



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

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

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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.

The bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we tested the bank's HMDA data for residential real estate loans originated and purchased and found that the data was reliable. All residential real estate loans originated and purchased during the assessment period were included in our evaluation of the bank's lending.

Description of Institution

MFS is a federally chartered interstate mutual thrift institution headquartered in Milford, Massachusetts (MA), with total assets of \$348 million as September 30, 2012. MFS has one operating subsidiary, First Milford Service Corporation, which was not considered in evaluating the bank's overall CRA performance.

MFS operates four banking branch offices in MA and Rhode Island (RI). MFS operates as a community bank, promoting residential mortgage loan products and deposit services to its customers through its home office in the town of Milford, Massachusetts, and three full service branches in MA and RI. The bank's main office and the Woonsocket, RI branches are located in moderate-income geographies; the Milford Plaza office is in a middle-income geography; and the Whitinsville, MA branch is located in an upper-income geography. Branch hours are typically 09:00am to 04:00pm, Monday through Wednesday, with varying hours on Thursdays and Fridays. Weekend branch hours are typically from 09:00am to noon with extended drive-up hours. No branches were opened or closed during the evaluation period.

MFS offers a standard array of traditional mortgage loan and deposit products for their customers. The bank's website, www.milfordfederal.com, provides a listing and description of its deposit and loan services. The bank offers a variety of different account access alternatives including telephone banking and online banking with bill pay options. The bank operates walk-up and drive-up automated teller machines (ATMs) at all four of its branches and is also a member of the SUM ATM network, which allows member customers to access their accounts from participating SUM network ATMs without any surcharge.

As of September 30, 2012, total assets, total deposits and net tier one capital were \$347 million, \$304 million, and \$39.9 million, respectively. The loan portfolio totaled \$270 million, or 78% of total assets, as of September 30, 2012. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product September 30, 2012	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	90%
Home Equity	8%
Commercial & Industrial	0%
Commercial Real Estate	1%
Construction and Development	<1%
Consumer	< 1%

Source: FDIC Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory" using the ISB procedures at the last CRA examination dated October 5, 2009.

Selection of Areas for Full-Scope Review

MFS has branches in two states, MA and RI. The CRA requires a bank to define the AA in which it will be evaluated. We selected the bank's entire AA and reviewed it as four AAs, which includes all branches and deposit taking ATMs, as well as the contiguous towns/cities around these offices. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA in MA was reviewed as three AAs; MA AA 1 includes portions of the Worcester, MA Metropolitan Statistical Area (MSA) 49340, MA AA 2 is part of the Boston-Quincy MA Metropolitan Division (MD) 14484, and, MA AA 3 is part of the Cambridge-Newton-Framingham MA MD 15764. The RI AA is part of the Providence-New Bedford-Fall River RI-MA MSA 39300; this is referred to as the RI AA. Additional information about these AAs can be found in the bank's public file.

For each state where the bank had a branch during the evaluation period, a full-scope review was conducted for at least one AA in the state. One of the MA AAs and the RI AA received a full-scope review. The analysis of the MA AA 1 is being heavily weighted as the majority of the bank's deposits, loans, and branches are within MA AA 1. The RI AA was not weighted as heavily as only one of the four full service branches is located in RI and approximately 14% of deposits and 16% of loans are attributed to operations in RI. Due to the low deposit market share, limited lending, the RI AA received a lower weight in the overall rating.

Ratings

The bank's overall rating is a blend of the state ratings. Performance in the state of MA was most heavily weighted in arriving at overall conclusions as the substantial majority of bank branches, loans, and deposits are located here. Three of the four full service branches are located in MA, and approximately 86% of deposits and 84% of loans are attributed to operations in MA. Refer to the "Selection of Areas for Full-Scope Review"

above and the "Scope" section under each State Area Rating section for information regarding how each AA was weighted in arriving at the respective ratings for each test.

