

**PUBLIC DISCLOSURE**

August 20, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

COMMUNITY CREDIT UNION OF LYNN

ONE ANDREW STREET  
LYNN, MA 01901

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 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 CRA performance of **Community Credit Union of Lynn (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

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

The rating of this institution is established upon five performance criteria as shown in the public evaluation. Community Credit Union of Lynn's 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 96.1 percent over the time period reviewed. This ratio is excellent 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 85 loans reportable under the Home Mortgage Disclosure Act ("HMDA") totaling \$19,216,000. Of these loans, 60 or 70.6 percent were originated inside the Credit Union's assessment area totaling \$11,195,000 or 58.3 percent of the dollar volume.

The Credit Union demonstrates an adequate level of lending to retail customers of different incomes, including those of low and moderate-income. Community Credit Union of Lynn extended 18 HMDA reportable loans to low and moderate-income borrowers representing 30.0 percent of total originations within the assessment area.

The geographic distribution of the Credit Union's HMDA reportable loans reflects a good dispersion throughout the assessment area. Of the 60 HMDA reportable loans originated within the assessment area during the review period, 26 or 43.4 percent were granted throughout low and moderate-income census tracts. This penetration is considered to exceed the standards for satisfactory performance.

Finally, there were no complaints received by the Credit Union pertaining to its CRA performance and the fair lending examination revealed no evidence credit practices that would result in disparate treatment. Fair lending policies and practices are considered satisfactory.

## PERFORMANCE CONTEXT

### Description of Institution

Community Credit Union of Lynn, a \$131 million credit union, is a community credit union established in 1955. The Credit Union allows membership to all people living or working in the Greater Lynn area and surrounding North Shore communities. Currently, the field of membership includes Essex County and the 25-mile radius around the main office in Lynn. Community Credit Union of Lynn is a non-profit, member owned organization with more than 12,500 members.

The main office, at One Andrew Street in downtown Lynn, is located in a low-income census tract. Community Credit Union of Lynn has one additional branch location at 32 Central Street in Peabody, MA. This branch office, opened in November 2006, is located in a moderate-income census tract.

The Credit Union's hours of operation at the main office are Monday through Thursday from 8:30 am to 4:00 pm, Fridays from 8:30 am to 6:00 p.m., and Saturdays from 9:00 a.m. to 12:00 p.m. The Credit Union's hours of operation at the Peabody Office are Monday through Wednesday 8:30 am to 4:00 pm, Thursday from 8:30 am to 7:00 pm, Friday from 8:30 am to 6:00 pm, and Saturday from 9:00 am to 2:00 pm. The branch also offers extended drive-up hours everyday.

Community Credit Union of Lynn offers a first time home buyer program with below market fixed rates, up to 100 percent financing, and discounted mortgage insurance on 1-4 family owner occupied properties.

The following is a breakdown of the Credit Union's loan portfolio as it appears on the March 31, 2007 Statement of Financial Condition:

#### Loan Portfolio as of March 31, 2007

Type of Loans	\$	% total
<b>Loans Secured by Real Estate</b>		
a. First Mortgage Real Estate Loans	51,428,139	49.1%
b. Other Real Estate Loans	8,161,218	9.6%
Subtotal – Real Estate Loans	<b>59,589,357</b>	<b>70.0%</b>
<b>Consumer Loans</b>		
a. Unsecured Credit Card Loans	0	0.0%
b. All Other Unsecured Loans	1,593,134	1.9%
c. New Vehicle Loans	5,212,981	6.1%
d. Used Vehicle Loans	18,432,257	21.7%
Subtotal – Consumer Loans	<b>25,238,372</b>	<b>29.7%</b>
<b>All Other Loans</b>		
Other	<b>273,983</b>	<b>0.3%</b>
<b>Total Loans</b>	<b>\$ 85,101,712</b>	<b>100.0%</b>

Source: Statement of Financial Condition as of 03/31/07

As of March 31, 2007, 65.2 percent of the Credit Union's assets were in the form of loans. The Credit Union offers a wide range of loan products, including first mortgage loans, home equity loans, home improvement loans, new and used automobile loans, unsecured personal loans, and share secured loans. Loans secured by real estate accounted for 70.0 percent of the total portfolio.

### Description of Assessment Area

Community Credit Union of Lynn defines its assessment area as the cities and towns of Lynn, Swampscott, Salem, Peabody, Nahant, Lynnfield, Saugus, Revere, Marblehead, Danvers, and Beverly. All of these cities and towns fall within the Boston Metropolitan Statistical Area ("MSA") for 2007 and the Essex County MA Metropolitan District ("MD") for 2007, with the exception of Revere which is located in Suffolk County.

