

**PUBLIC DISCLOSURE**

July 16, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SAVAGE ARMS EMPLOYEES CREDIT UNION

100 SPRINGDALE ROAD  
WESTFIELD, MA 01085

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 **SAVAGE ARMS EMPLOYEES CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **JULY 16, 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 assessment of Savage Arms Employees Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based upon residence is permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. Therefore, this evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union's fair lending performance.

Shares from the membership are returned to members in the form of consumer installment loans. Loan-to-share ratios are considered excellent. The distribution of loans to borrowers of different income levels is adequate and is representative of the membership.

The Review of Complaints and Fair Lending section indicates that the Credit Union has made reasonable efforts in attracting all applicants within its membership.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Savage Arms Employees Credit Union is a Massachusetts state-chartered credit union, incorporated on August 15, 1946. The Credit Union's office is located within the Savage Arms manufacturing plant located in Westfield, Massachusetts. The Credit Union was established to serve the credit needs of the employees of the Savage Arms Company and its retirees. The hours of operation are Monday through Friday 8:00 am to 4:00 pm. The office hours are considered accessible for its members.

As of March 31, 2008, the institution had total assets of \$1,031,948 and its total loan portfolio totaled \$596,929 or 57.8 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of used auto loans with 71.9 percent of total loans outstanding, followed by unsecured loans with 27.6 percent, and all other loans/lines of credit totaled 0.5 percent.

The Division last examined the Credit Union for compliance with the CRA on February 11, 2003. That examination resulted in a CRA rating of "Outstanding."

