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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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Northeastern District  
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New York, New York 10036

## **PUBLIC DISCLOSURE**

March 23, 1998

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

**Broadway National Bank  
Charter Number 9651  
457 Broadway  
Chelsea, Massachusetts 02150**

**The Office of the Comptroller of the Currency  
New England Field Office  
150 Federal Street, Second Floor  
Boston, Massachusetts 02110**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the *Broadway National Bank* prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of *March 23, 1998*. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

Primary factors supporting the bank's overall rating include:

- ▶ A reasonable loan to deposit ratio of 67%.
- ▶ The distribution of credit to borrowers of different income levels in the assessment area is excellent with 21% of the number of home mortgage originations to low-income families, and 32% to moderate-income families.
- ▶ A high percentage, 84%, of commercial lending is to small businesses.
- ▶ Geographic distribution of loans in the assessment area is excellent:
  - 6% of the number of home mortgage originations were made in low-income census tracts, and 69% in moderate-income tracts.
  - 34% of the number of small business originations were made in low-income census tracts, and 61% in moderate-income tracts.

The following table indicates the performance level of the **Broadway National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<b>BROADWAY NATIONAL BANK PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Broadway National Bank (BNB) is a \$123 million community bank located in the city of Chelsea, part of Suffolk County, directly across the Mystic River from Boston. BNB's main office is in Chelsea with a branch in Revere. Broadway National was acquired by BostonFed Bancorp, Inc. on February 7, 1997. Boston Fed is a two-bank holding company with total assets of \$974 million as of December 31, 1997. Boston Federal Savings Bank is its primary asset.

A variety of credit products are offered. The primary focus is residential lending, which comprises \$57 million or 75% of the \$76 million loan portfolio. Commercial real estate loans at \$10 million (13%), commercial loans at \$4 million (5%), and consumer loans at \$5 million (7%) comprise the remainder of the portfolio. The bank was assigned a "satisfactory" CRA rating at the preceding examination dated December 31, 1994. There are no financial or legal impediments that would prevent the institution from helping to meet the credit needs of the assessment area.

BNB's competition is varied. In both Chelsea and Revere, BNB is one of few community-based banking organizations. In Revere, BNB competes with Revere Federal Savings and Loan Association and East Boston Savings Bank. Competition in Chelsea is limited to Metropolitan Credit Union. Although several other large banks (Citizens Bank, Fleet Bank and the recently opened US Trust) have branches within Chelsea, they are located near an office/retail park and not convenient to the city's downtown.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires a financial institution to identify an assessment area in which it intends to focus its lending efforts. The bank has defined one assessment area which consists of fifteen census tracts located within the Boston metropolitan statistical area (MSA). The area consists primarily of low and moderate income tracts, with nine moderate income tracts (60%) and two low income tracts (13%). The remaining three (20%) are middle income tracts. One tract (7%) is not populated. There are no upper income tracts in the assessment area.

The population of this urban assessment area is 71 thousand individuals. The Housing and Urban Development (HUD) Boston MSA median family income is \$59,600. It is

important to note that the median household income levels are much lower for Chelsea at \$31,500 and Revere at \$40,200. In the assessment area, low income families comprise 34% of the population, moderate income families 23%, middle income families 23% and upper income families 20%. The median housing value for the area, at \$147 thousand, is overpriced for low income borrowers. Median age of the housing stock at 48 years, further limits home ownership opportunities as the need for rehabilitating an older home considerably increases the cost burden of a potential purchaser. Owner occupied housing comprises only 37% of the total. Rental occupied housing is very high at 54% of the total and vacant housing units are low at 7%.

The local economy is in a state of change. Chelsea is experiencing an upswing in residential and commercial real estate markets, following a very distressed period. In 1990, Chelsea was placed into state receivership following years of escalating economic and political difficulties. The receivership was terminated in 1995 and a city council and city manager replaced the receiver. Since that time, numerous examples of revitalization have occurred including three new schools and a local community college satellite campus in the heart of the city. Also, Massachusetts General Hospital opened a health center, Massachusetts Information Technology Center opened a 1,200 employee state data warehouse and Gulf Oil opened offices. These, along with other commercial and municipal development projects are estimated to put over a quarter of a billion dollars in economic development in the community over the next several years.

