

PUBLIC DISCLOSURE

May 29, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BLUE HILLS BANK

90160

**1196 RIVER STREET
BOSTON, MASSACHUSETTS 02136**

**Division of Banks
1000 Washington St, 10th Floor
Boston, Massachusetts 02118**

**Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) and the Federal Deposit Insurance Corporation (“FDIC”) to use their authority when examining financial institutions subject to their 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 agencies must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Blue Hills Bank (or the “Bank”)** prepared by the Division and the FDIC, the institution’s supervisory agencies as of May 29, 2012. The agencies evaluate performance in the assessment areas(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution’s branches. The Division and the FDIC rate the CRA performance of an institution consistent with the provisions set forth in Massachusetts regulation 209 CMR 46.00 and Appendix A to 12 CFR Part 345 of the FDIC’s Rules and Regulations, respectively.

INSTITUTION’S CRA RATING:

**The institution is rated “High Satisfactory” by the Division.
The institution is rated “Satisfactory” by the FDIC.**

While both agencies agreed on the performance of Blue Hills Bank, the FDIC’s rating matrix does not have a rating of “High Satisfactory.” An institution in this group has a good 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.

Large Bank CRA examination procedures were used for this evaluation. The assigned rating is based on the results of three performance tests: the Lending Test, the Investment Test, and the Service Test. The Bank’s performance under each of these tests is summarized below:

Blue Hills Bank			
PERFORMANCE TESTS			
PERFORMANCE LEVELS	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory			
Satisfactory**	X		
Needs to Improve			
Substantial Non-Compliance			

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

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term “satisfactory” will be used in lieu of the “low satisfactory” rating for the lending, investment, and service test ratings.

Solomon Hess SBA Loan Fund

The Bank has committed a total of \$500,000 to this loan fund, which invests in the federally guaranteed portion of SBA 7(a) loans. As stated in documents provided by the Fund, its primary goal is to promote permanent job creation, retention, and improvement in low- or moderate-income areas or for low- and moderate-income persons who are employed by small businesses by creating greater financial liquidity and a lower cost of capital within the Small Business Administration (SBA) Section 7(a) loan secondary market. During the evaluation period, two projects were funded with the Bank's investment: a music store located in a moderate-income census tract in Jamaica Plain and a construction company in Canton in an economically targeted area that employs low- and moderate-income workers.

Senior Housing Crime Prevention Foundation (SHCPF)

Since 2008, the Bank has annually renewed a \$1 million loan to the SHCPF for use towards its overall mission, which as stated on the Foundation's website is "to provide safe and secure living environments for senior housing residents through the provision of the Senior Crimestoppers program and to allow banks the most favorable regulatory and business structure possible for the purpose of fulfillment of CRA obligations and retail banking opportunities."

Innovative or Flexible Lending Practices

The Bank has made use of innovative or flexible loan products during the evaluation period. The Bank offers three innovative or flexible loan programs and one down payment and closing cost assistance program. The loans made under the three loan programs were required to be reported on the Bank's HMDA LAR and, therefore, were considered in the earlier sections of the Lending Test. All four programs the Bank offered during the evaluation period are described below.

- 40 Year Fixed Rate First-time Homebuyer Program: This program was developed by the Bank to assist first-time homebuyers. The program features a reduced fixed interest rate, no points, and reduced closing costs. The program is available to first-time homebuyers for the purchase of 1-4 family, owner-occupied dwellings. The Bank originated a total of 20 loans under this program during the evaluation period: 12 in 2010 and 8 in 2012. The total dollar amount of these 20 loans was approximately \$5.8 million.
- Soft Second Loan Program: This program is a joint initiative of the public and private sectors to increase affordable housing opportunities for low- and moderate-income homebuyers. It combines a conventional first mortgage with a subsidized second mortgage to help first time homebuyers qualify for financing. The Bank originated 38 loans under this program during the evaluation period; 8 in 2009; 6 in 2010; 16 in 2011; and 8 in 2012. The total dollar amount of these loans was approximately \$4.1 million.
- City of Boston Down Payment and Closing Cost Assistance Program: Down payment and closing costs assistance is for lower income homebuyers who can afford monthly mortgage payments but cannot save enough to pay the initial home purchase costs. The goal of the program is to increase homeownership among lower income households. Funding comes from the federal government's American Dream Downpayment Initiative (ADDI) and other sources. ADDI is part of the federal government's HOME program, which gives money to state and local governments to create affordable housing for low-income households.