0	0	<b>4</b>	<b>2,560</b>
Worcester, MA-CT MSA	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Bridgeport- Stamford-Norwalk, CT MSA	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Statewide/Regional	3	9,279	0	0	2	20,563	0	0	<b>5</b>	<b>29,842</b>
<b>Total</b>	<b>42</b>	<b>44,392</b>	<b>5</b>	<b>5,024</b>	<b>12</b>	<b>51,686</b>	<b>5</b>	<b>33,961</b>	<b>64</b>	<b>135,063</b>
<i>Source Bank Records.</i>										

As shown in the table above, Liberty made five loans in the broader statewide or regional area since the prior evaluation. Most notably, in 2019 the bank originated a \$12.5 million loan to a company

located in Bridgeport, CT, within a low-income census tract nearby the bank's AAs, which operates fuel cells to generate clean and efficient energy. This loan represented the bank's participation share of the total loan package, made in conjunction with another area lender and the CT Green Bank (CGB). The loan funded the acquisition of an existing fuel cell power plant and necessary upgrades and improvements to maintain operation. This loan supports economic development in the area by retaining and creating jobs and providing an efficient green energy source throughout the state of CT. The CGB is the nation's first green bank, created by the CT state legislature to achieve cleaner, less expensive, and more reliable sources of clean energy. GGB works with private investors to create low cost, long term sustainable financing to maximize the use of public funds to promote green energy and confront climate change.

## **INVESTMENT TEST**

The Investment Test is rated High Satisfactory. Liberty's significant level in the Investment and Grant Activity criterion primarily supports this rating. The bank's overall performance was consistent with its primary AA, the Hartford-East Hartford-Middletown, Connecticut MSA AA, which received the most emphasis, as well as its New Haven-Milford, CT MSA AA. The bank's performance in its Norwich-New London, CT MSA, Worcester, MA-CT MA and Bridgeport-Stamford-Norwalk, CT MSA was inconsistent with the overall performance. For comments regarding the bank's performance in each of the performance criteria, refer to the separate AA discussions within this evaluation.

### **Investment and Grant Activity**

Liberty has a significant level of qualified community development investments and grants, which totaled \$29.3 million and represented a slight 2.1 percent increase since the prior evaluation. However, the bank's qualified investment activity decreased as a percentage of total assets and total securities from the prior evaluation. At this evaluation, bank qualified investment activity is 0.4 percent of total assets (\$6.8 billion) and 2.7 percent of total securities (\$1.1 billion), as of September 30, 2020, whereas the bank's performance was 0.6 percent of total assets and 3.4 percent of total securities at the prior evaluation. The qualified investments, donations, and grants primarily funded affordable housing needs, as well as helped to support community service and economic development needs. The bank primarily makes community development grants and donations through the Liberty Bank Foundation, a 501(c)(3) corporate foundation. The foundation funds programs in three priority areas: preventive education programs for families and children that lead to economic success; affordable housing; and capacity building for non-profits engaged in these pursuits.

The following table summarizes the bank's qualified investments, donations, and grants by year and purpose.



Community Development Investments, Donations, and Grants										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	18	14,275	0	0	0	0	0	0	18	14,275
2017	0	0	0	0	1	500	0	0	1	500
2018	1	1,141	1	225	1	1,000	0	0	3	2,366
2019	0	0	5	1,042	2	2,174	0	0	7	3,216
2020	5	5,552	1	225	1	1,000	0	0	7	6,777
<b>Subtotal</b>	<b>24</b>	<b>20,968</b>	<b>7</b>	<b>1,492</b>	<b>5</b>	<b>4,674</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>27,134</b>
Qualified Grants & Donations	31	185	296	1,995	2	6	1	5	330	2,191
<b>Total</b>	<b>55</b>	<b>21,153</b>	<b>303</b>	<b>3,487</b>	<b>7</b>	<b>4,680</b>	<b>1</b>	<b>5</b>	<b>366</b>	<b>29,325</b>
<i>Source Bank Records</i>										

The bank's notable regional qualified investments and donations are detailed below:

- Liberty continued to solicit qualified investment opportunities from brokers, selecting those Mortgage Backed Securities (MBSs) that benefit low- and moderate-income individuals and promote affordable housing throughout the bank's AAs. The bank purchased six such MBSs totaling \$6.7 million since the prior evaluation, and maintained 18 prior period MBSs, with an outstanding book value of about \$14.3 million. The Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation issued these investments, which were collateralized by their respective mortgage loan pools. The mortgage loans securing these investments were primarily to low- and moderate-income borrowers and all are within and throughout the bank's AAs.
- The bank made four annual equity investments in the Community Economic Development Fund (CEDF) totaling \$3.5 million since the prior FDIC CRA evaluation. The CEDF's mission is to strengthen neighborhood economies by providing flexible financial and technical support to small businesses, community organizations, and initiatives in targeted communities and to low- and moderate-income individuals throughout CT. CEDF also provides support to encourage community-based economic development strategic planning, as well as provide small business counseling and micro-loans to small business.
- In 2019, Liberty made a \$1.0 million investment in a Small Business Investment Corporation (SBIC) headquartered in Rhode Island, but which serves the state of CT as well. This investment supported economic development through the financing of small businesses.
- In 2020, the bank renewed a CD for \$225,000 with Citizens Savings Bank and Trust Co., a Minority Depository Institution (MDI) located in Nashville, Tennessee. The bank is also a Community Development Financial Institution. This deposit helps provide low-cost capital to further the bank's mission of serving low- and moderate-income individuals and underserved

communities. The FDIC designated this bank as a MDI since it is black-owned. Although the bank made this investment outside its AA, qualified investments in low-income credit unions and minority-owned financial institutions qualify as community development regardless of location. Liberty initially made a \$225,000 CD investment with this MDI in 2018, as well as renewing for the same amount in 2019.

- Lastly, in 2018, Liberty donated over \$88,000 to a community service organization for a food drive before the Thanksgiving holiday. These funds provided food for individuals in need throughout the state of CT.

### **Responsiveness to Credit and Community Development Needs**

Liberty exhibits good responsiveness to credit and community economic needs. The bank's qualified investments supported affordable housing, funded community service needs, and promoted economic development.

### **Community Development Initiatives**

Liberty makes occasional use of complex investments to support community development initiatives. Although the bank's investments are responsive to the community needs of its AAs, the majority are not particularly innovative or complex. Nonetheless, the bank's investment in an SBIC, which benefitted the broader statewide or regional area, has some complex characteristics.

### **SERVICE TEST**

The Service Test is rated "Outstanding." Liberty's excellent performance in the Community Development Services criteria primarily supports this rating. The bank's overall performance was consistent with its primary AA, the Hartford-East Hartford-Middletown, CT MSA AA, which received the most emphasis. Liberty's performance in its New Haven-Milford, CT MSA and Norwich-New London, CT MSA AAs was also consistent with the overall performance, while its performance within the Worcester, MA-CT MSA and Bridgeport-Stamford-Norwalk, CT MSA AAs was inconsistent with the overall performance. For comments regarding the bank's performance in each of the performance criteria, refer to the separate AA discussions within this evaluation.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the bank's AAs, including low- and moderate-income areas. Liberty operates 60 full-service branch offices and 77 ATMs. The bank also operates two loan production offices (LPOs). The table below details the distribution of the bank's branch office and ATM network by census tract income.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	86	16.2	306,699	13.5	4	6.7	4	5.2
Moderate	91	17.1	392,017	17.2	6	10.0	7	9.1
Middle	182	34.3	794,989	34.9	27	45.0	36	46.7
Upper	164	30.9	765,105	33.6	23	38.3	30	39.0
NA	8	1.5	19,575	0.8	0	0.0	0	0.0
<b>Total</b>	<b>531</b>	<b>100.0</b>	<b>2,278,385</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>

*Source 2015 ACS Data; Bank Data*

All ATMs offer English and Spanish language preferences. The bank employs over 60 bilingual employees, including a community outreach officer who is fluent in Spanish. In addition to the physical access to Liberty’s branches and ATMs, the bank also offers alternative delivery systems in all AAs that improve accessibility for its products and services for all geographies, including low- and moderate-income areas, particularly for those individuals that lack or cannot otherwise afford transportation. These delivery systems include deposit taking ATMs, debit cards, online banking, bank-by-mail, telephone banking, and mobile banking. In addition to the 10 branches currently located in low- and moderate-income census tracts, Liberty also maintains 19 branches located in middle and upper-income census tracts that are adjacent, and reasonably accessible, to low- or moderate-income geographies, which further improves accessibility of banking products and services to low- and moderate-income areas.

The two new LPOs were opened recently in November 2020, and solely offer commercial loan products and do not accept deposits. Both LPOs are located within middle-income census tracts, but nearby other low and moderate-income tracts. In addition, loan officers will travel out to meet borrowers at their place of business, home, or wherever convenient.

**Changes in Branch Locations**

To the extent changes have been made, the bank’s opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly in low- and moderate-income census tracts. Overall, the changes to the bank’s office locations have been minimal, and have not affected low- and moderate-income areas.

During the evaluation period, the bank did not open or close any branch offices. However, the bank gained five branches through its acquisition of Simsbury Bank & Trust, including one branch in a middle-income tract and four branches in upper-income tracts. All of the acquired branches are in the Hartford-East Hartford-Middletown, CT MSA AA.

**Reasonableness of Business Hours and Services**

Services do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income census tracts or individuals. Liberty’s service hours and its loan and deposit

products are substantially similar throughout the individual AAs. Additionally, the bank offers the following low-cost demand deposit accounts and interest bearing deposit accounts in each of its AAs.

- *Cinch Savings* – A tiered, variable rate, interest-bearing account with a \$25 minimum deposit to open and no monthly maintenance fees or minimum balance requirements.
- *Club Savings* – A tiered, variable rate, interest-bearing account with a \$5 minimum deposit to open and no monthly maintenance fees or minimum balance requirements.
- *Quarter Back Checking* – A non-interest bearing transactional account with a \$25 minimum deposit to open and no monthly maintenance fees or minimum balance requirements. Customers earn \$0.25 for every debit card transaction of \$25 or more.
- *PayBack Checking* – A non-interest bearing transactional account with a \$25 minimum deposit to open and no monthly maintenance fees or minimum balance requirements. This account automatically refunds up to \$15 in ATM surcharges imposed by other banks per statement cycle.
- *My Pay Student Banking* – A non-interest bearing transactional account with a \$25 minimum deposit to open and no monthly maintenance fees or minimum balance requirements targeted at students age 16 to 25 years old. This account automatically refunds up to \$10 in ATM surcharges imposed by other banks per statement cycle.

In addition, in response to COVID-19, Liberty waived early CD withdrawal penalties in order to lower costs for consumers experiencing financial hardship or duress due to the pandemic.

### **Community Development Services**

Liberty is a leader in providing community development services within its combined AAs. The bank’s directors, officers, and employees participated in 288 instances, and approximately 2,662 hours, of providing financial expertise or technical assistance to community development-related organizations. This represents a significant increase in services and hours compared to the prior evaluation. The bank’s community development services primarily focused on affordable housing, community services, and economic development needs. Please refer to the conclusions on performance criteria within each AA for specific examples of community development services.

The following table shows the number of community development services by AA and purpose.