Conclusions with Respect to Performance Criteria

MFS performance under the lending test is Outstanding. MFS's loan-to-deposit ratio is more than reasonable and the majority of loans are originated inside the bank's AA. Overall, the distribution of loans reflects excellent distribution among individuals of different income levels. Overall, the geographic distribution of loans reflects excellent distribution in the low- and moderate-income census tracts.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, AA credit needs, and the loans sold in the secondary market. The bank sold approximately \$185 million and \$109 million in mortgage loans to the secondary market in the years 2010 and 2011, respectively. The bank's net loan-to-deposit ratio averaged 87% over the last twelve quarters since the previous CRA examination. During this period the loan-to-deposit ratio ranged from a quarterly low of 84% to a high of 90%. MFS's loan-to-deposit ratio is slightly higher than the national peer bank median quarterly average of 86% over the same period.

Lending in Assessment Area

A majority of MFS's primary loan products were made within the bank's assessment area and the bank meets the standard for satisfactory performance. MFS originated 74% by number and 71% by dollar amount of loans in the AAs. The following table details the bank's lending within the AA by number and dollar amount of loans.

Table 1 - Lending in MFS AA (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	244	64%	136	36%	380	48,020	62%	29,984	38%	78,004
Home Refinance	1724	75%	560	25%	2284	294,517	73%	108,455	27%	402,972
Home Improvement	54	81%	13	19%	67	4047	75%	1330	25%	5,377
Totals	2022	74%	709	26%	2731	346,584	71%	139,769	29%	486,353

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Fair Lending or Other Illegal Credit Practices Review

Pursuant to C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no

evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

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

competition and include Bank of America, National Association; TD Bank, National Association; Sovereign Bank, National Association; People's United Bank; and, RBS Citizens, National Association.

Economic indicators show that the payroll growth in MA has slowed down since the summer and is lagging the national average. Professional and business services, which were driving the recovery, have lost jobs over the last four months. Even as the payroll growth has slowed down, stronger household employment growth has driven the unemployment rate to 6.5%, two percentage points below the peak reached in late 2009 and 1.3 percentage points below the national unemployment rate.

As of September 2012, the unemployment rate in the Worcester MSA remains elevated at 7.1% and 0.6 percentage points above the state unemployment rate of 6.5%. According to the May 2012 Moody's Analytics report, MA AA 1 economy has been growing at a solid pace in recent months, and employment is nearing its prerecession peak. Since reaching a low point in September 2009, payroll employment has risen by more than 4% or 13,000 jobs, with professional/business services and education/healthcare leading the way.

Top employers in the MA AA 1 include: University of Massachusetts Memorial Health Care, University of Massachusetts Health School, Saint Vincent's Hospital, Hanover Insurance Group, and Fallon Clinic. Demographic trends remain poor, despite the area's relatively healthy labor market. Population growth is expected to remain consistently lower than the national average over the next few years. It is expected that in long run, MA AA 1 will lag the United States in job gains because of poor demographics. The large education/healthcare industry within MA AA 1 is expected to grow and somewhat limit labor market volatility.

Despite the continued effects of a national recession on the state housing market, median housing prices in MA AA 1 remain relatively high in comparison to the 2011 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the MA AA 1, particularly low-income households. Based on data from Zillow.com, as of November 15, 2012, the average median cost of housing for the towns that comprise the MA AA 1 is \$257 thousand.

Demographic information of MFS MA AA 1 is broken out in the table below.

Demographic Information for MFS MA AA 1					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)***	21	0%	5%	57%	33%
Population by Geography	109,689	0%	3%	54%	43%
Owner Occupied Housing by Geography	29,729	0%	2%	51%	47%
Family Distribution by Income Level	29,660	14%	15%	23%	48%
2000 Census Median Family Income (MFI)		\$58,426	2011 Median Housing Value*		\$257,100
HUD Updated MFI: 2011		\$82,500	Households Below Poverty Level		6%
			Unemployment Rate **		7.1%

Source: 2000 U.S. Census data

*Data from Zillow.com as of 11/15/2012

**Data from US Bureau of Labor Statistics as of 09/30/2012. Rate is for Worcester, MA MSA 49340

***There is one census tract (5%) that has not been assigned an income classification and is NA.

SCOPE OF EVALUATION IN MASSACHUSETTS

Performance in the MA AAs was given the most weight in the overall conclusions as the majority of bank branches, loans, and deposits are located here. Three of the four full service branches are located in the MA AAs and approximately 86% of deposits and 84% of loans are attributed to operations in MA. MA AA 1 was given the most weight in the MA AA's as 82% of total loan originations within the state of MA were from this AA.

