

PUBLIC DISCLOSURE

MAY 19, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CREDIT UNION OF THE BERKSHIRES

744 WILLIAMS STREET
PITTSFIELD, MA 01201

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 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 Division of Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division 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 Community Reinvestment Act ("CRA") performance of **CREDIT UNION OF THE BERKSHIRES (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **MAY 19, 2008**. The Division evaluates performance in the assessment area(s), as they are defined by the institution. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The rating of this institution is established upon five performance criteria as shown in the public evaluation. Credit Union of the Berkshires record of performance is based upon its efforts in meeting the criteria outlined in this evaluation. A summary of the Credit Union's performance is provided below.

The Credit Union's net loan-to-share ratio has averaged 51.2 percent over the time period reviewed. This ratio is reasonable given the Credit Union's size, resources, financial condition and the credit needs of its assessment area.

During the period reviewed, the Credit Union originated 925 consumer loans totaling \$9,756,364. Of these loans, 884 or 95.6 percent were originated inside the Credit Union's assessment area totaling \$9,450,119 or 96.9 percent of the dollar volume.

The Credit Union demonstrates a very good level of lending to retail customers of different incomes, including those of low and moderate-income. Credit Union of the Berkshires extended 471 loans to low and moderate-income borrowers representing 53.3 percent of total originations within the assessment area.

The geographic distribution of the Credit Union's consumer loans reflects a reasonable dispersion throughout the assessment area. Of the 884 consumer loans originated within the assessment area during the review period, 136 or 15.4 percent were granted in low and moderate-income census tracts.

Finally, there were no complaints received by the Credit Union pertaining to its CRA performance and the fair lending policies and practices were considered satisfactory.

SCOPE OF EXAMINATION

The Credit Union was evaluated under the Intermediate Small Institution procedures for CRA purposes. Consumer loans data was reviewed for 2006 and 2007.

PERFORMANCE CONTEXT

Description of Institution

Credit Union of the Berkshires is a state chartered industrial credit union founded in 1939. The Credit Union was established to serve the credit needs of individuals employed in education or public service within Berkshire County. In December 2004, the Credit Union received permission to amend its by-laws to expand the associations which qualify persons for membership. The amendment relative to membership eligibility proposed to include persons who live, work or attend school in Berkshire County. Credit Union of the Berkshires formerly serviced current or former employees of an established school located in Berkshire County, a public educational system located in Berkshire County, municipalities located in Berkshire County or County Schools' Credit Union. Membership also included current or former employees of the State of Massachusetts or Federal Government and families of such members.

The institution's sole office is located at 744 Williams Street Pittsfield, Massachusetts, which is located in an upper income census tract.

The Credit Union offers a variety of products including various checking and savings accounts, home improvement loans, home equity lines of credit, auto loans, as well as personal loans. The Credit Union's homepage, www.cuotb.org, offers 24-hour online services, which allows members to check balances, review account history, make bill payments, transfer funds between accounts and fill out Credit Union applications for consumer loans.

As of December 31, 2007, the institution had total assets of \$21,618,570. As of December 31, 2007, the Credit Union's loan portfolio totaled \$9,709,552 or 44.9 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of new vehicle loans and used auto loans with 50.1 percent of total loans outstanding, followed by real estate loans/lines of credit with 32.5 percent, unsecured loans with 8.9 percent, and all other loans/lines of credit with 8.5 percent.

The hours of operation are Monday through Friday 9:00 am to 4:30 pm, and Saturdays 9:00 am to 12:00 pm. The branch also offers extended drive-up hours everyday. The Credit Union is an ATM Card issuer and member of the SUM alliance network of surcharge-free ATMs.

The Division last examined the Credit Union for compliance with the CRA on July 21, 2003. That examination resulted in a CRA rating of "Satisfactory."

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Division evaluates the institution's CRA performance based upon the defined assessment area.

As mentioned previously, The Credit Union formerly operated as an industrial credit union. According to the regulation, an industrial credit union which does not define its membership according to residence, may identify its membership as its assessment area, during the previous evaluation the Credit Union's assessment area was identified in this manner. Currently, Credit Union of the Berkshires is operating as a small community credit union, whose membership is defined as those who live, work, or attend school in specified communities within Berkshire County. As such, the Credit Union has redefined its assessment area. According to the regulation, an assessment area should consist of Metropolitan Statistical Areas (MSAs), Primary Metropolitan Statistical Areas (PMSAs), Metropolitan Divisions (MDs), or contiguous political subdivisions such as counties, cities, or towns.

The Credit Union has designated all of Berkshire County, Massachusetts, as its assessment area. Berkshire County is located in the Pittsfield, MSA. The assessment area contains a total of 32 cities and towns, which includes Adams, Alford, Becket, Cheshire, Clarksburg, Dalton, Egremont, Florida, Great Barrington, Hancock, Hinsdale, Lanesborough, Lee, Lenox, Mount Washington, Monterey, New Ashford, New Marlborough, North Adams, Otis, Peru, Pittsfield, Richmond, Sandisfield, Savory, Sheffield, Stockbridge, Tyringham, Washington, West Stockbridge, Williamstown, and Windsor.