<b>Community Development Services</b>					
<b>Assessment Area</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>
Hartford-East Hartford-Middletown, CT MSA	72	49	22	1	144
New Haven-Milford, CT MSA	23	14	16	1	54
Norwich-New London, CT MSA	18	37	24	0	79
Worcester, MA-CT MSA	5	4	0	0	9
Bridgeport-Stamford-Norwalk, CT MSA	2	0	0	0	2
<b>Total</b>	<b>120</b>	<b>104</b>	<b>62</b>	<b>2</b>	<b>288</b>
<i>Source Bank Records</i>					

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

Examiners did not identify any evidence of discriminatory or illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## **HARTFORD-EAST HARTFORD-MIDDLETOWN, CT AA- Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARTFORD-EAST HARTFORD-MIDDLETOWN, CT AA**

Liberty operates 33 branch offices, and 45 ATMs in this AA. This AA, which includes all of Hartford and Middlesex Counties, and a small portion of Tolland County, all within northcentral CT, is situated within the Hartford-East Hartford-Middletown, CT MSA. The bank also operates a new LPO within Hartford County, which offers strictly commercial loan products.

The Hartford-East Hartford-Middletown, CT MSA accounted for 55.0 percent of the bank's total branches, 65.5 percent of its total deposits, and 60.2 percent of its total HMDA 1-4 family and CRA reportable loans made within its AAs on a combined basis. Consequently, examiners gave the most weight to the bank's performance within this AA in arriving at the overall performance rating.

Examiners reviewed the data recorded in the bank's HMDA loan application registers and CRA small business loan registers to analyze the institution's 1-4 family and small business loans. Examiners utilized aggregate HMDA and CRA data, 2015 ACS data, and D&B data for comparison purposes.

## **Economic and Demographic Data**

The AA is composed of 272 census tracts, including 46 low-, 40 moderate-, 98 middle-, 83 upper-income tracts, and 5 tracts with no-income designation (NA tracts). The following table provides select demographic characteristics for this AA.

<b>Demographic Information Hartford-East Hartford-Middletown, CT MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	272	16.9	14.7	36.0	30.5	1.9
Population by Geography	1,123,963	13.6	13.8	37.4	34.0	1.2
Owner-Occupied Units by Geography	288,870	4.0	10.8	42.4	42.8	0.0
Businesses by Geography	97,830	10.2	12.1	40.3	37.0	0.4
Family Distribution by Income Level	283,365	22.8	16.6	20.4	40.2	0.0
Median Family Income: Hartford-East Hartford-Middletown, CT MSA		\$88,016	Median Housing Value Median Gross Rent Families Below Poverty Level			\$239,345 \$1,002 7.9%

*Source 2015 ACS and 2019 D&B Data; (\*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the gross annual revenue (GAR) of the business for each year. According to 2019 D&B data, there were 97,830 business establishments in the AA. Listed below are the GARs for these businesses:

- 85.8 percent have GARs of \$1 million or less;
- 5.3 percent have GARs more than \$1 million; and
- 8.9 percent have unknown revenues.

According to Moody's Analytics, a strong healthcare and university presence have historically sustained the local economy in general. However, the COVID-19 pandemic and resulting containment measures hit this metro area's economy hard, as all major industries laid off staff in early 2020, with leisure, hospitality, and retail suffering the biggest losses. Pratt & Whitney, the area's second largest employer that manufactures airline engines, was struggling prior to COVID-19, largely due to reduced orders by Boeing in light of its ongoing setbacks and safety issues with its 737 Max airliner. However, the pandemic acted to decimate commercial aviation, with U.S. aerospace production dropping 20.0 percent below the pre-virus level, resulting in layoffs. In addition, as Hartford is the state capital, state government employment is a key driver in the area, and the pandemic-induced job losses have caused a significant decline in sales and income tax revenues, resulting in substantial budget deficits. The federal Coronavirus Aid, Relief, and Economic Security Act (CARES) helped to provide temporary funding through June 30, 2020, as a stopgap; however, without additional federal support, the state is planning on downsizing numerous agencies and eliminating thousands of jobs. Although on a positive note, the area's financial

services industry did provide some economic stability, as the share of finance and insurance jobs in this metro area were the highest in New England, at 8.0 percent of total employment. Job losses in these professional finance and insurance industries were muted in light of the widespread use of remote work capabilities.

In addition, a declining population trend in this area continued to impede the local economy. Furthermore, the weak demographics and a struggling labor market posed ongoing challenges for the housing market, with home prices appreciating at a level below both the state and national average. In addition, although local average housing costs are similar with other metro areas in CT, they are still relatively expensive compared to much of the nation and remain an obstacle for affordability for many in general, particularly low- and moderate-income residents.

The unemployment rate for the Hartford-East Hartford-Middletown, CT MSA is at 7.5 percent as of November 2020, which is slightly lower than the state level of 8.2 percent, but higher than the national level of 6.7 percent, and reflects the ongoing local economic challenges relative to the nation in general.

The top employers in the AA include: Hartford Healthcare; Pratt & Whitney/United Technologies; University of Connecticut; The Travelers Cos. Inc.; Hartford Financial Services Group; Trinity Health – New England; UnitedHealthcare; Aetna Inc.; Cigna; and ESPN.

### **Competition**

There is a strong level of competition for home mortgage loans among the area's banks, credit unions, and non-depository mortgage lenders. In 2019, 433 lenders reported 31,726 1-4 family loan originations and purchases. The ten most prominent home mortgage lenders accounted for 36.6 percent of total market share.

There is also strong competition for small business loans within the bank's AA. According to the aggregate CRA data in 2018, 117 lenders reported 28,986 small business loans in this AA. The top ten lenders accounted for 75.0 percent of total loans. Most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 26 financial institutions operated 298 offices within the bank's AA. Of these institutions, Liberty ranked fifth with a 6.7 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 84.8 percent of total market share. Other than Liberty, these entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

## **Community Contact**

Examiners contacted a local community service organization to help determine the area's credit and community development needs. The contact stated that there is an ongoing need for financial education and literacy within this AA, which the COVID-19 pandemic has exacerbated. In particular, the contact stated an urgent need for assistance in the low- and moderate-income communities with building credit, and having access to credit counselors. Additionally, there is a need for housing rehab programs since the housing stock in the area is aging, particularly for residents with limited financial means.

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

Based on information from the community contact, bank management, and the demographic and economic data, there are ongoing credit needs in the AA for affordable housing and rental housing, as well as for small businesses.

# **CONCLUSIONS ON PERFORMANCE CRITERIA IN HARTFORD-EAST HARTFORD-MIDDLETOWN, CT AA**

## **LENDING TEST**

Liberty demonstrated excellent performance under the Lending Test within this AA. The bank's excellent performance in the Lending Activity, Borrower Profile, and Community Development Lending criteria primarily supports this conclusion.

## **Lending Activity**

Lending levels reflect excellent responsiveness to the AA credit needs, based primarily upon Liberty's market rank among all lenders reporting 1-4 family loans. According to the 2019 aggregate HMDA data, the bank ranked fourth by number of originating 1-4 family loans out of 433 reporting lenders inside this AA. As for small business lending, the 2018 aggregate CRA data shows that Liberty ranked nineteenth by number of loans out of 117 reporting lenders inside this AA.

## **Geographic Distribution**

The geographic distribution of Liberty's lending activity reflects an adequate penetration throughout this AA. Examiners based this conclusion primarily on the bank's 1-4 family and small business lending performance in the low- and moderate-income census tracts.

### **1-4 Family Loans**

The geographic distribution of 1-4 family loans reflects an adequate penetration throughout the AA. The following table details the geographic distribution of home mortgage loans by tract income level.



Geographic Distribution of 1-4 Family Loans Hartford-East Hartford-Middletown, CT MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.0	4.7	21	4.2	2,296	2.2
2018	4.0	4.0	19	2.1	2,390	1.6
2019	4.0	3.9	28	2.4	3,874	1.9
Moderate						
2017	10.8	11.0	47	9.4	5,721	5.5
2018	10.8	9.8	44	4.8	5,267	3.5
2019	10.8	9.7	79	6.7	11,033	5.5
Middle						
2017	42.4	42.7	216	43.2	45,163	43.1
2018	42.4	41.8	392	42.5	61,507	40.8
2019	42.4	41.2	481	41.0	75,134	37.5
Upper						
2017	42.8	41.6	215	43.0	51,297	49.0
2018	42.8	44.4	466	50.5	81,242	53.9
2019	42.8	45.2	585	49.9	110,217	55.1
Not Available						
2017	0.0	0.0	1	0.2	280	0.2
2018	0.0	0.0	1	0.1	294	0.2
2019	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>500</b>	<b>100.0</b>	<b>104,757</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>922</b>	<b>100.0</b>	<b>150,700</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>1,173</b>	<b>100.0</b>	<b>200,258</b>	<b>100.0</b>

Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

According to the table, the bank's percentage of 1-4 family home loan originations within the low-income census tracts in 2017 exceeded the demographic comparison, but was less than the aggregate performance. However, in 2018, Liberty's lending level dropped notably, nearly half of both the demographic data and the aggregate level. In 2019, the bank's lending level increased, though still remained below both the demographic data and the aggregate performance. As a result, the bank's distribution of 1-4 family loans in the low-income tracts is adequate.

The bank's percentage of 1-4 family loans within the moderate-income census tracts in 2017 was comparable, though less, than the demographic comparison and aggregate level. However, in 2018, Liberty's lending level dropped significantly, and was nearly half of the demographic data and aggregate level. In 2019, the bank's lending in the moderate-income tracts increased, though was still below both the demographic comparison and aggregate performance. Overall, Liberty's distribution of 1-4 family loans in the moderate-income tracts is adequate.

### *Small Business Loans*

The geographic distribution of small business loans reflects an adequate penetration throughout this AA, based primarily on its performance in the low- and moderate-income tracts. The following table details the distribution of small business loans by tract income level.

<b>Geographic Distribution of Small Business Loans Hartford-East Hartford-Middletown, CT MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	10.4	9.4	17	9.8	2,217	10.2
2018	10.2	9.5	21	9.5	3,055	11.8
2019	10.2	--	18	5.5	3,151	8.1
Moderate						
2017	11.9	12.2	10	5.8	1,280	5.9
2018	12.0	12.4	18	8.1	1,537	5.9
2019	12.1	--	29	8.9	3,179	8.2
Middle						
2017	40.3	40.6	78	45.1	10,398	48.0
2018	40.3	40.5	98	44.3	11,726	45.3
2019	40.3	--	142	43.6	17,749	45.8
Upper						
2017	37.0	37.5	68	39.3	7,750	35.9
2018	37.1	37.3	84	38.1	9,581	37.0
2019	37.0	--	137	42.0	14,640	37.9
Not Available						
2017	0.4	0.3	0	0.0	0	0.0
2018	0.4	0.3	0	0.0	0	0.0
2019	0.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>21,645</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>25,899</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>326</b>	<b>100.0</b>	<b>38,719</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

According to the table, the bank’s percentage of small business loans within the low-income census tracts in 2017 was below the demographic data, but slightly exceeded the aggregate level. In 2018, the bank’s lending level decreased slightly, and equaled the aggregate performance. However, in 2019, the bank’s lending performance decreased notably and was materially below the demographic comparison. As a result, Liberty’s distribution of small business loans in the low-income tracts is adequate.

The bank's percentage of small business loans within the moderate-income census tracts in 2017 was far exceeded by both the demographic data and aggregate level. In 2018, Liberty's lending level increased, though still below both the demographic comparison and aggregate performance. In 2019, the bank's lending level increased slightly, though was still below the demographic comparison. As a result, the bank's distribution of small business loans in the moderate-income tracts is adequate.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, a good penetration based on borrower profile primarily due to the bank's 1-4 family lending performance, which is Liberty's most significant product line at 78.0 percent of total loans made within this AA.