In assessing the bank's performance, we contacted a local organization whose purpose is to administer state and federal grant programs from agencies such as the Department of Housing and Community Development and the Massachusetts Housing Finance Agency. The contact indicated that along with the continued need for affordable housing, the need for social services, and home improvement loans for low- and moderate-income individuals are important issues in the area. Local banks, including MFS, were perceived positively for their involvement with the organization and in the community. The contact indicated that MFS gave a generous grant to the organization during the evaluation period, which helped pay for the engineering costs for one of the affordable housing projects targeted towards low- and moderate-income individuals. The contact mentioned that without the bank's grant there was no way to initiate that project. The contact also indicated that there are several opportunities for participation by local financial institutions as the need for grants has increased due to budget cuts and lack of funding.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS

LENDING TEST

The bank's performance under the lending test in Massachusetts is rated Outstanding.

The distribution of loans reflects excellent distribution among individuals of different income levels. Geographic distribution of loans reflects excellent distribution in the moderate-income census tracts. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns.

Lending to Borrowers of Different Incomes

Conclusion for full-scope MA AA 1

The distribution of home loans to borrowers reflects excellent distribution among borrowers of different income levels. The percent of home purchase, home improvement, and home refinance loans to low-income families is lower than the percent of low-income families in the AA; however, the percent of home purchase and home refinance loans to low-income borrowers significantly exceeds, when compared to peer aggregate data, the primary comparator.

The percent of home purchase, home improvement, and home refinance loans to moderate-income families significantly exceeds the percent of moderate-income families in the AA. Home improvement and home refinance loans also significantly exceed the peer aggregate data comparators while home purchase loans are close to the peer aggregate data.

The bank's performance is considered outstanding given the high competition within MA AA 1. Downturn in the national economy continues to weigh down the real estate prices in the area; however, median housing prices remain high relative to median incomes. Lack of affordable housing also limits lending opportunities. As of November 15, 2012, the average median home price in the MA AA 1 was \$257,100. The HUD updated median family income is \$82,500, which means the maximum income that is considered low-income is \$41,250. Therefore, low-income borrowers would have difficulty qualifying for home loans. One of the credit needs identified within MA AA 1 by the local community contact representative was home improvement loans to low- and moderate-income borrowers. The distribution of home improvement loans to moderate-income borrowers is excellent, and significantly exceeds the percent of moderate-income families and peer aggregate data comparators. The distribution of home improvement loans to low-income borrowers is lower in relation to the comparative standards. However, this is considered satisfactory given the limited lending opportunities to low-income borrowers.

Market competition for home mortgages is high. According to 2011 peer mortgage market share data, home purchase and home improvement lending in MA AA 1 is dominated by larger institutions, with the top seven institutions holding approximately 50% of the market share. MFS does rank number one within MA AA 1 for home refinance lending with a market share of approximately 9%.

The following tables shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category as well as the aggregate lending data for HMDA reporters within the bank's MA AA 1.

Table 2 - Borrower Distribution of Residential Real Estate Loans in MA AA 1								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14	11	15	25	23	29	48	35
Home Improvement	14	3	15	36	23	28	48	33
Home Refinance	14	6	15	20	23	28	48	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Table 2A – Aggregate Lending Data for Borrower Distribution in MA AA 1								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	7	11	28	25	28	29	37	35
Home Improvement	5	3	18	36	26	28	51	33
Home Refinance	4	6	14	20	25	28	57	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Conclusion for limited scope MA AA 2 and MA AA 3

Based on a limited-scope review, MFS's performance under the lending test in MA AA 2 and MA AA 3, to borrowers of different income levels for residential home purchases, refinances, and home improvement is consistent with the bank's overall lending test rating in the full scope areas.