Based on census data for 2000, the assessment area is comprised of 72 census tracts. The breakdown of these tracts is as follows: 4 or 5.6 percent are low-income; 23 or 31.9 percent are moderate-income; 34 or 47.2 percent are middle-income; and 11 or 15.3 percent are upper-income.

Census demographic data obtained from CRA WIZ indicate that the Credit Union's assessment area contains a total population of 365,984 individuals of which 16.2 percent were minorities. There are 148,863 housing units within the assessment area of which 59.0 percent are owner-occupied; 38.0 percent are rental-occupied; and 3.0 percent are vacant housing units. Households living below the poverty level represent 10.1 percent of the total households throughout the assessment area.

The following table provides demographic and economic information pertaining to the Credit Union's assessment area.

<b><i>Selected Housing Characteristics by Income Category of the Geography</i></b>						
<b><i>Geographic Income Category</i></b>	<b><i>Percentage</i></b>					
	<b><i>Census Tracts (2004/2005)</i></b>	<b><i>Households</i></b>	<b><i>Housing Units</i></b>	<b><i>Owner-Occupied</i></b>	<b><i>Rental Units</i></b>	<b><i>Vacant Units</i></b>
<b><i>Low</i></b>	5.6%	3.6%	3.6%	1.0%	7.5%	4.8%
<b><i>Moderate</i></b>	31.9%	28.8%	28.9%	19.2%	43.4%	33.3%
<b><i>Middle</i></b>	47.2%	49.6%	49.5%	54.8%	41.7%	44.9%
<b><i>Upper</i></b>	15.3%	18.0%	18.0%	25.0%	7.4%	17.0%
<b><i>Total or Median</i></b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

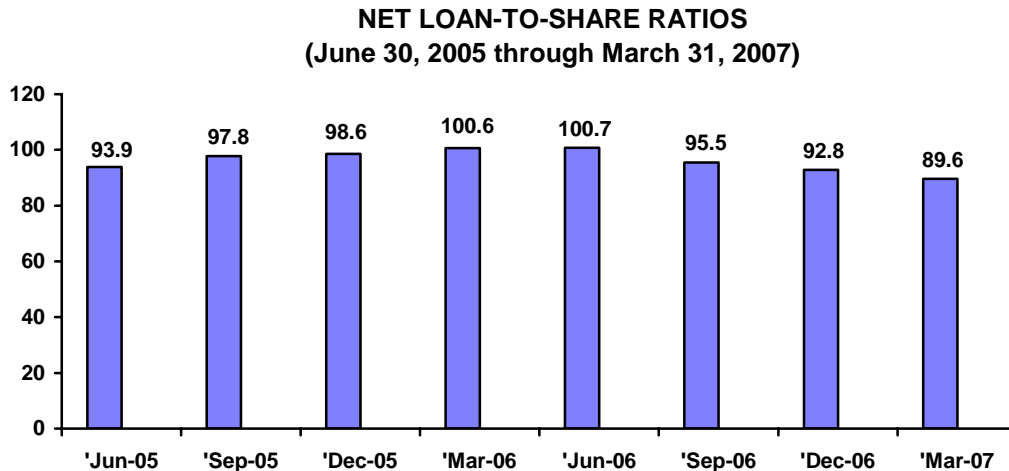
Source: 2000 U.S. Census

Aggregate data generated from PCI Inc., CRA WIZ for lending purposes only, shows that 453 mortgage companies, savings banks, commercial banks, cooperative banks and credit unions, which have either purchased or originated residential mortgage loans within the Credit Union's assessment area.

## PERFORMANCE CRITERIA

### 1. LOAN TO SHARE ANALYSIS

A comparative analysis of Community Credit Union of Lynn's quarterly net loan-to-share ratios for the period of June 30, 2005 through March 31, 2007, was conducted during this examination. Using the Credit Union's quarterly reports, the average net loan-to-share ratio for this period is 96.1 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total shares. The following graph is provided for further analysis.



The net loan to share ratio stood at 89.6 percent as of March 31, 2007, the lowest percentage during the time period reviewed. A comparison of the dollar amount for the Credit Union's loans and shares from June 30, 2005 through March 31, 2007 was reviewed and analyzed. These figures revealed that loans have increased by \$7,430,293 or 9.6 percent, while shares for the same period increased by \$12,272,704 or 14.9 percent. From 2005 through July 31, 2007, the Credit Union sold nine loans totaling \$2,212,550.

Community Credit Union of Lynn's net loan to share ratio was compared to the ratios of five other area institutions. Three of these institutions have a physical presence in Lynn and are also supervised the Division. The comparative ratios are as of March 31, 2007.

Please refer to the following table for more details.