#### *1-4 Family Loans*

The bank's distribution of 1-4 family mortgage loans represents a good penetration among borrowers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

<b>Distribution of 1-4 Family Loans by Borrower Income Level Hartford-East Hartford-Middletown, CT MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	22.7	9.8	63	12.6	6,991	6.7
2018	22.7	11.2	78	8.5	7,605	5.0
2019	22.7	11.0	134	11.4	12,477	6.2
<b>Moderate</b>						
2017	16.6	23.1	113	22.6	17,838	17.0
2018	16.6	24.3	202	21.9	24,734	16.4
2019	16.6	23.8	258	22.0	34,203	17.1
<b>Middle</b>						
2017	20.4	22.1	106	21.2	21,547	20.6
2018	20.4	22.4	255	27.7	37,995	25.2
2019	20.4	22.6	292	24.9	46,642	23.3
<b>Upper</b>						
2017	40.3	30.2	211	42.2	57,192	54.6
2018	40.3	28.9	372	40.3	77,559	51.5
2019	40.3	30.1	467	39.8	103,301	51.6
<b>Not Available</b>						
2017	0.0	14.8	7	1.4	1,189	1.1
2018	0.0	13.2	15	1.6	2,806	1.9
2019	0.0	12.5	22	1.9	3,635	1.8
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>500</b>	<b>100.0</b>	<b>104,757</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>922</b>	<b>100.0</b>	<b>150,700</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>1,173</b>	<b>100.0</b>	<b>200,258</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank’s 2017 1-4 family home lending level to low-income borrowers was less than the demographic comparison, but exceeded the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. In 2018, Liberty’s lending activity decreased, and was exceeded by both the demographic and aggregate performance. However in 2019, the bank’s lending performance among low-income borrowers increased, approaching its 2017 lending level, and did slightly exceed the aggregate performance. As a result, the bank’s loan penetration among low-income borrowers is good.

Liberty's 1-4 family home lending level to moderate-income borrowers exceeded the corresponding demographic comparison and was similar, though slightly below the aggregate data, for each year, which demonstrated good performance.

Small Business Loans

The distribution of borrowers reflects an excellent penetration of small business loans among business customers of different sizes. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1.0 million or less by the number of loans, as detailed in the following table.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Hartford-East Hartford-Middletown, CT MSA AA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2017	84.2	50.3	102	59.0	8,477	39.2
2018	84.3	44.6	156	70.6	13,706	52.9
2019	85.8	--	204	62.6	15,015	38.8
<b>&gt;1,000,000</b>						
2017	6.1	--	65	37.6	13,138	60.7
2018	6.1	--	63	28.5	11,968	46.2
2019	5.3	--	115	35.3	22,862	59.0
<b>Revenue Not Available</b>						
2017	9.7	--	6	3.4	30	0.1
2018	9.6	--	2	0.9	225	0.9
2019	8.9	--	7	2.1	842	2.2
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>21,645</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>25,899</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>326</b>	<b>100.0</b>	<b>38,719</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank's 2017 and 2018 small business lending level to businesses with GARs of \$1.0 million or less is lower than the demographics, but notably greater than the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. As a result, the bank's 2017 and 2018 performance among businesses with GARs of \$1.0 million or less is excellent. The bank's lending to businesses with GARs of \$1.0 million or less decreased as a percentage of total loans in 2019, but remained excellent.

## Community Development Loans

Liberty is a leader in making community development loans in this AA. The bank originated 38 community development loans totaling \$64.6 million in the AA. The bank’s community development loans focused on affordable housing, as well as revitalizing and stabilizing low- and moderate-income areas.

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

<b>Community Development Loans Hartford-East Hartford-Middletown, CT MSA AA</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>
2017	0	0	0	0	2	23,928	0	0	2	23,928
2018	17	14,807	2	1,700	1	1,020	1	135	21	17,662
2019	5	1,885	3	3,324	1	4,000	0	0	9	9,209
2020	3	5,230	0	0	0	0	3	8,593	6	13,823
<b>Total</b>	<b>25</b>	<b>21,922</b>	<b>5</b>	<b>5,024</b>	<b>4</b>	<b>28,948</b>	<b>4</b>	<b>8,728</b>	<b>38</b>	<b>64,622</b>

*Source Bank Records*

The following are examples of Liberty’s community development loans in this AA.

- In 2017, the bank originated a \$2.8 million loan through the SBA’s 504 loan program to a car wash in Middlesex County, CT. The loan promoted economic development, as it funded the capital and operating needs of a start-up business that meets the size eligibility standards of the SBA’s Investment and Development Company programs, which created jobs.
- In 2018, the bank contributed \$1.8 million towards a loan pool with other financial institutions. The loan pool supports affordable housing in low- and moderate-income areas within this AA through the provision of financial assistance to low- and moderate-income individuals and families seeking to obtain homeownership.
- In 2019, the bank provided a \$236,000 loan to a housing authority in Bristol, CT. This loan supported the provision of affordable housing to low- and moderate-income individuals in the county, as this organization seeks to revitalize blighted properties to provide and administer public housing in the city of Bristol.
- In 2020, the bank originated a \$1.0 million loan secured by a multi-family property in Hartford County, CT. The bank’s loan helped support affordable housing, as a majority of the unit rents are below HUD’s fair market rent levels.

## INVESTMENT TEST

Liberty Bank demonstrated good performance under the Investment Test within this AA. The bank had a significant level of qualified investments and grants within this area, in line with the overall bank performance. The bank’s investments in the AA consisted primarily of mortgage-backed securities and other statewide or regional investments that directly and notably benefitted the area. Refer to the Investment Test section for the overall institution for details. Qualified investments reflect good responsiveness to the area, and the bank occasionally used innovative or complex initiatives to support community development activities within this area.

## SERVICE TEST

Liberty demonstrated excellent performance under the Service Test within this AA. The bank’s excellent performance in the Community Development Services criterion primarily supports this conclusion.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the AA. The bank operates 33 full-service branches and 45 ATMs in this AA. All of the branches have at least one ATM on-site, most with 24-hour access. All ATMs offer both English and Spanish language preferences. The following table illustrates the distribution of the bank’s branches and ATMs by geography income level.

<b>Branch and ATM Distribution by Geography Income Level Hartford-East Hartford-Middletown, CT MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	46	16.9	152,859	13.6	1	3.0	2	4.4
Moderate	40	14.7	155,107	13.8	2	6.0	3	6.7
Middle	98	36.0	420,362	37.4	15	45.5	19	42.2
Upper	83	30.6	382,147	34.0	15	45.5	21	46.7
NA	5	1.8	13,488	1.2	0	0.0	0	0.0
<b>Total</b>	<b>272</b>	<b>100.0</b>	<b>1,123,963</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>45</b>	<b>100.0</b>
<i>Source 2015 ACS data and Bank Records</i>								

As shown in the table, Liberty operates its main office branch and two ATMs in a low-income census tract in Middletown, CT, while it maintains two branches and three ATMs in moderate-income census tracts. Overall, the branch structure has a higher concentration of branches in middle- and upper-income areas. However, Liberty maintains 10 branches located in middle- and upper-income census tracts that are adjacent, and reasonably accessible, to low- or moderate-income geographies, which further improves accessibility of banking products and services to low- and moderate-income areas. As a result, Liberty’s distribution of offices and ATMs within, or that



are reasonably accessible to, the low- and moderate-income tracts on a combined basis compares favorably to the demographic comparisons in this AA, and is good.

Liberty also operates an LPO in a middle-income tract in Hartford, CT. The LPO offers commercial loan products only, and deposit and consumer lending products are not available. The LPO is near low- and moderate-income areas. Further, loan officers are willing and available to meet with applicants wherever convenient.

In addition to the physical access to Liberty's branches and ATMs, the bank also offers alternative delivery systems in all AAs that improve accessibility for its products and services for all geographies, including low- and moderate-income areas, particularly for those individuals that lack or cannot otherwise afford transportation. These delivery systems include deposit taking ATMs, debit cards, online banking, bank-by-mail, telephone banking, and mobile banking.

Finally, the bank also has a Customer Service Center that assists customers via telephone with extended hours from 8:00 a.m. to 7:00 p.m. Monday through Friday and 8:00 a.m. to 3:00 p.m. on Saturdays. The Customer Service Center provides additional accessibility throughout the AA.

### **Changes in Branch Locations**

To the extent changes have been made, the bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income census tracts. Liberty did not open any branches in this AA during the review period. However, the bank gained five branches through its acquisition of Simsbury Bank & Trust. Of the five acquired branches, one is located in a middle-income tract and four are located in upper-income tracts. Liberty has not closed any branches since the previous evaluation.

### **Reasonableness of Business Hours and Services**

Services and hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals. Business hours vary slightly by branch according to the AA needs; however, most branches are open from 9:00 a.m. to 4:00 p.m. Monday through Thursday, with extended hours until 5:00 p.m. on Friday. Most branches also offer additional hours on Saturday from 9:00 a.m. to 12:00 p.m. The bank also offers drive-up services at 29 branches.

Liberty offers a range of deposit and lending products tailored to meet the needs of its local community. As stated previously, these products include checking, money market, and savings accounts, as well as personal retirement accounts, health savings accounts, and CDs. The bank also offers a variety of loan products, including home mortgage loans, home equity loans, commercial loans, and credit cards. Alternative banking services include telephone, online, and mobile banking, as well as access to 45 proprietary ATMs.

In addition, as discussed previously, the bank offers a variety of other low-cost savings and checking accounts for bank customers throughout this AA, which are particularly beneficial for low- and moderate-income individuals. Refer to the Overall Service Test section for details.

Lastly, the bank continues to contribute to Individual Development Accounts (IDAs) in this AA. This product provides a way for low- and moderate-income individuals to save money for major expenses, such as purchasing a home and paying for an education. During the evaluation period, the bank contributed \$7,000 in matching funds through its four IDA accounts in this AA.

### **Community Development Services**

Liberty is a leader in providing community development services in this AA. During the evaluation period, bank employees engaged in 144 instances of community service activities in this AA. The activities primarily focused on affordable housing, community services, and economic development.

The following table summarizes the bank’s community development services by year and purpose.

<b>Community Development Services Harford-East Hartford-Middletown, CT MSA AA</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>
2017	5	7	0	0	12
2018	17	11	1	0	29
2019	33	13	20	1	67
2020	17	18	1	0	36
<b>Total</b>	72	49	22	1	144
<i>Source Bank Records</i>					

The following illustrates some examples of the bank’s community development services.

- The CRA officer served on the Board and the Real Estate Committee for an affordable housing organization in Hartford, CT. The organization works to address the lack of permanent affordable housing in the area by developing real estate, managing properties, and providing education.
- A community outreach officer provided two financial literacy presentations to high school students in East Hartford, CT. A majority of the school’s students receive free or reduced cost lunches, indicating they are from low- and moderate-income families.
- An officer presented two sessions of the bank’s Academy for Small Business in the AA. This program includes eight classes focusing on education for small business owners, including banking services and credit reporting, financial management and record keeping, risk management, and other relevant topics for small businesses.

## NEW HAVEN-MILFORD, CT AA- Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAVEN-MILFORD, CT AA

Liberty operates 16 branch offices, and 18 ATMs in this AA. This AA, which includes all of New Haven County within southcentral CT, and comprises all of the New Haven-Milford, CT MSA. The bank also operates a new LPO within New Haven County, which offers strictly commercial loan products.