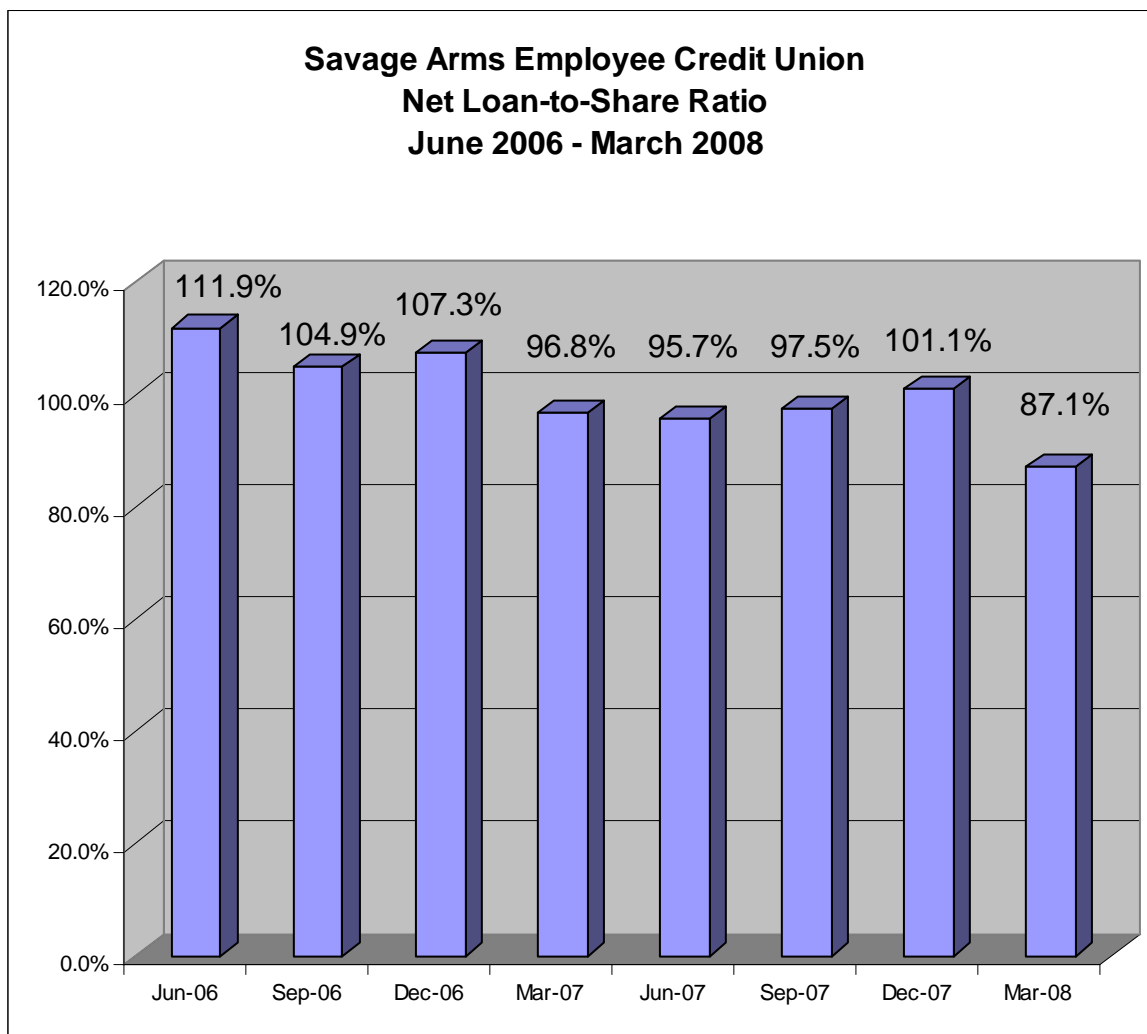
### **Description of Assessment Area**

In accordance with the requirements of the Division's regulation 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws, "membership in this Credit Union is limited to those who are employed by Savage Arms, employees of the Savage Arms Employees Credit Union, former and retired employees of Savage Arms or Savage Arms Employees Credit Union, and members of their immediate families." The Credit Union has a current membership of 382 members. A majority of these members are active and retired employees of Savage Arms.

## PERFORMANCE CRITERIA

### 1. LOAN TO SHARE ANALYSIS

This performance criterion analyzes the Credit Union's net loan-to-share ratio by utilizing the National Credit Union Administration's ("NCUA") quarterly call report data for the period June 30, 2006 through March 31, 2008. The analysis was conducted to determine the Credit Union's lending compared to the shares received from its membership. The average net loan-to-share ratio for the period reviewed was 100.0 percent. The lowest ratio was 87.1 percent as of March 31, 2008 and the highest ratio was 111.9 percent as of March 30, 2006. The Credit Union utilizes capital reserves and undivided earnings during times when loan demands are high, as a result, net loan-to-share ratios are above 100.0 percent between June 2006 and December 2006. Large deposits and withdrawals also influenced the net loan-to-share ratios. For example, the steady decline in the ratio from December 2007 to March 2008 is attributed to a 6.0 percent increase in net shares accompanied by an 8.6 percent decline in net loans.



Source: National Credit Union Administration Call Reports

## **PERFORMANCE CRITERIA (CONTINUED)**

The Credit Union's net loan-to-share ratio exceeds the standards for satisfactory performance based on the information above and its capacity to lend, asset size, the types of loans available, and its limited resources.

### **2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS**

This performance criterion utilizes a sample of the Credit Union's consumer loan data for calendar years 2006 and 2007 in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured personal and auto loans. The borrower income analysis was based on the Median Family Incomes ("MFI") for the Springfield, Massachusetts Metropolitan Statistical Area ("MSA") for 2006 and 2007, which were \$62,900 and \$61,800, respectively.

The four income categories that define the income level of borrowers include low-, moderate-, middle- and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the MFI for the MSA.

As defined by the U.S. Department of Housing and Urban Development HUD, low-income is defined as income level or area that earns less than 50 percent of the MSA/Metropolitan Division (MD)'s MFI. Moderate-Income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA/MD's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA/MD's MFI, while upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's MFI.

A review of ten loan files from 2006 and 2007 was conducted to determine the borrower's income level. Of the ten files reviewed, four or 40.0 percent were granted to low-income members, one or 10.0 percent were granted to moderate-income members, four or 40.0 percent were granted to middle-income members, and one or 10.0 percent were granted to upper-income members.

The Credit Union meets the standards for satisfactory performance in providing credit to members of all income levels based upon the analysis of consumer loans by borrower income.

### **3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES**

#### ***Review of Complaints***

Savage Arms Employee Credit Union has not received any CRA-related complaints during the period under review.

## **PERFORMANCE CRITERIA (CONTINUED)**

### ***Fair Lending Policies and Practices***

The Credit Union's manager is responsible for preparing loan applications for review by the Credit Committee. The Credit Union's Manager also counsels borrowers with poor credit histories. The Credit Committee, which is comprised of three members, makes all of the credit decisions based on a majority vote. The Credit Union utilizes the adverse action notice for all denied applications. The Credit Union also advertises promotional loan products on bulletin boards. The Credit Union charges a uniform interest rate to all of their borrowers based on loan type. The Credit Union's fair lending policies and practices are considered reasonable. No practices that would result in disparate treatment were noted.

The Credit Union meets the standards for satisfactory performance relative to fair lending.

## 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 100 Springdale Road, Westfield, MA 01085"
- 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.