Geographic Distribution of Loans

Conclusion for full-scope MA AA 1

The bank's geographic distribution of home loans in AA 1 reflects excellent distribution in the moderate-income census tracts. There were no low-income tracts within the MA AA 1. The percent of MFS's lending for home purchase loans exceed the percent of owner occupied housing in the moderate-income tracts as well as the peer aggregate data comparators. The percent of home refinance loans meets the percentage of owner occupied housing within MA AA 1 and also exceeds the peer aggregate data comparators. The bank did not have any home improvement loans within MA AA 1 benefiting the moderate-income geographies; however, this is reasonable given the competition and limited lending opportunities within the AA. Peer aggregate data indicates that only 1% of home improvement loans made within MA AA 1 benefited the moderate-income geographies. Given the lack of owner occupied housing in the low-income geographies and the bank's excellent geographic distribution for home refinance and home purchase loans in the moderate-income tracts, the overall distribution is considered excellent.

The following tables detail the bank's performance compared to the percentage of owner occupied housing units in each census tract income level as well as the lending data for all HMDA reporters within the bank's MA AA 1.

Table 3 - Geographic Distribution of Residential Real Estate Loans in MA AA 1								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	2	3	51	54	47	43
Home Improvement	0	0	2	0	51	54	47	46
Home Mortgage Refinance	0	0	2	2	51	52	47	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Table 3A – Aggregate Lending Data for Geographic Distribution in MA AA 1								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0	0	2	3	51	54	47	43
Home Improvement	0	0	1	0	53	54	46	46
Home Mortgage Refinance	0	0	1	2	46	52	53	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

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

Geographic distribution of loans was not reviewed within MA AA 2 and MA AA 3, as there were no low -or moderate-income tracts within these limited scope AA's.

Responses to Complaints

MFS did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in Massachusetts is rated Outstanding. MFS's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through CD investments and services.

Number and Amount of Community Development Loans

Conclusion for full-scope MA AA 1

MFS provided no CD loans during the evaluation period in the full-scope AA. MFS is primarily a residential mortgage loan originator and therefore does not have the staffing required to originate and underwrite CD loans.

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

MFS provided no CD loans during the evaluation period in the limited-scope AA's. MFS is primarily a residential mortgage loan originator and therefore does not have the staffing required to originate and underwrite CD loans.

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

actual level of bank donations made was higher; however, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

Conclusion for full-scope MA AA 1

The bank's level of community development services in MA AA 1 is satisfactory. Accessibility to the bank's delivery systems in the MA AA 1 is good. MFS's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has three full-service branch locations within the MA AA's. Of the three branches, the main office is located in a moderate-income tract; the Milford Plaza branch is located in the middle-income tract; and, the Whitinsville branch is located in an upper-income tract. The branches are easily accessible to all residents. MFS also continues to be involved in the Basic Banking for Massachusetts Program. The bank's checking and savings accounts meet the Massachusetts Community and Banking Council Guidelines. This voluntary program expands access to bank products and services and encourages those with modest income to establish banking relationships. The bank also provides a Portuguese speaking loan officer and translation of the institution's loan program booklet into Portuguese, which is a predominant language for those less fluent in English in the greater Milford community. No branches were opened or closed during the evaluation period.

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

Based on a limited-scope review, MFS's community development services in MA AA 2 and MA AA 3 is consistent with the bank's overall performance in the full scope areas.

Responsiveness to Community Development Needs

Considering the bank's capacity, the need, and the availability of CD opportunities, MFS's CD performance, through CD investments and services demonstrates excellent responsiveness to the needs of the MA AAs.