The New Haven-Milford, CT MSA accounted for 26.7 percent of the bank’s total branches, 18.8 percent of its total deposits, and 26.1 percent of its total HMDA 1-4 family and CRA reportable loans made within its AAs on a combined basis. Consequently, examiners gave some weight to the bank’s performance within this AA in arriving at the overall performance rating.

Examiners reviewed the data recorded in the bank’s HMDA loan application registers and CRA small business loan registers to analyze the institution’s 1-4 family and small business loans. Examiners utilized aggregate HMDA and CRA data, 2015 ACS data, and D&B data for comparison purposes.

#### **Economic and Demographic Data**

The AA is composed of 190 census tracts, including 31 low-, 40 moderate-, 56 middle-, 61 upper-income tracts, and 2 tracts with NA-income tracts. The following table provides select demographic characteristics for this AA.

<b>Demographic Information New Haven-Milford, CT MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	190	16.3	21.1	29.5	32.1	1.0
Population by Geography	862,224	13.1	22.0	29.4	35.1	0.4
Owner-Occupied Units by Geography	204,886	4.3	16.7	33.9	45.1	0.0
Businesses by Geography	74,810	10.5	15.6	32.4	41.1	0.4
Family Distribution by Income Level	207,295	23.5	16.4	18.9	41.2	0.0
Median Family Income: New Haven-Milford, CT MSA		\$80,739	Median Housing Value Median Gross Rent Families Below Poverty Level			\$237,481 \$1,072 9.5%
<i>Source 2015 ACS and 2019 D&amp;B Data; (*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.</i>						

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank's small business loans by the GAR of the business for each year. According to 2019 D&B data, there were 74,810 business establishments in the AA. Listed below are the GARs for these businesses:

- 87.3 percent have GARs of \$1 million or less;
- 5.0 percent have GARs more than \$1 million; and
- 7.7 percent have unknown revenues.

According to Moody's Analytics, a strong healthcare and university presence sustained the local economy, as these organizations represent many of the largest employers in the area. However, the COVID-19 pandemic in the spring of 2020 posed severe economic challenges resulting in an economic downturn in the local economy. About one in six jobs in this metro area were lost, which was a steeper drop than nationally, as businesses closed, campuses cleared out, and hospitals postponed medical procedures and care. The retail, leisure, and hospitality industries suffered severe job losses. This metro area continued to lack a high-tech and manufacturing and industrial base, which would help to offset the adverse economic setback due to the pandemic. In addition, this area also continued to have weak migration trends, with a stagnant and declining population that acted as a stress on the local economy. Overall, the weak population demographics and a struggling labor market posed ongoing challenges for the housing market, with home prices appreciating at a level below the national average. Furthermore, while local average housing costs are similar with other metro areas in CT, they are still relatively expensive compared too much of the nation and remain an obstacle for affordability for many in general, particularly low- and moderate-income residents.

The unemployment rate for New Haven County is at 8.1 percent as of November 2020, which is slightly lower than the state level of 8.2 percent, but notably higher than the national level of 6.7 percent, and reflects the ongoing local economic challenges relative to the nation in general.

The top employers in the AA include: Yale New Haven Health System; Yale University; AT&T; Bozzuto's Inc.; Southern Connecticut State University; Masonicare Home Health and Hospice; Medtronic; VA Connecticut Healthcare System; Laticrete International Inc.; and Temple Medical Center.

### **Competition**

There is a strong level of competition for home mortgage loans among the area's banks, credit unions, and non-depository mortgage lenders. In 2019, 396 lenders reported 21,765 1-4 family loan originations and purchases. The ten most prominent home mortgage lenders accounted for 35.7 percent of total market share.

There is also strong competition for small business loans within the bank's AA. According to the aggregate CRA data in 2018, 118 lenders reported 21,626 small business loans in this AA. The top ten lenders accounted for 76.7 percent of total loans. Most all of the top lenders are large national

credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 22 financial institutions operated 239 offices within the bank's AA. Of these institutions, Liberty ranked ninth with a 2.7 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 77.2 percent of total market share. These entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

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

Based on information from bank management and the demographic and economic data, this AA has ongoing 1-4 family housing and small business credit needs, as well as community development needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAVEN-MILFORD, CT AA**

### **LENDING TEST**

Liberty demonstrated excellent performance under the Lending Test within this AA. The bank's excellent performance in the Lending Activity and Community Development Lending criteria primarily supports this conclusion, while its Borrower Profile and Geographic Distribution were good.

### **Lending Activity**

Lending levels reflect good responsiveness to the AA credit needs, based primarily upon Liberty's market rank among all lenders reporting 1-4 family loans. According to the 2019 aggregate HMDA data, the bank ranked fourteenth by number of 1-4 family loans out of 396 reporting lenders inside this AA. As for small business lending, the 2018 aggregate CRA data shows that Liberty ranked eighteenth by number of loans out of 118 reporting lenders inside this AA.

### **Geographic Distribution**

The geographic distribution of Liberty's lending activity reflects a good penetration throughout this AA. Examiners based this conclusion primarily on the bank's 1-4 family and small business lending performance in the low- and moderate-income census tracts.

### **1-4 Family Loans**

The geographic distribution of 1-4 family loans reflects a good penetration throughout the AA. The following table details the geographic distribution of home mortgage loans by tract income level.

Geographic Distribution of 1-4 Family Loans New Haven-Milford, CT MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.3	3.5	19	9.8	1,926	5.7
2018	4.3	3.4	11	3.3	1,198	2.2
2019	4.3	3.3	25	5.8	3,565	5.1
Moderate						
2017	16.7	16.7	53	27.5	5,748	17.0
2018	16.7	16.1	26	7.8	3,192	5.9
2019	16.7	15.0	69	16.1	10,474	15.0
Middle						
2017	33.9	34.3	57	29.5	9,216	27.3
2018	33.9	33.9	107	32.0	14,580	26.8
2019	33.9	33.9	135	31.5	18,999	27.3
Upper						
2017	45.1	45.4	64	33.2	16,886	50.0
2018	45.1	46.6	190	56.9	35,442	65.1
2019	45.1	47.8	198	46.3	36,250	52.0
Not Available						
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	1	0.3	371	0.6
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>193</b>	<b>100.0</b>	<b>33,776</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>334</b>	<b>100.0</b>	<b>54,412</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>428</b>	<b>100.0</b>	<b>69,659</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

According to the table, the bank’s percentage of 1-4 family home loan originations within the low-income census tracts in 2017 far exceeded both the demographic comparison and the aggregate performance. In 2018, Liberty’s lending level dropped, and was below both the demographic data and aggregate performance, though nearly equal to the aggregate level. In 2019, the bank’s lending in the low-income tracts increased solidly, which exceeded both the demographic data and

aggregate level, though still below its 2017 lending level. As a result, Liberty's distribution of 1-4 family loans in the low-income tracts is good.

The bank's percentage of 1-4 family home loans within the moderate-income census tracts in 2017 far exceeded both the demographic comparison and the aggregate level. In 2018, Liberty's lending level decreased notably, and was far exceeded by both the demographic data and the aggregate performance, though still adequate. However, the bank's lending performance in the moderate-income increased significantly in 2019, just slightly below the demographic comparison and marginally higher than the aggregate level. Overall, Liberty's distribution of 1-4 family loans in the moderate-income tracts is good.

### *Small Business Loans*

The geographic distribution of small business loans reflects a good penetration throughout this AA, based primarily on its performance in the low- and moderate-income tracts. The following table details the distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans New Haven-Milford, CT MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	10.2	9.1	23	18.0	3,503	24.7
2018	10.3	8.7	12	6.9	1,511	7.2
2019	10.5	--	21	11.5	2,377	9.9
Moderate						
2017	15.1	14.5	24	18.8	1,744	12.3
2018	15.2	14.5	22	12.7	3,650	17.4
2019	15.6	--	32	17.6	3,566	14.9
Middle						
2017	32.8	33.4	47	36.7	4,661	32.8
2018	32.8	33.8	74	42.8	8,502	40.6
2019	32.4	--	73	40.1	10,619	44.2
Upper						
2017	41.5	42.8	34	26.5	4,299	30.2
2018	41.2	42.8	65	37.6	7,275	34.8
2019	41.1	--	56	30.8	7,437	31.0
Not Available						
2017	0.4	0.2	0	0.0	0	0.0
2018	0.5	0.2	0	0.0	0	0.0
2019	0.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>14,207</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>20,938</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>182</b>	<b>100.0</b>	<b>23,999</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

According to the table, the bank's percentage of small business loans within the low-income census tracts in 2017 far exceeded the demographic data and the aggregate level. In 2018, the bank's lending performance decreased notably, and was exceeded by the demographic comparison and the aggregate performance, though not materially. In 2019, Liberty's lending level increased solidly



and exceeded the demographic comparison, though still below its 2017 lending level. As a result, the bank's distribution of small business loans in the low-income tracts is good.

Liberty's percentage of small business loans within the moderate-income census tracts in 2017 exceeded both the demographic level and the aggregate performance. In 2018, the bank's lending performance dropped, and was exceeded by both the demographic data and the aggregate level. During 2019, Liberty's lending level in the moderate-income tracts increased and did exceed the demographic comparison, though was still at a level below its 2017 lending level. Overall, the bank's distribution of small business loans in the moderate-income tracts is good.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, a good penetration primarily due to the bank's 1-4 family lending performance, which is Liberty's most significant product line at 73.0 percent of total loans made within this AA. Liberty achieved a good penetration among retail customers of different income levels and an excellent penetration among businesses of different sizes.

#### **1-4 Family Loans**

The bank's distribution of 1-4 family mortgage loans represents a good penetration among borrowers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following table. Furthermore, examiners placed slightly more weight on bank lending among low-income borrowers in light of the higher percent of low-income families compared to moderate-income families within the AA.

<b>Distribution of 1-4 Family Loans by Borrower Income Level New Haven-Milford, CT MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	23.5	7.9	36	18.7	3,077	9.1
2018	23.5	8.7	18	5.4	1,602	2.9
2019	23.5	8.2	32	7.5	2,844	4.1
<b>Moderate</b>						
2017	16.4	21.3	54	28.0	6,959	20.6
2018	16.4	21.6	73	21.9	8,849	16.3
2019	16.4	22.8	119	27.8	16,313	23.4
<b>Middle</b>						
2017	18.9	23.1	42	21.8	7,409	21.9
2018	18.9	24.2	75	22.5	11,318	20.8
2019	18.9	23.2	106	24.8	16,577	23.8
<b>Upper</b>						
2017	41.2	31.9	55	28.5	15,064	44.6
2018	41.2	31.9	163	48.8	31,410	57.7
2019	41.2	32.0	166	38.8	33,365	47.9
<b>Not Available</b>						
2017	0.0	15.8	6	3.0	1,267	3.8
2018	0.0	13.6	5	1.4	1,233	2.3
2019	0.0	13.8	5	1.1	560	0.8
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>193</b>	<b>100.0</b>	<b>33,776</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>334</b>	<b>100.0</b>	<b>54,412</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>428</b>	<b>100.0</b>	<b>69,659</b>	<b>100.0</b>
<i>Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

As shown in the table above, the bank's 2017 1-4 family home lending level to low-income borrowers was less than the demographic comparison, but exceeded the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. In 2018, Liberty's lending activity decreased, and was exceeded by both the demographic and aggregate performance. However, in 2019, the bank's lending performance

among low-income borrowers increased and was nearly equal to the aggregate performance. As a result, the bank’s loan penetration among low-income borrowers is good.