Despite these events, there is still much to accomplish. The current local economy continues to be weak. Many residents, 14%, rely on state and federal assistance programs. While some assessment area residents commute to Boston for employment, local employment opportunities are limited. Both Revere and Chelsea have fast-growing immigrant populations. The lack of job training prevents many new immigrants from working. A shortage of new manufacturing jobs (a key source of urban employment) and the growth of suburban office parks further exacerbate the situation. Unemployment rates, as of September 1997, show Chelsea's rate was 6.3% and Revere's was 5.5%. Both are much higher than the state average of 4.0%.

Rental and owner-occupied housing (including rehabilitation and soft second loans), first-time home buyer financing programs, micro enterprise, venture start-up and small business loans were described as the primary credit needs for the assessment area by both bank management and community contacts involved in revitalization and housing services.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### ***Scope of Review***

This review covered the time period from January 1, 1995 to December 31, 1997 for all Home Mortgage Disclosure Act (HMDA) reportable real estate mortgages (which include home purchases, home improvement and refinances) and all commercial loans.

### **Loan to Deposit Ratio**

BNB's loan to deposit ratio is reasonable given its size, financial condition and assessment area credit needs. The loan to deposit ratio was 67% as of December 31, 1997. This ratio has increased from 60% at our prior examination. For the past twelve quarters, the average loan to deposit ratio equaled 63%. While there are no similarly situated institutions or competitors in the assessment area, average loan to deposit ratios for sixteen banks less than \$250 million in Suffolk County range from 11% to 104%.

### **Lending in the Assessment Area**

Overall, a majority of lending is inside BNB's assessment area with 53% of the number and 33% of the dollar amount for the evaluation period, as reflected in Table 1. BNB's commercial lending represents 61% of the number, and 55% of the dollar amount, of commercial loans made within the assessment area. However, mortgages are BNB's major product line and only 36% of the number and 20% of the dollar amount are made in the assessment area for the evaluation period. Lending outside the assessment area is concentrated in communities to the north and west of Boston, primarily to former Revere and Chelsea residents who have relocated or to borrowers who have been referred to the institution. Also, in 1997, the bank purchased home mortgage loans from the holding company. The properties were located in many suburban areas of greater Boston.

BNB's market share for HMDA real estate mortgages is good in relation to its competitors. In 1996, BNB ranked 253, or .04% in originations. They ranked 132, or .13% in originations in low-and moderate-income tracts; and ranked 247, or .07% in originations to low-and moderate-income applicants.

TABLE 1  
**PERCENTAGE OF LENDING WITHIN THE ASSESSMENT AREA**

<b>Loan Originations - (000's)</b>
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Loan Type	<i>Inside Assessment Area</i>				<i>Outside Assessment Area</i>			
	#Loans	%	\$ Amt	%	#Loans	%	\$ Amt	%
<b>Mortgages</b>	93	<b>36%</b>	6,325	<b>20%</b>	165	<b>64%</b>	25,552	<b>80%</b>
<b>Comm'l Loans</b>	315	<b>61%</b>	10,434	<b>55%</b>	199	<b>39%</b>	8,686	<b>45%</b>
<b>Total</b>	408	<b>53%</b>	16,759	<b>33%</b>	364	<b>47%</b>	34,238	<b>67%</b>

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

*Borrowers of Different Incomes*

The distribution of loans among borrowers of different income levels is excellent, given the demographics of the assessment area. For the evaluation period, 21% of the number of home mortgage originations were to low-income families and 32% to moderate-income families. This compares very favorably to the HUD moderate family distribution. Median housing prices limit ownership opportunities for low-income families. The HMDA Loan Application Register (LAR) was used and the data was tested for accuracy.

The MSA median family income is \$59,600. Low-income is defined as an income below 50% of the median family income for the MSA. Moderate-income is defined as income between 50% and 79% of the median family income level for the MSA. Middle income is defined as income between 80% and 119% of the median income. Upper-income is defined as income equal to or greater than 120% of the median income. Table 2 reflects the breakdown of real estate mortgage originations among borrowers of different income levels in the assessment area by number and dollar amount, for the evaluation period.