The assessment area contains 41 census tracts; each census tract is assigned an income level based on the median family income ("MFI") of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-Income:	Less than 50 percent of MFI
Moderate-Income:	At least 50 percent but less than 80 percent of MFI
Middle-Income:	At Least 80 percent but less than 120 percent of MFI
Upper-Income:	120 percent or greater of MFI

Of the 41 census tracts, 1, or 2.5 percent, is designated as low-income; 8, or 19.5 percent, as moderate-income; 26, or 63.4 percent, as middle-income and 6, or 14.6 percent, are designated as upper-income.

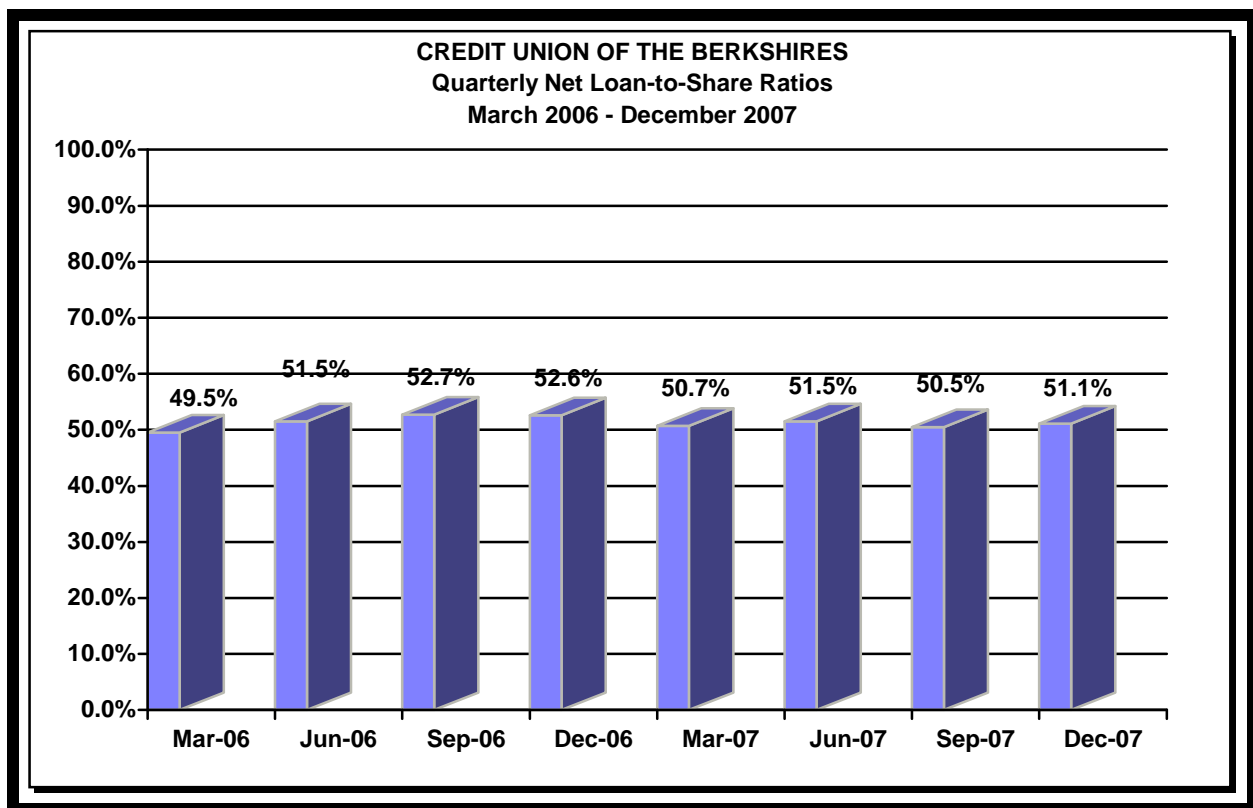
The MFI, as estimated by the Department of Housing and Urban Development ("HUD"), for the assessment area was estimated to be \$61,200 in 2006 and \$62,800 in 2007. The annual HUD-adjusted median family incomes are based on 2000 US Census data and have been annually adjusted for inflation. Using data collected during the 2000 Census, the breakout of families by income level is as follows: 18.4 percent are low-income; 19.9 percent are moderate-income; 23.5 percent are middle-income; and 38.2 percent are upper-income. Approximately, 6.5 percent of families are below the poverty level.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of its membership, the analysis of the Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share ("LTS") ratio was performed using the National Credit Union Administration ("NCUA") quarterly call report data for the period of March 31, 2006 through December 31, 2007. The analysis was conducted to determine the extent of the Credit Union's lending compared to the shares received from its membership. The average net LTS ratio for the period reviewed was 51.2 percent. The Credit Union's net loan-to-share ratio as of December 31, 2007 was 51.1 percent. The highest net loan-to-share ratio for the time period was 52.7 percent as of September 30, 2006 and the lowest was 49.5 percent as of March 31, 2006.