<b>COMPARATIVE NET LOAN-TO-SHARE RATIO ANALYSIS</b>	
<b>CREDIT UNIONS</b>	<b>NLTS RATIO</b>
River Works Credit Union	95.7%
<b>Community Credit Union of Lynn</b>	<b>89.6%</b>
St. Jeans Credit Union	61.2%
Brotherhood Credit Union	58.3%
Luso-American Credit Union	46.9%

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

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

### HMDA Lending

A review of Community Credit Union of Lynn's 2005 and 2006 HMDA data was conducted to determine the geographic distribution of residential loans. This information indicated the Credit Union originated 85 HMDA reportable loans during this period. A total of 60 loans or 70.6 percent were originated within the Credit Union's assessment area. Refer to the following table for information.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
<b>2005</b>	35	70.0%	7,772	58.1%	15	30.0%	5,608	41.9%
<b>2006</b>	25	71.4%	3,423	58.7%	10	28.6%	2,413	41.3%
<b>Total</b>	60	70.6%	11,195	58.3%	25	29.4%	8,021	41.7%

Source: 2005 and 2006 HMDA DATA

As depicted in the above table, residential lending within the assessment area accounts for a majority of loans originated as 70.6 percent of the HMDA loans were originated inside the Credit Union's assessment area.

Based on all of the above information, Community Credit Union of Lynn meets the standards for satisfactory performance.

## 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Community Credit Union of Lynn's HMDA Loan Application Register ("LAR") for the period 2005 and 2006 was conducted to determine the distribution of credit based upon the income levels of borrowers. These income figures are based on estimated Department of Housing and Urban Development ("HUD") information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level (or "MFI") for the MSA/MD; moderate-income is defined as 50 to 79 percent of the median family income; middle-income is defined as income between 80 and 119 percent of the median family income; and upper-income is defined as income greater than 120 percent of the median family income.

The following table illustrates residential loans originated and categorized by the applicants' reported income in relation to the median family income for the Essex County MA MD for 2005 and 2006.

**Distribution of HMDA Reportable Loans Within the Assessment Area to Borrowers of Different Income Levels by Number**

Borrower Income Level	Total Households		2005		2006		Total	
	#	%	#	%	#	%	#	%
< 50%	5,164	3.6%	1	2.9%	2	8.0%	3	5.0%
50 – 79%	41,573	28.8%	9	25.7%	6	24.0%	15	25.0%
80 – 119%	71,488	49.6%	11	31.4%	4	16.0%	15	25.0%
> = 120%	26,049	18.0%	7	20.0%	5	20.0%	12	20.0%
N/A	0	0.0%	7	20.0%	8	32.0%	15	25.0%
<b>Total</b>	<b>144,274</b>	<b>100.0%</b>	<b>35</b>	<b>100.0%</b>	<b>25</b>	<b>100.0%</b>	<b>60</b>	<b>100.0%</b>

Source: HMDA/LAR Data for the period 1/1/05 to 12/31/06

The distribution of the Credit Union's loans among various borrower income levels may also be compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions, and mortgage companies. The most recent year for this comparison is 2005.

The following table shows the Credit Union's distribution of loans among various income levels compared to that of all other 453 HMDA-reportable lenders for calendar year 2005 throughout the Credit Union's assessment area.

Distribution of HMDA Reportable Loans Community Credit Union of Lynn Compared to All Other Reporters								
MFI Level	Number of Loans				Dollar Amount of Loans			
	Community Credit Union of Lynn		All Other Reporters		Community Credit Union of Lynn		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
<b>Low</b>	1	2.9%	1,117	3.9%	150	1.9%	145,148	2.1%
<b>Moderate</b>	9	25.7%	4,973	17.3%	1,580	20.3%	908,093	13.2%
<b>Middle</b>	11	31.4%	8,292	28.9%	1,763	22.7%	1,826,724	26.5%
<b>Upper</b>	7	20.0%	9,255	32.2%	2,129	27.4%	2,673,551	38.8%
<b>NA</b>	7	20.0%	5,072	17.7%	2,150	27.7%	1,342,171	19.4%
<b>Total</b>	<b>35</b>	<b>100.0%</b>	<b>28,709</b>	<b>100.0%</b>	<b>7,772</b>	<b>100.0%</b>	<b>6,895,687</b>	<b>100.0%</b>

Source: HMDA LAR, 2005 HMDA Aggregate Data

As shown above, the Credit Union's percentage of lending to borrowers of low-income is slightly below that of the aggregate by number and dollar amount for 2005.

The Credit Union's HMDA loans during 2005 to moderate-income borrowers accounted for 25.7 percent by number and 20.3 percent by dollar amount within the assessment area. Both number and dollar amount are above the aggregate at 17.3 percent and 13.2 percent, respectively.