State of Rhode Island

CRA Rating for Rhode Island: Outstanding

The Lending test is rated: Outstanding

The Community Development Test is rated: Satisfactory

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 low- and moderate-income census tracts.
- The bank demonstrates adequate responsiveness to community development needs within the AAs through its community development investments and services.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN RHODE ISLAND

The RI AA is part of the Providence-New Bedford-Fall River RI-MA MSA 39300. MFS operates one full service branch with a deposit taking ATM within the RI AA. The RI AA is comprised of 29 census tracts within Providence County. The AA is comprised of three low-income tracts (10%), six moderate-income tracts (21%), 12 middle-income tracts (41%) and eight upper-income tracts (28%). The RI AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Market competition within the RI AA is high with the bank facing 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 34 financial institutions operate branches within the Providence-New Bedford-Fall River, MSA. MFS ranks 29th with deposit market share of less than 1%. The bank's local competitors include, but are not limited to: The Washington Trust Company of Westerly; Bank Rhode Island, Bristol County Savings Bank; Bank Newport; Bay Coast Bank; Centerville Savings Bank; and, Admirals Bank. Larger regional banks provide further competition and include: Bank of America, National Association; RBS Citizens, National Association; MetLife Bank, National Association; Sovereign Bank, National Association; and, Webster Bank, National Association.

Most recent economic indicators as of September 2012, indicate that the Providence-Fall River-New Bedford, MSA is a laggard in the New England area and is the nation's weakest performing census division. The public sector is shrinking, and service-providing industries are growing at a slower pace. Job gains in 2012 have been

concentrated in retail, tourism, and other low paying services; however, income growth has modestly outpaced the national average. The unemployment rate of 9.8% for the Providence-Fall River-New Bedford, MSA as of September 2012 has been the lowest since early 2009. The unemployment rate of 9.8% remains below the RI state average of 10.5%; however, it remains above the national average of 7.8% for the same time period. Tourism in the area has been a significant contributor towards recovery and is expected to contribute significantly to the overall growth in 2013. Although tourism will remain a consistent source of growth, other economic drivers will remain slow until the housing market in the area recovers. Top employers in the RI AA with more than five thousand employees include: Lifespan, Care New England Health System, CVS Caremark, Citizens Financial Group, Inc., FM Global, and Naval Station Newport. In terms of demographic trends, weak demographics, low income and productivity growth, and high costs will cause employment levels to trail the national averages.

Despite the continued effects of a national recession on the state housing market, median housing prices in the RI AA remain high relative to the 2011 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the RI AA, particularly low-income households. Based on data from Zillow.com, as of November 15, 2012, the average median cost of housing for the towns that comprise the RI AA is \$189 thousand.

Demographic information of MFS's RI AA is broken out in the table below.

Demographic Information for MFS RI AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	29	10%	21%	41%	28%
Population by Geography	122,376	6%	17%	45%	32%
Owner Occupied Housing by Geography	28,416	2%	9%	47%	42%
Family Distribution by Income Level	32,938	20%	18%	22%	40%
2000 Census Median Family Income (MFI)		\$53,013	2011 Median Housing Value*		\$189,066
HUD Updated MFI: 2011		\$74,500	Households Below Poverty Level		11%
			Unemployment Rate **		9.8%

Source: 2000 U.S. Census data

*Data from Zillow.com as of 11/15/2012

**Data from US Bureau of Labor Statistics as of 09/30/2012. Rate is for Providence-Fall River-New Bedford MSA 39300

SCOPE OF EVALUATION IN RHODE ISLAND

Performance in the RI AA was not as heavily weighted as performance in the MA AA 1. Only one of the four full service branches is located in RI and approximately 14% of

deposits and 16% of loans are attributed to operations in RI. Performance in the MA AAs was most heavily weighted in arriving at overall conclusions as the majority of bank branches, loans, and deposits are located in MA AAs.