Based on the preceding information, the Credit Union's performance level is considered adequate.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

An analysis of consumer lending was conducted utilizing internally generated reports compiled by the Credit Union. This review consisted of all home equity, motor vehicle, credit card, and secured and unsecured consumer loan originations for 2006 and 2007. Refer to the following table for the breakout of the Credit Union's consumer lending inside and outside of its assessment area.

Distribution of Consumer Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollar Amount				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2006	416	95.4	20	4.6	436	4,594,041	97.1	136,473	2.9	4,730,514
2007	468	95.7	21	4.3	489	4,856,078	96.6	169,772	3.4	5,025,850
Total	884	95.6	41	4.4	925	9,450,119	96.9	306,245	3.1	9,756,364

Source: Internal Generated Report by Credit Union

As displayed above, the Credit Union's loan distribution shows that the majority of consumer loans, originated by number and dollar amount were within the assessment area and exceeds the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's consumer loans were further analyzed to determine the distribution of lending by borrower income level. The borrower's reported incomes were compared to the Median Family Incomes for Springfield MA MD MSA. The borrower income analysis was based on the median family incomes for the Pittsfield MSA for 2006 and 2007 and were \$61,200 and \$62,800, respectively.

Consumer Loans

An analysis of consumer lending by borrower income was conducted and the borrowers' reported incomes for 2006 and 2007 were compared to the median family incomes for the assessment area. The consumer lending review was conducted utilizing internally generated reports compiled by the Credit Union. This review consisted of all consumer loan originated inside the assessment area for 2006 and 2007. It should be noted that the analysis of consumer loans to low and moderate-income borrowers may be somewhat skewed as consumer loans typically consider the income of only one borrower when making a make a credit decision.

The following table indicates the Credit Union's performance in lending to borrowers of different income levels.

Distribution of Consumer Loans by Borrower Income						
Median Family Income Level	2006		2007		Total	
	#	%	#	%	#	%
Low	105	25.2	126	26.9	231	26.1
Moderate	112	26.9	128	27.4	240	27.2
Middle	108	26.0	123	26.3	231	26.1
Upper	91	21.9	90	19.2	181	20.5
NA	0	0.0	1	0.2	1	0.1
Total	416	100.0	468	100.0	884	100.0

Source: Internal - Report Generated by Credit Union

The Credit Union extended 105 loans to low-income borrowers in 2006, and 126 loans to low-income borrowers in 2007, representing 25.2 percent, and 26.9 percent, respectively, in each year. In 2006, the Credit Union extended 26.9 percent of its consumer loans to moderate-income borrowers and 27.4 percent of its consumer loans to moderate-income borrowers in 2007.

Overall, the Credit Union demonstrates a good penetration of lending to borrowers of different incomes and exceeds the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION

Consumer Lending

An analysis of consumer loans was conducted to determine their location by census tract income level. Refer to the following table for the Credit Union's distribution of consumer loans by income category of the census tract.

Distribution of Consumer Loans by Income Category of the Census Tract						
Median Family Income Level	2006		2007		Total	
	#	%	#	%	#	%
Low	8	1.9	9	1.9	17	1.9
Moderate	53	12.7	66	14.1	119	13.5
Middle	308	74.1	345	73.7	653	73.8
Upper	47	11.3	48	10.3	95	10.8
Total	416	100.0	468	100.0	884	100.0

Source: Internal - Report Generated by Credit Union

The Credit Union achieved a reasonable level of lending in low and moderate-income census tracts, whereby 15.4 percent of the consumer loans were extended in these tracts during the period under review. 73.8 percent of the consumer loans were originated in moderate income tracts which would be expected as the majority of census tracts in the assessment area are moderate-income.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending, the Credit Union meets the standards for satisfactory performance.

Review of Complaints

Credit Union of the Berkshires has not received any CRA-related complaints during the period under review. The Credit Union has a written loan policy which addresses fair lending laws and regulations.

Fair Lending Policies and Practices

The Credit Union's fair lending policies and practices are considered satisfactory. No discriminatory lending practices were noted.

Other Factors

The Credit Union demonstrates efforts of out reach to the local community, by helping provide second mortgages two lower income individuals to purchase subsidized housing. During the period examined at least one of these mortgages was originated by the Credit Union. The Credit Union also, annually awards two \$1000 needs based scholarships to children and grandchildren of members of the Credit Union.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 744 Williams Street Pittsfield, MA 01201"

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.