Community Credit Union of Lynn's loan distribution to borrowers of different income levels reflects a good penetration of low and moderate-income members and meets the standards for satisfactory performance.

#### 4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of mortgage loans extended within the various census tracts contained in the Credit Union's assessment area was also conducted during the examination. As mentioned previously, the Credit Union's assessment area is comprised of 72 census tracts. The breakdown of these tracts is as follows: 4 or 5.6 percent are low-income; 23 or 31.9 percent are moderate-income; 34 or 47.2 percent are middle-income; and 11 or 15.3 percent are upper-income.

As shown in the following table, 43.4 percent of the Credit Union's residential loans were originated in low and moderate-income census tracts. The majority of HMDA reportable loans, 43.3 percent were granted within the middle-income census tracts, which is reasonable based on the demographics of the assessment area. The following table illustrates HMDA reportable loans extended within the various census tracts for 2005 and 2006.

#### HMDA REPORTABLE LOANS BY CENSUS TRACT

CENSUS TRACT	2005		2006		TOTAL	
	#	%	#	%	#	%
LOW	2	5.7%	0	0.0%	2	3.4%
MODERATE	14	40.0%	10	40.0%	24	40.0%
MIDDLE	14	40.0%	12	48.0%	26	43.3%
UPPER	5	14.3%	3	12.0%	8	13.3%
<b>TOTAL</b>	<b>35</b>	<b>100.0%</b>	<b>25</b>	<b>100.0%</b>	<b>60</b>	<b>100.0%</b>

Source: HMDA/LAR Data – 2005 & 2006

The following table shows the Credit Union's distribution of loans among various census tracts compared to that of all other 453 HMDA-reportable lenders for calendar year 2005 throughout the Credit Union's assessment area.

Distribution of HMDA Reportable Loans Community Credit Union of Lynn Compared to All Other Reporters								
Census Tract MFI Level	Number of Loans				Dollar Amount of Loans			
	Community Credit Union of Lynn		All Other Reporters		Community Credit Union of Lynn		All Other Reporters	
	#	%	#	%	\$(000)	%	\$(000)	%
<b>Low</b>	2	5.7%	801	2.8%	535	6.9%	168,726	2.4%
<b>Moderate</b>	14	40.0%	8,008	27.9%	2,347	30.2%	1,751,010	25.4%
<b>Middle</b>	14	40.0%	15,010	52.3%	3,456	44.5%	3,370,042	48.9%
<b>Upper</b>	5	14.3%	4,890	17.0%	1,434	18.4%	1,605,909	23.3%
<b>Total</b>	<b>35</b>	<b>100.0%</b>	<b>28,709</b>	<b>100.0%</b>	<b>7,772</b>	<b>100.0%</b>	<b>6,895,687</b>	<b>100.0%</b>

Source: HMDA LAR, 2005 HMDA Aggregate Data

As shown above, the Credit Union's percentage of lending to borrowers in low-income census tracts is above that of aggregate by number and dollar amount for 2005. Community Credit Union of Lynn originated 5.7 percent by number and 6.9 percent by dollar amount of the total loans within the assessment area to low-income census tracts, compared to the aggregate with 2.8 percent by number and 2.4 percent by dollar amount.

The Credit Union's HMDA loans during 2005 within moderate-income census tracts accounted for 40.0 percent by number and 30.2 percent by dollar amount within the assessment area. Both number and dollar amount are above the aggregate of 27.9 percent and 25.4 percent, respectively.

The Credit Union's geographic distribution is considered good and exceeds the standards for satisfactory performance.

## **5. REVIEW OF COMPLAINTS**

A review of the Credit Union's public comment file indicated that the Credit Union received no complaints pertaining to its CRA performance since the previous examination.

### **FAIR LENDING POLICIES AND PRACTICES**

A review of the Credit Union's residential loan application files was conducted to evaluate fair lending policies and procedures. A review was conducted for compliance with fair lending regulations and no evidence of disparate treatment was detected.

### **MINORITY APPLICATION FLOW**

The Credit Union's assessment area population is 16 percent minority. The 2005 and 2006 LARS show that Community Credit Union of Lynn received 93 HMDA reportable applications within its assessment area. Of the 48 applications received in 2005, 2 were received from minorities one was approved and one was withdrawn. Of the 45 applications received in 2006, 6 were received from minority applicants. The Credit Union's minority application flow for this period was compared with the 2005 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority credit applicants. The Credit Union did not meet expectations for lending to minorities within its assessment area.

## 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 One Andrew Street in Lynn, MA 01901.

- 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.