Liberty’s 1-4 family home lending level to moderate-income borrowers exceeded the corresponding demographic and aggregate data for each year, which demonstrated excellent performance. However, as mentioned above, examiners placed more weight on the bank’s lending to low-income borrowers and as a result, Liberty’s overall lending performance is good.

Small Business Loans

The distribution of borrowers reflects an excellent penetration of small business loans among business customers of different sizes. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1.0 million or less by the number of loans, as detailed in the following table.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category New Haven-Milford, CT MSA AA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2017	85.8	52.1	70	54.7	4,766	33.5
2018	85.8	46.1	106	61.3	8,654	41.3
2019	87.3	--	117	64.3	10,438	43.5
>1,000,000						
2017	5.7	--	38	29.7	9,106	64.1
2018	5.7	--	60	34.7	12,249	58.5
2019	5.0	--	62	34.1	13,501	56.3
Revenue Not Available						
2017	8.5	--	20	15.6	335	2.4
2018	8.5	--	7	4.0	35	0.2
2019	7.7	--	3	1.6	60	0.3
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>14,207</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>173</b>	<b>100.0</b>	<b>20,938</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>182</b>	<b>100.0</b>	<b>23,999</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank’s 2017 and 2018 small business lending level to businesses with GARs of \$1.0 million or less is lower than the demographics, but greater than the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation

gave more weight to this comparison. As a result, the bank’s 2017 and 2018 performance among businesses with GARs of \$1.0 million or less is excellent. The bank’s lending to businesses with GARs of \$1.0 million or less increased further as a percentage of total loans in 2019, and remained excellent.

**Community Development Loans**

Liberty is a leader in making community development loans in this AA. The bank originated 17 community development loans totaling about \$38.0 million that benefited this AA. The bank’s community development loans focused on affordable housing and economic development needs, as well as revitalizing and stabilizing low- and moderate-income areas.

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

<b>Community Development Loans New Haven-Milford, CT MSA AA</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>
2017	3	1,822	0	0	0	0	0	0	3	1,822
2018	1	182	0	0	0	0	0	0	1	182
2019	5	5,815	0	0	0	0	0	0	5	5,815
2020	1	2,812	0	0	6	2,175	1	25,233	8	30,220
<b>Total</b>	<b>10</b>	<b>10,631</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>2,175</b>	<b>1</b>	<b>25,233</b>	<b>17</b>	<b>38,039</b>

*Source Bank Records*

The following are examples of Liberty’s community development loans in this AA.

- In 2017, the bank originated a \$204,000 loan secured by a multi-family property in a moderate-income census tract in New Haven, CT. The bank’s loan helped support affordable housing, as unit rents are below HUD’s fair market rent levels.
- In 2018, the bank originated an \$182,000 loan secured by a multi-family property providing housing for the disabled in a low-income census tract in New Haven, CT. This loan supports affordable housing for individuals in need, who are low-income by the nature of their disability.
- In 2019, the bank renewed a \$1.5 million line of credit to a non-profit organization dedicated to providing affordable housing in the city of Waterbury, CT. This organization is a consortium of area banks, government agencies, and community and religious organizations that provides construction and permanent financing for the acquisition and rehabilitation of housing for low- and moderate-income families.
- In 2020, the bank originated a \$25.2 million loan to construct a new boutique hotel in a low-income census tract in New Haven, CT. This loan revitalized and stabilized the area by

creating new jobs, majority of which were moderate-income wages, and attracting visitors and residents to the area.

## INVESTMENT TEST

Liberty Bank demonstrated good performance under the Investment Test within this AA. The bank had a significant level of qualified investments and grants within this area, in line with the overall bank performance. The bank’s investments in the AA consisted primarily of mortgage-backed securities and other statewide or regional investments that directly and notably benefitted the area. Refer to the Investment Test section for the overall institution for details. Qualified investments reflect good responsiveness to the area, and the bank occasionally used innovative or complex initiatives to support community development activities within this area.

## SERVICE TEST

Liberty demonstrated excellent performance under the Service Test within this AA. The bank’s excellent performance in the Community Development Services criterion primarily supports this conclusion.

### Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the AA. The bank operates 16 full-service branches and 18 ATMs in this AA. All of the branches have at least one ATM on-site, all with 24-hour access. All ATMs offer both English and Spanish language preferences. The following table illustrates the distribution of the bank’s branches and ATMs by geography income level.

<b>Branch and ATM Distribution by Geography Income Level New Haven-Milford, CT MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	31	16.3	112,951	13.1	0	0.0	0	0.0
Moderate	40	21.1	189,689	22.0	4	25.0	4	22.2
Middle	56	29.5	253,494	29.4	6	37.5	8	44.5
Upper	61	32.1	302,640	35.1	6	37.5	6	33.3
NA	2	1.0	3,450	0.4	0	0.0	0	0.0
<b>Total</b>	<b>190</b>	<b>100.0</b>	<b>862,224</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>
<i>Source 2015 ACS data and Bank Records</i>								

As shown in the table, Liberty has no offices or ATMs in low-income census tracts. However, the bank has four branches and ATMs in moderate-income tracts. Overall, the branch structure has a higher concentration of branches in middle- and upper-income areas. However, Liberty maintains five branches located in middle- and upper-income census tracts that are adjacent, and reasonably accessible, to low- or moderate-income geographies, which further improves accessibility of

banking products and services to low- and moderate-income areas. Specifically, four branches are adjacent to moderate-income census tracts and one branch is adjacent to a low-income census tract. As a result, Liberty's distribution of offices and ATMs within, or that are reasonably accessible to, the low- and moderate-income tracts on a combined basis compares favorably to the demographic comparisons in this AA and is good.

Liberty also operates an LPO in a middle-income tract in New Haven, CT. The LPO offers commercial loan products only, and deposit and consumer lending products are not available. The LPO is located nearby low-income areas. Further, loan officers are willing and available to meet with applicants wherever convenient.

In addition to the physical access to Liberty's branches and ATMs, the bank also offers alternative delivery systems in all AAs that improve accessibility for its products and services for all geographies, including low- and moderate-income areas, particularly for those individuals that lack or cannot otherwise afford transportation. These delivery systems include deposit taking ATMs, debit cards, online banking, bank-by-mail, telephone banking, and mobile banking.

Finally, the bank also has a Customer Service Center that assists customers via telephone with extended hours from 8:00 a.m. to 7:00 p.m. Monday through Friday and 8:00 a.m. to 3:00 p.m. on Saturdays. The Customer Service Center provides additional accessibility throughout the AA.

### **Changes in Branch Locations**

Liberty did not open or close any branches in the AA over the review period.

### **Reasonableness of Business Hours and Services**

Services and hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals. Business hours vary slightly by branch according to the AA needs. However, most branches are open from 9:00 a.m. to 4:00 p.m. Monday through Thursday, with extended hours until 5:00 p.m. on Friday. Most branches also offer additional hours on Saturday from 9:00 a.m. to 12:00 p.m. The bank also offers drive-up services at 14 branches.

As previously noted, the bank provides a variety of deposit products such as checking, money market, and savings accounts, as well as personal retirement accounts, health savings accounts, and CDs. The bank also offers a variety of loan products, including home mortgage loans, home equity loans, commercial loans, and credit cards. Alternative banking services include telephone, online, and mobile banking, as well as access to 18 proprietary ATMs.

Lastly, as discussed previously, the bank offers a variety of other low-cost savings and checking accounts for bank customers throughout this AA, which are particularly beneficial for low- and moderate-income individuals. Refer to the Overall Service Test section for details.

**Community Development Services**

Liberty is a leader in providing community development services in this AA. During the evaluation period, bank employees engaged in 54 instances of community service activities in this AA. The activities primarily focused on affordable housing, economic development, and community services. In light of the bank’s lower level of operations and resources within this AA relative to the bank’s primary Hartford MSA AA, Liberty has reduced capabilities and consequently fewer opportunities to participate with potential community development services in this AA. As discussed previously, the bank maintains only 26.7 percent of total branches, 18.8 percent of total deposits, and 26.1 percent of total loans in this AA. Furthermore, the smaller branch footprint results in a lower employee base from which to participate with existing community development service opportunities, relative to Liberty’s branch and management staff within its primary Hartford MSA AA. Given these performance context factors, the bank’s level of community development services is excellent within this AA.

The following table summarizes the bank’s community development services by year and purpose.

<b>Community Development Services New Haven-Milford, CT MSA AA</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>
2017	1	1	2	0	4
2018	7	4	3	1	15
2019	13	5	11	0	29
2020	2	4	0	0	6
<b>Total</b>	<b>23</b>	<b>14</b>	<b>16</b>	<b>1</b>	<b>54</b>
<i>Source Bank Records</i>					

The following illustrates some examples of the bank’s community development services.

- A commercial loan manager served as the chairman of the board for an economic development loan fund. The fund provides loans to small business owners, primarily in low- or moderate-income communities that are unable to obtain traditional bank financing.
- A community outreach officer gave financial literacy presentations to students throughout the bank’s AA. A majority of the schools’ students receive free or reduced cost lunches, indicating they are from low- and moderate-income families.
- An officer served on the board of an affordable housing organization in New Haven, CT. The organization develops affordable housing to increase homeownership opportunities. It also provides homebuyer education and financial coaching.

## NORWICH-NEW LONDON, CT AA - Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORWICH-NEW LONDON, CT AA

Liberty operates 8 branch offices, and 11 ATMs in this AA. This AA, which includes most of New London County within southeastern CT, and is situated within the Norwich-New London, CT MSA.

The Norwich-New London, CT MSA accounted for 13.3 percent of the bank’s total branches, 11.6 percent of its total deposits, and 11.4 percent of its total HMDA 1-4 family and CRA reportable loans made within its AAs on a combined basis. Consequently, examiners gave some weight to the bank’s performance within this AA in arriving at the overall performance rating.

Examiners reviewed the data recorded in the bank’s HMDA loan application registers and CRA small business loan registers to analyze the institution’s 1-4 family and small business loans. Examiners utilized aggregate HMDA and CRA data, 2015 ACS data, and D&B data for comparison purposes.

#### **Economic and Demographic Data**

The AA is composed of 56 census tracts, including 6 low-, 8 moderate-, 21 middle-, 20 upper-income tracts, and 1 tract with NA-income tracts. The following table provides select demographic characteristics for this AA.

<b>Demographic Information Norwich-New London, CT MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	56	10.7	14.3	37.5	35.7	1.8
Population by Geography	226,311	12.0	14.8	36.6	35.4	1.2
Owner-Occupied Units by Geography	56,816	5.3	9.1	40.8	44.8	0.0
Businesses by Geography	17,461	10.6	9.9	36.6	42.7	0.2
Family Distribution by Income Level	56,452	21.6	17.4	20.6	40.4	0.0
Median Family Income: Norwich-New London, CT MSA		\$82,349	Median Housing Value Median Gross Rent Families Below Poverty Level			\$249,565 \$1,050 8.2%

*Source 2015 ACS and 2019 D&B Data; (\*) the NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

The analysis of small business loans under the Borrower Profile criterion analyzes the distribution of the bank’s small business loans by the GAR of the business for each year. According to 2019 D&B data, there were 17,461 business establishments in the AA. Listed below are the GARs for these businesses:



- 85.7 percent have GARs of \$1 million or less;
- 4.6 percent have GARs more than \$1 million; and
- 9.7 percent have unknown revenues.