**TABLE 2  
LENDING TO BORROWERS OF DIFFERENT INCOMES**

<b>HMDA Real Estate Originations - (000's)</b>				
	<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>

<b># Loans</b>	<b>%</b>	20	<b>21%</b>	30	<b>32%</b>	22	<b>24%</b>	21	<b>23%</b>
<b>\$ Amt</b>	<b>%</b>	866	<b>14%</b>	1,988	<b>31%</b>	1,648	<b>26%</b>	1,823	<b>29%</b>
<b>HUD Family Distribution</b>		<b>34%</b>		<b>23%</b>		<b>23%</b>		<b>20%</b>	

*Businesses of Different Sizes*

BNB’s performance reflects a high level of responsiveness to small business credit needs within its assessment area. We analyzed all commercial lending activity for the evaluation period by reviewing bank management prepared reports. We sampled 10% of the number of loans (1997 originations) to test data accuracy. Small business loans, as defined as businesses with gross annual revenues below \$1 million, account for 84% (266 loans) and 72% (\$7,465 million) of the sample reviewed. This performance equals demographics with small business comprising 86% of the assessment area. The average size of all commercial loans in the evaluation period was \$37,200. Additionally, 91% of the number of originations were for loans less than \$100,000.

**Geographic Distribution of Loans**

*Home Mortgage Lending*

BNB’s geographic distribution of HMDA reportable loans in its assessment area is excellent. In the evaluation period, 6% of the number and 8% of the dollar amount of originations were in low income census tracts and 69% of the number and 63% of the dollar amount were in moderate income tracts. As moderate income tracts comprise 60% of the assessment area, lending in those tracts compares very favorably. BNB’s demographic data shows a small level of owner-occupied housing in the two low income census tracts, at 8%. As well, both low income tracts contain 86% rental housing. Therefore, lending opportunities for mortgage loans are limited. Table 3 details the geographic distribution of HMDA loans by census tract in the evaluation period.

TABLE 3  
**GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS**

<b>HMDA Real Estate Originations - (000's)</b>
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		<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<b># Loans</b>	<b>%</b>	6	<b>6%</b>	64	<b>69%</b>	23	<b>25%</b>	0	<b>0%</b>
<b>\$ Amt</b>	<b>%</b>	484	<b>8%</b>	3,977	<b>63%</b>	1,864	<b>29%</b>	0	<b>0%</b>
<b><i>Census Tract Characteristics</i></b>		<b><i>13%</i></b>		<b><i>60%</i></b>		<b><i>20%</i></b>		<b><i>0%</i></b>	
<b><i>% Owner-Occupied Households in AA</i></b>		<b><i>8%</i></b>		<b><i>73%</i></b>		<b><i>19%</i></b>		<b><i>0%</i></b>	

*Small Business Lending*

BNB's lending to small businesses throughout its assessment area reflects excellent penetration. Based on a sample (75% of the number) for the evaluation period, 34% of the number and 44% of the dollar amount of originations were to small businesses in low income census tracts. Also, 61% of the number and 54% of the dollar amount of small business loans were in moderate income tracts. This compares very favorably to both the census tract characteristics and the percentage of businesses located within each census tract. Table 4 details the distribution of small business loans by census tract for the evaluation period.

TABLE 4  
**GEOGRAPHIC DISTRIBUTION OF SMALL BUSINESS LOANS**

<b>Small Business Loan Originations - (000's)</b>									
		<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<b># Loans</b>	<b>%</b>	68	<b>34%</b>	121	<b>61%</b>	10	<b>5%</b>	0	<b>0%</b>
<b>\$ Amt</b>	<b>%</b>	1,900	<b>44%</b>	2,355	<b>54%</b>	93	<b>2%</b>	0	<b>0%</b>
<b><i>Census Tract Characteristics</i></b>		<b><i>13%</i></b>		<b><i>60%</i></b>		<b><i>20%</i></b>		<b><i>0%</i></b>	
<b><i>% of Businesses in each Census Tract</i></b>		<b><i>26%</i></b>		<b><i>58%</i></b>		<b><i>16%</i></b>		<b><i>0%</i></b>	

### **Response to Complaints**

BNB has received no complaints relating to CRA performance since the prior CRA examination.

### **Fair Lending Examination**

A fair lending review was performed concurrently with this examination. BNB's performance under the Fair Lending laws is satisfactory. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Practices and policies used by the lending staff in daily activity are adequate. Programs have been implemented to correct any weaknesses and strengthen the overall lending process.