In assessing the bank's performance, we reviewed a recent community contact whose mission is dedicated to helping community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity, which include good places to work, do business, and raise children. The contact indicated that there were a "lot of opportunities for every bank" within the area to become involved in community development activities. The contact detailed direct retail banking and affordable housing as critical needs of the community. The contact also mentioned that affordable housing includes both home mortgage loans and rental housing. The contact also felt education of low- and moderate-income families on general banking and home loans in particular was needed. The contact indicated that "lending" in general in the area was "tough" because of the need for loan subsidies to underwrite most loans and such subsidies are no longer available from state and local governments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN RHODE ISLAND

LENDING TEST

The bank's performance under the lending test in Rhode Island is rated Outstanding. The distribution of loans reflects excellent distribution among individuals of different income levels. The geographic distribution of loans reflects excellent distribution among individuals in the low- and moderate-income census tracts. We found no conspicuous gaps in the bank's lending patterns.

Lending to Borrowers of Different Incomes

The distribution of home loans to borrowers reflects excellent distribution among borrowers of different income levels. The percent of home refinance loans made to both low- and moderate-income borrowers exceeds the aggregate lending data comparators. The percent of home purchase loans to low-income borrowers was near the percent of low-income families in the AA; however, it significantly exceeds the aggregate lending data. The percent of home purchase loans to moderate-income borrowers exceeds significantly the percent of moderate-income families within the AA and is marginally below the aggregate lending data comparators. The percent of home improvement loans to low- and moderate-income borrowers is lower than the percent of low- and moderate-income families within the AA as well as the aggregate lending data.

The bank's performance is considered outstanding given the high competition within the AA. The 2011 peer mortgage data for home improvement loans indicates that the bank competes with 37 lenders within its AA and the top three lenders make up for more than 50% market share for home improvement loans. MFS ranks 31st with a lending market

share of less than 1% for home improvement loans. The 2011 peer mortgage data for home purchase and home refinance loans also indicates significant competition for home loans within the AA. MFS competes with 104 lenders within its AA for home purchase loans and ranks 24th with a market share of less than 1%. In terms of home refinance loans, the bank competes with 146 lenders within its AA and ranks 7th with a market share of approximately 4%.

Downturn in the national economy has brought down the real estate prices in the area; however, median housing prices still remain high relative to median incomes and the poverty levels within the AA. Lack of affordable housing also limits lending opportunities. As of November 15, 2012, the average median home price in the RI AA was \$189,066. The HUD updated median family income is \$74,500 which means the maximum income that is considered low-income is \$37,250. Therefore, low-income borrowers would have difficulty qualifying for home loans.

The following tables shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category as well as the aggregate lending data for HMDA reporters within the bank's RI AA.

Table 4 - Borrower Distribution of Residential Real Estate Loans in RI AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20	19	18	26	22	32	40	23
Home Improvement	20	0	18	13	22	12	40	75
Home Refinance	20	9	18	21	22	24	40	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Table 4A – Aggregate Lending Data for Borrower Distribution in RI AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	10	19	30	26	33	32	27	23
Home Improvement	8	0	17	13	35	12	40	75
Home Refinance	7	9	18	21	27	24	48	46

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Geographic Distribution of Loans

The bank's geographic distribution of home loans reflects excellent distribution in the low- and moderate-income census tracts. The percent of MFS's lending for home purchase loans meets the percent of owner occupied housing and peer aggregate data in the low-income tracts and exceeds the percent of owner occupied housing and peer aggregate data in the moderate-income tracts. The percent of home refinance loans made in low-income geographies was comparable to the percent of owner occupied units within the AA and exceeded the peer aggregate data comparators. The percent of home refinance loans made in moderate-income geographies is lower than the percent of owner occupied units within the AA as well as the peer aggregate data comparators. MFS did not have any home improvement loans, which were extended within the low- or moderate-income geographies in the AA.

The lower level of penetration to low- and moderate-income borrowers for home improvement loans is satisfactory given the limited lending opportunities for home improvement loans as well as the level of market competition for these products within the AA. The low level of penetration to moderate-income geographies for home refinance loans is also considered satisfactory given the high level of competition within the AA. Given the high level of competition, limited lending opportunities for home improvement products, excellent distribution of home purchase loans made within low- and moderate-income geographies, and the excellent distribution of home refinance loans made in low-income geographies, the overall distribution is considered excellent.