According to Moody's Analytics, COVID-19 pushed this metro area into a deep hole economically in April 2020, resulting in significant job losses, with leisure/hospitality and local government seeing the sharpest declines. Containment measures in the spring led to a rate of loss more severe than at the state and national level, as well as most of New England. The metro area is among the nation's least industrially diverse, with an overreliance on cyclical low-wage industries, which exacerbated the economic challenges brought on by the pandemic. As of September 2020, about half of the lost jobs were recouped, but the pace of improvement slowed drastically in light of a resurgence of COVID-19 cases in the fall. This metro area continued to face high business costs, particularly for energy, which posed ongoing challenges for businesses and job growth. Nonetheless, a strong defense industry and manufacturing base continued to sustain the local economy, as these businesses represent many of the largest employers in the area, including a large naval base in New London, the Coast Guard Academy, and one of the largest submarine manufacturers in the country.

In general, this area continued to have weak migration trends, which adversely impacted the local economy. Furthermore, the stagnant and declining population, as well as the struggling labor market, posed ongoing challenges for the housing market, resulting in muted home appreciation relative to the national level, though in line with the state average. In addition, although area average housing costs are similar with other metro areas in CT, they are still relatively expensive compared to much of the nation and remain an obstacle for affordability for many in general, particularly low- and moderate-income residents.

The unemployment rate for New London County is at 8.6 percent as of November 2020, which is higher than the state level of 8.2 percent and the national level of 6.7 percent, and reflects the local economic challenges relative to the state and the nation in general.

The top employers in the AA include: General Dynamics/Electric Boat; U.S. Naval Submarine Base; Mohegan Sun Casino; Foxwoods Resort Casino; Pfizer Global & Research Development; Lawrence & Memorial Hospital; Millstone Station/Dominion Inc.; William Backus Memorial Hospital; U.S. Coast Guard Academy; and Connecticut College.

### **Competition**

There is a strong level of competition for home mortgage loans among the area's banks, credit unions, and non-depository mortgage lenders. In 2019, 267 lenders reported 6,191 1-4 family loan originations and purchases. The ten most prominent home mortgage lenders accounted for 44.2 percent of total market share.

There is also strong competition for small business loans within the bank's AA. According to the aggregate CRA data in 2018, 70 lenders reported 5,187 small business loans in this AA. The top

ten lenders accounted for 75.6 percent of total loans. Most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 14 financial institutions operated 72 offices within the bank's AA. Of these institutions, Liberty ranked fifth with an 11.2 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 72.3 percent of total market share. These entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

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

Based on information from bank management and the demographic and economic data, this AA has ongoing 1-4 family housing and small business credit needs, as well as community development needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NORWICH-NEW LONDON, CT AA**

### **LENDING TEST**

Liberty demonstrated adequate performance under the Lending Test within this AA. The bank's performance in the Borrower Profile and Community Development Lending criteria primarily supports this conclusion. Furthermore, while the bank's geographic distribution of small business loans was good, its geographic distribution of 1-4 family loans was poor.

### **Lending Activity**

Lending levels reflect excellent responsiveness to the AA credit needs, based primarily upon Liberty's market rank among all lenders reporting 1-4 family loans. According to the 2019 aggregate HMDA data, the bank ranked sixth by number of 1-4 family loans out of 267 reporting lenders inside this AA. As for small business lending, the 2018 aggregate CRA data shows that Liberty ranked eighteenth by number of loans out of 70 reporting lenders inside this AA.

### **Geographic Distribution**

The geographic distribution of Liberty's lending activity reflects a poor penetration throughout this AA. Examiners based this conclusion primarily on the bank's 1-4 family, since it is the bank's most significant product line at 84.1 percent of total loans made in this AA. Liberty's small business lending performance in the low- and moderate-income census tracts was good. While examiners considered this performance, it did not change the overall conclusion for the institution, in light of the much lower branch, deposit, and lending activity in this AA.

1-4 Family Loans

The geographic distribution of 1-4 family loans reflects a poor penetration throughout the AA. The following table details the geographic distribution of home mortgage loans by tract income level.

<b>Geographic Distribution of 1-4 Family Loans Norwich-New London, CT MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	5.3	4.8	1	1.2	30	0.2
2018	5.3	4.5	9	4.5	1,089	3.5
2019	5.3	4.0	4	1.7	320	0.9
<b>Moderate</b>						
2017	9.1	8.9	7	8.1	750	4.4
2018	9.1	7.6	6	3.0	452	1.4
2019	9.1	7.1	5	2.1	548	1.5
<b>Middle</b>						
2017	40.8	39.4	35	40.7	7,252	42.1
2018	40.8	38.8	73	36.1	11,959	37.9
2019	40.8	40.3	86	35.7	12,800	35.2
<b>Upper</b>						
2017	44.8	46.9	43	50.0	9,191	53.3
2018	44.8	49.1	114	56.4	18,032	57.2
2019	44.8	48.6	146	60.5	22,671	62.4
<b>Not Available</b>						
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
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>	<b>17,223</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>31,532</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>241</b>	<b>100.0</b>	<b>36,339</b>	<b>100.0</b>
<i>Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

According to the table, the bank’s percentage of 1-4 family home loans within the low-income census tracts in 2017 was far less than the demographic comparison and the aggregate performance. In 2018, the bank’s lending level increased notably and equaled the aggregate level, though still

below the demographic data. However, in 2019, Liberty's lending performance dropped significantly and was far exceeded by both the demographic comparison and the aggregate performance. As a result, the bank's distribution of 1-4 family loans in the low-income tracts is poor.

The bank's percentage of 1-4 family home loans within the moderate-income census tracts in 2017 was less than both the demographic data and the aggregate level, though comparable. However, during both 2018 and 2019, Liberty's lending performance decreased significantly and was far exceeded by both the demographic data and aggregate performance. Overall, Liberty's distribution of 1-4 family loans in the moderate-income tracts is poor.

### *Small Business Loans*

The geographic distribution of small business loans reflects a good penetration throughout this AA, based primarily on its performance in the low- and moderate-income tracts. The following table details the distribution of small business loans by tract income level.

Geographic Distribution of Small Business Loans Norwich-New London, CT MSA AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	10.5	9.5	1	4.2	5	0.2
2018	10.5	10.2	4	11.8	726	32.5
2019	10.6	--	4	9.5	460	16.1
Moderate						
2017	9.7	10.0	5	20.8	25	1.0
2018	9.7	9.7	4	11.8	174	7.8
2019	9.9	--	4	9.5	221	7.8
Middle						
2017	36.8	36.0	12	50.0	1,497	58.1
2018	36.8	34.3	8	23.5	426	19.1
2019	36.6	--	16	38.1	712	25.0
Upper						
2017	42.8	44.5	6	25.0	1,048	40.7
2018	42.7	45.8	18	52.9	905	40.6
2019	42.7	--	18	42.9	1,457	51.1
Not Available						
2017	0.2	0.0	0	0.0	0	0.0
2018	0.3	0.0	0	0.0	0	0.0
2019	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>2,575</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>2,231</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>42</b>	<b>100.0</b>	<b>2,850</b>	<b>100.0</b>

Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.

According to the table, the bank's percentage of small business loans within the low-income census tracts in 2017 was below both the demographic comparison and aggregate level. In 2018, Liberty's lending in the low-income tracts increased, and exceeded both demographic data and the aggregate performance. In 2019, the bank's lending performance dropped slightly and was less than the demographic comparison, though not materially. As a result, Liberty's distribution of small business loans in the low-income tracts is good.

Liberty's percentage of small business loans within the moderate-income census tracts in 2017 far exceeded both the demographic data and the aggregate performance. In 2018, the bank's lending level dropped notably, though it still marginally exceeded both the demographic comparison and the aggregate level. In 2019, Liberty's lending level decreased again and was below the demographic data, but not significantly. Overall, the bank's distribution of small business loans in the moderate-income tracts is good.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, a good penetration primarily due to the bank's 1-4 family lending performance, which is Liberty's most significant product line at 84.1 percent of total loans made within this AA. Liberty achieved a good penetration among retail customers of different income levels and an excellent penetration among businesses of different sizes.

#### **1-4 Family Loans**

The bank's distribution of 1-4 family mortgage loans represents a good penetration among borrowers of different income levels. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers by the number of loans, as detailed in the following table.

<b>Distribution of 1-4 Family Loans by Borrower Income Level Norwich-New London, CT MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	21.6	8.1	9	10.5	672	3.9
2018	21.6	9.5	16	7.9	1,128	3.6
2019	21.6	11.6	29	12.0	2,618	7.2
<b>Moderate</b>						
2017	17.4	21.9	23	26.7	3,327	19.3
2018	17.4	23.3	46	22.8	5,431	17.2
2019	17.4	25.2	61	25.3	6,826	18.8
<b>Middle</b>						
2017	20.6	23.8	24	27.9	4,503	26.1
2018	20.6	23.1	51	25.2	6,658	21.1
2019	20.6	21.9	55	22.8	7,680	21.1
<b>Upper</b>						
2017	40.4	33.5	30	34.9	8,721	50.7
2018	40.4	32.7	86	42.6	17,723	56.2
2019	40.4	29.6	95	39.4	18,845	51.9
<b>Not Available</b>						
2017	0.0	12.7	0	0.0	0	0.0
2018	0.0	11.4	3	1.5	592	1.9
2019	0.0	11.7	1	0.5	370	1.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>	<b>17,223</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>202</b>	<b>100.0</b>	<b>31,532</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>241</b>	<b>100.0</b>	<b>36,339</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank’s 2017 1-4 family home lending level to low-income borrowers was less than the demographic comparison, but exceeded the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison. In 2018, Liberty’s lending activity decreased, and was exceeded by the aggregate performance. However in 2019, the bank’s lending performance among low-income borrowers increased, exceeding its 2017 lending level, and did slightly exceed the aggregate performance. As a result, the bank’s loan penetration among low-income borrowers is good.

Liberty’s 1-4 family home lending level to moderate-income borrowers exceeded the corresponding demographic and aggregate comparisons in 2017. In 2018, the bank’s lending level decreased marginally, but remained similar to the aggregate performance and is good. In 2019, Liberty’s lending level among moderate-income borrowers increased, slightly exceeding the aggregate performance, and remains good.

Small Business Loans

The distribution of borrowers reflects an excellent penetration of small business loans among business customers of different sizes. Examiners focused on the percentage of small business loans made to businesses with GARs of \$1.0 million or less by the number of loans, as detailed in the following table.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Norwich-New London, CT MSA Assessment Area</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2017	84.7	50.5	12	50.0	620	24.1
2018	84.4	45.5	23	67.6	1,082	48.5
2019	85.7	--	26	61.9	1,236	43.4
>1,000,000						
2017	5.0	--	6	25.0	1,925	74.8
2018	5.2	--	9	26.5	1,139	51.1
2019	4.6	--	11	26.2	1,564	54.9
Revenue Not Available						
2017	10.3	--	6	25.0	30	1.1
2018	10.4	--	2	5.9	10	0.4
2019	9.7	--	5	11.9	50	1.7
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>	<b>2,575</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>34</b>	<b>100.0</b>	<b>2,231</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>42</b>	<b>100.0</b>	<b>2,850</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0.*

As shown in the table above, the bank’s 2017 small business lending level to businesses with GARs of \$1.0 million or less is lower than the demographics and nearly equal to the aggregate level; however, in 2018 the bank’s lending level increased significantly and far exceeded the aggregate performance. Since the aggregate data is generally a better indicator of demand, the evaluation gave more weight to this comparison; as a result, the bank’s 2018 lending performance is excellent.



