



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

November 26, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Milford FS&LA
Charter Number 704167

246 Main Street
Milford, MA 01757-2520

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400
Boston, MA 02110

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

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

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's CRA ratings are:

- The bank's level of lending, as reflected in its quarterly average net loan-to-deposit ratio is more than reasonable given the size as well as the assessment area credit needs, and relevant competitive factors.
- The majority of originated and purchased loans are within the bank's assessment area.
- The distribution of loans reflects excellent penetration among individuals of different income levels.
- The geographic distribution of loans reflects excellent distribution in low- and moderate-income census tracts.
- The bank's community development performance reflects excellent responsiveness to community development needs given the bank's capacity and community development opportunities within the AAs.

Scope of Examination

Milford Federal Savings and Loan Association (MFS) was evaluated using Intermediate Small Bank (ISB) examination procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The evaluation period for the lending test covers the bank's performance from July 1, 2009 through December 31, 2011. The evaluation period for the CD test is from October 5, 2009, the date of the last CRA evaluation, through November 26, 2012. CD loans, investments, and services submitted by management were verified to ensure they meet the regulatory definition for community development.

MFS's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans including home purchase, home refinance, and home improvement loans. As indicated by the September 30, 2012, Uniform Bank Performance Report (UBPR), residential loans represents approximately 98% of the overall loan portfolio at the bank.

State Ratings

State of Massachusetts

CRA Rating for Massachusetts: Outstanding.

The Lending test is rated: Outstanding.

The Community development test is rated: Outstanding.

The major factors that support this rating include:

- The borrower distribution of loans reflects excellent distribution among individuals of different income levels.
- The geographic distribution of loans reflects excellent distribution in the moderate-income census tracts.
- The bank demonstrates excellent responsiveness to community development needs within the AAs through its community development investments and services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

The AA in MA was reviewed as three AAs. The MA AA 1 received a full-scope review and includes portions of the Worcester, MA MSA 49340. MFS operates three full service branch offices with deposit taking ATMs within MA AA 1. The AA includes portions of Worcester County and consists of 21 continuous census tracts. MA AA 1 is comprised of one moderate-income tract (5%), twelve middle-income tracts (57%), seven upper-income tracts (33%), and one tract (5%) that has not been assigned an income classification. The MA AA 2 is part of the Boston-Quincy MA MD 14484 and includes nine census tracts within Norfolk County. There are no low- or moderate-income tracts within MA AA 2. MA AA 2 is comprised of three middle-income tracts (33%) and six upper-income tracts (67%). MA AA 3 is part of the Cambridge-Newton-Framingham MA MD 15764 and includes five census tracts within Middlesex County. There are no low- or moderate-income tracts within MA AA 3. MA AA 3 is comprised of one middle-income tract (20%) and four upper-income tracts (80%). The bank's performance within MA AA 2 and MA AA 3 was evaluated using a limited-scope review.

MFS operates in a highly competitive market with competition from regional large commercial banks, and local savings banks and credit unions. The Federal Deposit Insurance Corporation's Deposit Market Share Report, for June 30, 2012, indicates that 38 financial institutions operate branches within the Worcester, MA MSA. MFS ranks 17th with deposit market share of approximately 2%. The bank's local competitors include, but are not limited to: UniBank for Savings; Commerce Bank and Trust Company; Webster Five Cents Savings Bank; Clinton Savings Bank, Fidelity Co-operative Bank; and, Southbridge Savings Bank. Larger regional banks provide further

Number and Amount of Qualified Investments

Conclusion for full-scope MA AA 1

The bank's level of CD investments and donations within MA AA 1 is outstanding considering the bank's capacity and the availability of community development opportunities. MFS investments and donations during the assessment period totaled \$766 thousand that benefited the MA AA 1. This is comprised of two CD investments and 18 grants/donations to seven community development organizations in the MA AA 1.

The bank made two new investments in a senior housing crime prevention foundation, which benefits low- and moderate-income individuals. The first investment of \$500 thousand assisted in providing affordable housing to low- and moderate-income seniors residing in a senior housing facility in MA AA 1. The second investment of \$250 thousand helped in providing affordable housing to 10 of the 188 veterans residing in the Soldiers Home of Massachusetts. All of the veterans living at the facility are considered low- or moderate-income individuals. The Soldiers Home is located in a broader regional area that includes the bank's AA.

MFS also had one prior period investment of \$500 thousand invested in the Access Capital Community Investment Fund whose mission is to invest in debt securities for community development activities servicing low- and moderate-income individuals in the United States. These activities include investments in homeownership, affordable housing, education, community health centers, and small businesses. The fund allowed the bank to select target regions to benefit from their investment. MFS allocated 70% of the funds to their MA AA's and 30% towards the RI AA. The bank also chose to re-invest their dividends within the fund to increase their community development participation and thus increasing the outstanding balance of the fund. As of September 28, 2012, the outstanding balance of the investment was \$664 thousand, of which \$465 thousand (70%) was benefiting the bank's MA AA's.

Qualifying community development grants and donations totaled \$16 thousand and benefitted seven different community development organizations. All seven of the organizations benefited the MA AA 1. While the actual level of bank donations was higher, these donations met the definition of community development.

Conclusions for limited-scope MA AA 2 and MA AA 3

Based on a limited-scope review, MFS's community development investments and grants/donations in MA AA 2 and MA AA 3 is consistent with the bank's overall performance in the full scope areas. Qualifying grants/donations totaled \$13 thousand and benefitted two different community development organizations. One of the organizations benefited the MA AA 2 while the other one benefitted the MA AA 3. The