The following tables detail the bank's performance compared to the percentage of owner occupied housing units in each census tract income level as well as the lending data for all HMDA reporters within the bank's RI AA.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2	2	9	16	47	48	42	34
Home Improvement	2	0	9	0	47	63	42	37
Home Mortgage Refinance	2	2	9	3	47	45	42	50

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Table 5A – Aggregate Lending Data for Geographic Distribution in RI AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	2	2	11	16	45	48	42	34
Home Improvement	0	0	8	0	37	63	55	37
Home Mortgage Refinance	1	2	7	3	40	45	52	50

Source: HMDA reported data from 7/1/2009 to 12/31/2011

Responses to Complaints

MFS did not receive any CRA complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the CD test in the state of Rhode Island is satisfactory. MFS's CD performance demonstrates adequate responsiveness to CD needs in its assessment area through CD investments and services.

Number and Amount of Community Development Loans

MFS provided no CD loans during the evaluation period within the RI AA. MFS is primarily a residential mortgage loan originator and therefore does not have the staffing required to originate and underwrite CD loans.

Number and Amount of Qualified Investments

The bank made a satisfactory level of CD investments and donations/grants. MFS has one prior period investment which benefits the RI AA and has an outstanding value of \$199 thousand as of September 28, 2012. There were no new investments made within the RI AA during the evaluation period.

The prior period investment was for \$500 thousand and was 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 AAs 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 \$199 thousand (30%) was benefiting the bank's RI AA.

Qualifying community development grants and donations totaled \$5 thousand and benefited five different community development organizations. All five of the organizations benefited the RI AA. While the actual level of bank donations made within the AA was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

The bank's level of community development services in RI AA is satisfactory. Accessibility to the bank's delivery systems in the RI AA is good. MFS's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has one full-service branch location with a deposit taking ATM within the RI AA. The banking branch located in Woonsocket, RI is located within a moderate-income geography. The branch is easily accessible to all residents and no branches were opened or closed during the evaluation period.

In addition MFS conducted the following financial education initiatives at two local schools located in moderate-income tracts. Financial education (banking and credit) was one of the CD needs identified by the community contact.

- Bank employees conduct the Save for America Program at a local elementary school. The program allows children to go to the bank at school each week, providing them with regular savings at an early age.
- Bank employees also conducted The Teach Children to Save Program, created by the American Bankers Association (ABA) at a local elementary school. The program is designed to teach students the importance of money management and the key role a budgeting plan plays in lifelong finances.
- Bank employees also conducted The Get Smart About Credit Program, developed by the ABA Education Foundation, at a local high school. The target audience for the program were high school seniors. The program was created to bring a clear and thorough understanding of the importance of credit. MFS created a presentation on the importance of establishing credit, maintaining credit, choosing the right credit card, opening a checking account, and avoiding checking account fees.

Responsiveness to Community Development Needs

Considering the bank's capacity, the need, and the availability of CD opportunities, MFS's CD performance, through CD investments and services demonstrates adequate responsiveness to the needs of its AA.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test: 07/01/2009 to 12/31/2011 Community Development Test: 10/05/2009 to 11/26/2012	
Financial Institution	Products Reviewed	
Milford Federal Savings and Loan Association (MFS) 246 Main Street, Milford, MA.	Residential real estate loans, Community development loans, investments, and services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of Massachusetts: Portions of Worcester County, part of Worcester, MA MSA 49340.	Full Scope	
State of Massachusetts: Portions of Norfolk County, part Boston-Quincy MA MD 14484	Limited Scope	
State of Massachusetts: Portions of Middlesex County, part of Cambridge-Newton- Framingham, MA MD 15764	Limited Scope	
State of Rhode Island: Portions of Providence County, part of Providence-New Bedford- Fall River, RI-MA MSA 39300.	Full Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Milford Federal Savings and Loan Association.	Outstanding	Outstanding	Outstanding
Massachusetts	Outstanding	Outstanding	Outstanding
Rhode Island	Outstanding	Satisfactory	Outstanding