In 2019, the bank’s lending level among businesses with GARs of \$1.0 million or less decreased marginally, but still remained excellent.

**Community Development Loans**

Liberty made an adequate level of community development loans in this AA. The bank originated four community development loans totaling about \$2.6 million that benefited this AA. The bank’s community development loans focused on affordable housing.

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

<b>Community Development Loans Norwich-New London, CT MSA AA</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>
2017	1	148	0	0	0	0	0	0	1	148
2018	0	0	0	0	0	0	0	0	0	0
2019	3	2,412	0	0	0	0	0	0	3	2,412
2020	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>2,560</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>2,560</b>

*Source Bank Records*

The following are examples of the Liberty’s community development loans in this AA.

- In 2017, the bank originated a loan secured by a multi-family complex located in an upper-income census tract in East Lyme, CT. Twenty-four of the units were set aside for low- and moderate-income renters pursuant to local zoning regulations. As a result, a pro-rata share of \$148,000, representing 36.0 percent of the total loan amount, supported affordable housing.
- In 2019, the bank originated a \$1.3 million loan secured by a multi-family building in a moderate-income census tract in Norwich, CT. The bank’s loan helped support affordable housing, as the unit rents are below HUD’s fair market rent levels.

**INVESTMENT TEST**

Liberty Bank demonstrated adequate Investment Test performance within this AA. The bank had an adequate level of qualified investments and grants within this area, below the overall bank performance. The bank’s investments throughout this AA consisted primarily of mortgage-backed securities and other statewide or regional investments that had some direct benefit to the area. Refer to the Investment Test section for the overall institution for details. Qualified investments reflect adequate responsiveness to the area, and the bank occasionally used innovative or complex initiatives to support community development activities within this area.

## SERVICE TEST

Liberty demonstrated excellent performance under the Service Test within this AA. The bank's excellent performance in the Community Development Services criterion primarily supports this conclusion.

### Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the AA. The bank operates 8 full-service branches and 11 ATMs in this AA. All but one of the branches have at least one ATM on-site, all with 24-hour access. All ATMs offer both English and Spanish language preferences. The following table illustrates the distribution of the bank's branches and ATMs by geography income level.

<b>Branch and ATM Distribution by Geography Income Level Norwich-New London, CT MSA AA</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	6	10.7	27,157	12.0	1	12.5	0	0.0
Moderate	8	14.3	33,494	14.8	0	0	0	0.0
Middle	21	37.5	82,830	36.6	5	62.5	8	72.7
Upper	20	35.7	80,114	35.4	2	25.0	3	27.3
NA	1	1.8	2,716	1.2	0	0.0	0	0.0
<b>Total</b>	<b>56</b>	<b>100.0</b>	<b>226,311</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>
<i>Source 2015 ACS data and Bank Records</i>								

As shown in the table, Liberty operates one branch in a low-income census tract in New London, CT. The New London branch does not have an ATM on-site because the layout of the branch does not allow for an ATM that would be accessible from outside when the branch is closed. The bank does not operate any branches or ATMs in moderate-income census tracts. Overall, the branch structure has a higher concentration of branches in middle- and upper-income areas. However, Liberty maintains four branches located in middle-income census tracts that are adjacent, and reasonably accessible, to low- or moderate-income geographies, which further improves accessibility of banking products and services to low- and moderate-income areas. As a result, Liberty's distribution of offices and ATMs within, or that are reasonably accessible to, the low- and moderate-income tracts on a combined basis compares favorably to the demographic comparisons in this AA and is good.

In addition to the physical access to Liberty's branches and ATMs, the bank also offers alternative delivery systems in all AAs that improve accessibility for its products and services for all geographies, including low- and moderate-income areas, particularly for those individuals that lack or cannot otherwise afford transportation. These delivery systems include deposit taking ATMs, debit cards, online banking, bank-by-mail, telephone banking, and mobile banking.

Finally, the bank also has a Customer Service Center that assists customers via telephone with extended hours from 8:00 a.m. to 7:00 p.m. Monday through Friday and 8:00 a.m. to 3:00 p.m. on Saturdays. The Customer Service Center provides additional accessibility throughout the AA.

### **Changes in Branch Locations**

Liberty did not open or close any branches in the AA over the review period.

### **Reasonableness of Business Hours and Services**

Services and hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals. Business hours vary slightly by branch according to the AA needs. However, most branches are open from 9:00 a.m. to 4:00 p.m. Monday through Thursday, with extended hours until 5:00 p.m. on Friday. Most branches also offer additional hours on Saturday from 9:00 a.m. to 12:00 p.m. The bank also offers drive-up services at seven branches.

As previously noted, the bank provides a variety of deposit products such as checking, money market, and savings accounts, as well as personal retirement accounts, health savings accounts, and CDs. The bank also offers a variety of loan products, including home mortgage loans, home equity loans, commercial loans, and credit cards. Alternative banking services include telephone, online, and mobile banking, as well as access to 11 proprietary ATMs.

In addition, as discussed previously, the bank offers a variety of other low-cost savings and checking accounts for bank customers throughout this AA, which are particularly beneficial for low- and moderate-income individuals. Refer to the Overall Service Test section for details.

Lastly, the bank continues to contribute to IDAs in this area. This product provides a way for low- and moderate-income individuals to save money for major expenses, such as purchasing a home and paying for an education. During the evaluation period, the bank contributed \$21,000 in matching funds through its 21 IDA accounts in this AA.

### **Community Development Services**

Liberty is a leader in providing community development services in this AA. During the evaluation period, bank employees engaged in 79 instances of community service activities in this AA. The activities focused on community services, economic development, and affordable housing. In light of the bank's much lower level of operations and resources within this AA relative to the bank's primary Hartford MSA AA, Liberty has reduced capabilities and consequently fewer opportunities to participate with potential community development services in this AA. As discussed previously, the bank maintains only 13.3 percent of total branches, 11.0 percent of total deposits, and 11.4 percent of total loans in this AA. Furthermore, the much smaller branch footprint results in a much lower employee base from which to participate with existing community development service opportunities, relative to Liberty's branch and management staff within its primary Hartford MSA

AA. Given these performance context factors, the bank’s level of community development services is excellent within this AA.

The following table summarizes the bank’s community development services by year and purpose.

<b>Community Development Services Norwich-New London, CT MSA AA</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>
2017	1	1	1	0	3
2018	7	18	0	0	25
2019	6	12	21	0	39
2020	4	6	2	0	12
<b>Total</b>	<b>18</b>	<b>37</b>	<b>24</b>	<b>0</b>	<b>79</b>
<i>Source Bank Records</i>					

The following illustrates some examples of the bank’s community development services.

- An officer served as a Board member for an affordable housing organization in New London. The organization provides affordable housing to low- and moderate-income families and individuals in eastern CT. The organization develops housing for first-time homebuyers, provides down payment assistance, and operates affordable rental properties.
- Two employees presented three sessions of its Academy for Small Business in low- and moderate-income areas. The program includes eight classes focusing on education for small business owners, including banking services and credit reporting, financial management and record keeping, risk management, and other relevant topics for small businesses.
- A branch manager serves on the Board for a community service organization within a moderate-income area of Norwich, CT. The organization provides housing and support services to families affected by homelessness and domestic violence.

## **WORCESTER, MA-CT AA- Limited-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN WORCESTER, MA-CT AA**

Liberty operates two branch offices in this AA, which is located in the census-designated place (former small city) of Willimantic, CT. This AA includes a small portion of southwest Windham County, comprised of only five census tracts, immediately bordering Hartford County.

At the time of this evaluation, this AA accounted for only 3.3 percent of the bank’s total branches, 3.1 percent of its total deposits, and 1.6 percent of the total 1-4 family and small business loans the bank made within its combined AAs. As a result, examiners placed substantially less emphasis on the bank’s performance in this AA in arriving at the overall rating.

Examiners reviewed the data recorded in the bank’s HMDA loan application registers and CRA small business loan registers to analyze the institution’s 1-4 family and small business loans. Examiners utilized aggregate HMDA and CRA data, 2015 ACS data, and 2020 D&B data for comparison purposes.

The AA is comprised of five census tracts, including three low- and two moderate-income, while there were no middle-, upper-, and NA-income. The following table notes the demographic information for this AA.

<b>Demographic Information of the Worcester, MA-CT MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	5	60.0	40.0	0.0	0.0	0.0
Population by Geography	25,104	56.9	43.1	0.0	0.0	0.0
Owner-Occupied Units by Geography	4,350	32.1	67.9	0.0	0.0	0.0
Businesses by Geography	1,394	55.6	44.4	0.0	0.0	0.0
Family Distribution by Income Level	5,632	46.7	20.0	17.4	15.9	0.0
Median Family Income MSA – 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$149,583
			Median Gross Rent			\$753
			Families Below Poverty Level			20.6%

*Source 2015 ACS Census and 2020 D&B Data. (\*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

There is a strong level of competition for 1-4 family loans among the area’s banks, credit unions, and non-depository mortgage lenders. In 2019, 91 lenders reported 391 residential loan originations and purchases. The ten most prominent 1-4 family mortgage lenders accounted for 38.9 percent of total market share.

There is also strong competition for small business loans within the bank’s AA. In 2018, 69 lenders reported 1,989 small business loans; however, this data is reported only at the full county level, while Liberty’s AA includes only a few census tracts. The top ten lenders accounted for 74.2 percent of total loans. However, most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 4 financial institutions operated 5 offices within the bank’s AA. Of these institutions, Liberty ranked first with a 37.3 percent deposit market share. The other competing institutions included Berkshire Bank, Bank of America, N.A., and People’s United Bank, N.A.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN WORCESTER, MA- CT AA**

### **LENDING TEST**

Liberty's Lending Test performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution.

During 2017, 2018, and 2019, Liberty originated 70 1-4 family loans totaling \$8.7 million and 20 small business loans totaling \$1.6 million. The following tables summarize the bank's geographic and borrower distribution performance for this lending.

## Geographic Distribution

### 1-4 Family Loans

Geographic Distribution of 1-4 Family Loans Worcester, MA-CT MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	32.1	31.9	6	46.2	868	43.8
2018	32.1	30.7	9	36.0	1,274	39.6
2019	32.1	34.3	18	56.3	1,840	52.7
Moderate						
2017	67.9	68.1	7	53.8	1,113	56.2
2018	67.9	69.3	16	64.0	1,942	60.4
2019	67.9	65.7	14	43.7	1,654	47.3
Middle						
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
Upper						
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
Not Available						
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
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>1,981</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>3,216</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>3,494</b>	<b>100.0</b>
<i>Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

*Small Business Loans*

<b>Geographic Distribution of Small Business Loans Worcester, MA-CT MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	56.6	54.3	2	100.0	35	100.0
2018	56.7	58.0	5	55.6	381	74.6
2019	55.6	--	3	33.3	229	21.9
<b>Moderate</b>						
2017	43.4	45.7	0	0.0	0	0.0
2018	43.3	42.0	4	44.4	130	25.4
2019	44.4	--	6	66.7	815	78.1
<b>Middle</b>						
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
<b>Upper</b>						
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
<b>Not Available</b>						
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
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>511</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>9</b>	<b>100.0</b>	<b>1,044</b>	<b>100.0</b>
<i>Source 2017, 2018, and 2019 D&amp;B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						



## **Borrower Profile**

### *1-4 Family Loans*

<b>Distribution of 1-4 Family Loans by Borrower Income Level Worcester, MA-CT MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	46.7	12.6	1	7.7	93	4.7
2018	46.7	20.2	7	28.0	802	24.9
2019	46.7	18.3	5	15.6	376	10.8
Moderate						
2017	20.0	34.2	5	38.5	724	36.5
2018	20.0	31.3	6	24.0	820	25.5
2019	20.0	32.1	10	31.3	834	23.9
Middle						
2017	17.4	21.3	5	38.5	782	39.5
2018	17.4	21.6	8	32.0	961	29.9
2019	17.4	18.0	11	34.4	1,576	45.1
Upper						
2017	15.9	12.0	2	15.3	382	19.3
2018	15.9	11.6	4	16.0	633	19.7
2019	15.9	13.3	6	18.7	709	20.2
Not Available						
2017	0.0	19.9	0	0.0	0	0.0
2018	0.0	15.3	0	0.0	0	0.0
2019	0.0	18.3	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>1,981</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>3,216</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>3,494</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category Worcester, MA-CT MSA AA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2017	79.4	43.6	2	100.0	35	100.0
2018	80.3	42.0	9	100.0	511	100.0
2019	82.6	--	2	22.2	75	7.2
<b>&gt;1,000,000</b>						
2017	5.9	--	0	0.0	0	0.0
2018	5.6	--	0	0.0	0	0.0
2019	4.9	--	6	66.7	964	92.3
<b>Revenue Not Available</b>						
2017	14.7	--	0	0.0	0	0.0
2018	14.1	--	0	0.0	0	0.0
2019	12.5	--	1	11.1	5	0.5
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>511</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>9</b>	<b>100.0</b>	<b>1,044</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

**Community Development Lending**

Liberty’s community development lending performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. During the review period, the institution had no community development loans specifically within this AA, though the bank made five loans totaling \$29.8 million that served a broader statewide or regional area that included this AA, which indirectly benefitted this AA.

**INVESTMENT TEST**

The bank’s Investment Test performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. During the review period, the institution maintained one prior period investment totaling \$2.3 million and no donations within this AA.

Although, examiners noted that Liberty made several investments on a broader statewide or regional area that had some benefit for this AA.

### **SERVICE TEST**

Liberty's Service Test performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. Although the bank's products, services, and business hours are similar to those offered within the full-scope AAs, its employees provided just nine instances of community development services in this AA during the evaluation period.

## **BRIDGEPORT-STAMFORD-NORWALK, CT AA - Limited-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN BRIDGEPORT-STAMFORD-NORWALK, CT AA**

Liberty operates one branch office in this AA, which is located in the city of Shelton, CT. This AA includes a small portion of Fairfield County, comprised of only eight census tracts in the far mid-eastern portion of the county, immediately bordering New Haven County.

At the time of this evaluation, this AA accounted for only 1.7 percent of the bank's total branches, 1.0 percent of its total deposits, and 0.7 percent of the total 1-4 family and small business loans the bank made within its combined AAs. As a result, examiners placed substantially less emphasis on the bank's performance in this AA in arriving at the overall rating.

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Examiners reviewed the data recorded in the bank's HMDA loan application registers and CRA small business loan registers to analyze the institution's 1-4 family and small business loans. Examiners utilized aggregate HMDA and CRA data, 2015 ACS data, and 2020 D&B data for comparison purposes.

The AA is composed of eight census tracts, including zero low-, one moderate-, and seven middle-income, with no upper- or NA-income. The following table notes the demographic information for this AA.

<b>Demographic Information of the Bridgeport-Stamford-Norwalk, CT MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	8	0.0	12.5	87.5	0.0	0.0
Population by Geography	40,783	0.0	5.3	94.7	0.0	0.0
Owner-Occupied Units by Geography	12,392	0.0	2.5	97.5	0.0	0.0
Businesses by Geography	4,263	0.0	8.4	91.6	0.0	0.0
Family Distribution by Income Level	10,925	19.9	19.5	21.7	38.9	0.0
Median Family Income MSA – 14860 Bridgeport-Stamford-Norwalk, CT MSA		\$105,628	Median Housing Value			\$334,079
			Median Gross Rent			\$1,226
			Families Below Poverty Level			4.0%

*Source 2015 ACS Census and 2020 D&B Data. (\*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0.*

There is strong level of competition for 1-4 family loans among the area’s banks, credit unions, and non-depository mortgage lenders. In 2019, 162 lenders reported 1,388 residential loan originations and purchases. The ten most prominent 1-4 family mortgage lenders accounted for 50.4 percent of total market share.

There is also strong competition for small business loans within the bank’s AA. In 2018, 124 lenders reported 32,357 small business loans; however, this data is reported only at the full county level, while Liberty’s AA includes only a few census tracts. The top ten lenders accounted for 82.2 percent of total loans. However, most all of the top lenders are large national credit card banks or very large multi-billion dollar regional banks that serve the greater northeast of the country.

The AA is also a competitive market for financial services. According to the FDIC Deposit Market Share report as of June 30, 2020, 9 financial institutions operated 14 offices within the bank’s AA. Of these institutions, Liberty ranked ninth with a 3.1 percent deposit market share. The five most prominent institutions with the highest deposit market shares accounted for 81.2 percent of total market share. These entities are mainly large, multi-billion dollar depository institutions that serve a much larger multi-regional or multi-state area in addition to this AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BRIDGEPORT-STAMFORD-NORWALK, CT AA**

### **LENDING TEST**

Liberty’s Lending Test performance in this AA was below its performance in its Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution.

During 2017, 2018, and 2019, Liberty originated 22 1-4 family loans totaling \$3.3 million, while the bank made 13 small business loans totaling \$1.9 million within this AA. The following tables summarize the bank’s geographic and borrower distribution performance for this lending.

**Geographic Distribution**

*1-4 Family Loans*

<b>Geographic Distribution of 1-4 Family Loans Bridgeport-Stamford-Norwalk, CT MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
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
Moderate						
2017	2.5	3.7	0	0.0	0	0.0
2018	2.5	4.2	0	0.0	0	0.0
2019	2.5	1.9	0	0.0	0	0.0
Middle						
2017	97.5	96.3	0	0.0	0	0.0
2018	97.5	95.8	6	100.0	1,169	100.0
2019	97.5	98.1	16	100.0	2,148	100.0
Upper						
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
Not Available						
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
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1,169</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2,148</b>	<b>100.0</b>
<i>Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.</i>						

*Small Business Loans*

<b>Geographic Distribution of Small Business Loans Bridgeport-Stamford-Norwalk, CT MSA AA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
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
<b>Moderate</b>						
2017	8.7	10.6	0	0.0	0	0.0
2018	8.4	9.0	2	40.0	460	78.6
2019	8.4	--	0	0.0	0	0.0
<b>Middle</b>						
2017	91.3	89.4	2	100.0	450	100.0
2018	91.6	91.0	3	60.0	125	21.4
2019	91.6	--	6	100.0	895	100.0
<b>Upper</b>						
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
<b>Not Available</b>						
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
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>450</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>585</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>6</b>	<b>100.0</b>	<b>895</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0.*

## **Borrower Profile**

### *1-4 Family Loans*

<b>Distribution of 1-4 Family Loans by Borrower Income Level Bridgeport-Stamford-Norwalk, CT MSA AA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	19.9	9.5	0	0.0	0	0.0
2018	19.9	12.3	0	0.0	0	0.0
2019	19.9	13.2	1	6.3	168	7.8
Moderate						
2017	19.5	29.5	0	0.0	0	0.0
2018	19.5	26.3	2	33.3	391	33.5
2019	19.5	29.8	4	25.0	606	28.2
Middle						
2017	21.7	23.5	0	0.0	0	0.0
2018	21.7	26.3	1	16.7	222	19.0
2019	21.7	24.2	7	43.8	904	42.1
Upper						
2017	38.9	25.1	0	0.0	0	0.0
2018	38.9	25.0	3	50.0	556	47.5
2019	38.9	21.4	4	24.9	470	21.9
Not Available						
2017	0.0	12.4	0	0.0	0	0.0
2018	0.0	10.1	0	0.0	0	0.0
2019	0.0	11.4	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1,169</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2,148</b>	<b>100.0</b>

*Source 2015 ACS Census; 2017, 2018, and 2019 Bank Data, 2017, 2018, and 2019 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

Small Business Loans

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Bridgeport-Stamford-Norwalk, CT MSA AA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2017	85.0	53.0	0	0.0	0	0.0
2018	84.6	46.8	4	80.0	535	91.5
2019	85.7	--	3	50.0	155	17.3
<b>&gt;1,000,000</b>						
2017	7.3	--	2	100.0	450	100.0
2018	7.6	--	1	20.0	50	8.5
2019	6.9	--	3	50.0	740	82.7
<b>Revenue Not Available</b>						
2017	7.7	--	0	0.0	0	0.0
2018	7.8	--	0	0.0	0	0.0
2019	7.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>450</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>585</b>	<b>100.0</b>
<b>2019</b>	<b>100.0</b>	<b>--</b>	<b>6</b>	<b>100.0</b>	<b>895</b>	<b>100.0</b>

*Source 2017, 2018, and 2019 D&B Data; 2017, 2018, and 2019 Bank Data; 2017 and 2018 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0*

**Community Development Lending**

Liberty’s community development lending performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. During the review period, the institution had no community development loans specifically within this AA, though the bank made five loans totaling \$29.8 million that served a broader regional/statewide area that included this AA, which indirectly benefitted this AA.

**INVESTMENT TEST**

The bank’s Investment Test performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. During the review period, the institution had no new qualified investments and two donations totaling \$10,000 within this AA. Although,



examiners noted that Liberty made several investments on a broader statewide or regional area that had some benefit for this AA.

## **SERVICE TEST**

Liberty's Service Test performance in this AA was below its performance in its primary Hartford-East Hartford-Middletown, CT MSA AA. While examiners considered this performance, it did not change the overall conclusion for the institution. Although the bank's products, services, and business hours are similar to those offered within the full-scope AAs, its employees provided just two instances of community development services in this AA during the evaluation period.

## **APPENDICES**

### **LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

## **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

## **Service Test**

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

## SCOPE OF EVALUATION

<b>Liberty Bank</b>	
<b>Scope of Examination:</b> Full scope reviews were performed on the following assessment areas within the noted rated areas: Hartford-East Hartford-Middletown, CT MSA Assessment Area; New Haven-Milford, CT MSA Assessment Area; Norwich-New London, CT MSA Assessment Area.	
<b>Time Period Reviewed:</b>	10/16/2017-01/25/2021
<b>Products Reviewed:</b> HMDA: 1-4 Family: 2017-2020 Small Business: 2017-2020 Community Development Loans, Investments, and Services: 10/16/2017-01/25/2021	

<b>List of Assessment Areas and Type of Evaluation</b>			
<b>Rated Area/ Assessment Area</b>	<b>Type of Evaluation</b>	<b>Branches Visited</b>	<b>Other Information</b>
Hartford-East Hartford-Middletown, CT MSA	Full-scope	None	None
New Haven-Milford, CT MSA	Full-scope	None	None
Norwich-New London, CT MSA	Full-scope	None	None
Worcester, MA-CT MSA	Limited-scope	None	None
Bridgeport-Stamford-Norwalk, CT MSA	Limited-scope	None	None

## 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. 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 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.

**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 (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 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 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.