

PUBLIC DISCLOSURE

APRIL 5, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

UNIVERSITY CREDIT UNION

846 COMMONWEALTH AVENUE
BOSTON, MA 02215

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 communities, 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 **UNIVERSITY CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **APRIL 5, 2006**. 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"

University Credit Union is an industrial credit union. Therefore, it defines its assessment area as its membership. The overall rating is comprised of three performance criteria from the small institution examination procedures for industrial credit unions: Loan-to-Share Ratio, Lending to Borrowers of Different Incomes and Fair Lending.

The Credit Union's average net loan-to-share ratio for the period of March 31, 2004 to December 31, 2005 was 82.4 percent and meets the standards for satisfactory performance.

The Credit Union's distribution of credit among different income levels is reasonable and considered to meet the standards for satisfactory performance.

In addition, the Credit Union's fair lending performance was found to be adequate at the time of the examination and no CRA complaints were received since the previous examination.

When determining the overall rating, factors including the Credit Union's size, resources, and limited staff were considered.

PERFORMANCE CONTEXT

Description of Institution

University Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1952. As of December 31, 2005, the Credit Union had 10,536 members and had assets of approximately \$40.6 million with loans comprising 79.8 percent of all assets, or a total of approximately \$32.4 million. The Credit Union's loan portfolio is mainly comprised of first mortgage real estate loans/lines of credit, other real estate loans/lines of credit, other unsecured loans/lines of credit and new and used vehicle loans.

The following chart illustrates the composition of the loan portfolio.

Loan Distribution as of December 31, 2005		
Loan Type	Dollar Amount \$	Percent (%)
Unsecured Loans/Lines of Credit	6,236,014	19.0
New Vehicle Loans	6,091,661	18.6
Used Vehicle Loans	5,062,250	15.5
Total 1 st Mortgage Real Estate Loans/Lines of Credit	7,511,677	22.9
Total Other Real Estate Loans/Lines of Credit	7,662,586	23.4
All Other Loans/Lines of Credit	194,191	0.6
Less: Allowance for Loan & Lease Losses	(366,613)	0.0
TOTAL	32,391,766	100.0

Source: Report of Condition

University Credit Union's main office is located at 846 Commonwealth Avenue Boston, Massachusetts. The Credit Union operates an additional branch office located at Boston Medical Center, 85 East Concord Street, Boston Massachusetts. The Credit Union has 4 Automated Teller Machines ("ATM"s), three of which are located in Boston and one located in Chestnut Hill, Massachusetts.

Hours of operation are Monday, Tuesday and Friday from 8:30 AM to 4:00 PM, Wednesday from 8:30 AM to 3:00 PM and Thursday from 8:30 AM to 6:00 PM at the main office and 9:00 AM to 11:30 AM and 12:15 PM to 3:00 PM Tuesday and Friday at the Boston Medical Center Branch.

University Credit Union was last examined for compliance with CRA by the Division on August 7, 2000. The Credit Union's CRA performance was rated Satisfactory at that time.

Parity Powers:

In March 2003, University Credit Union received approval from the Division to engage in certain activities authorized under the "Parity with Federal Credit Union Regulations", 209 CMR 50.00. Those parity powers that may impact the Credit Union's CRA performance include the following lending authority:

PERFORMANCE CONTEXT

- Personal loans up to \$20,000 for a term up to 6 years pursuant to 209 CMR 50.06(3)(e)
- Direct automobile loan financing up to 100% of the value of the collateral up to \$60,000 for a term up to 6 years pursuant to 209 CMR 50.06(3)(f)
- Home improvement loans up to \$125,000 for a term up to 20 years pursuant to 209 CMR 50.06(3)(i)1
- Boat, camper and trailer loans up to \$75,000, for a term up to 20 years pursuant to 209 CMR 50.06(3)(i)3
- First lien residential mortgage loans up to \$500,000 for a term up to 40 years pursuant to 209 CMR 50.06(3)(j)1
- 95% loan-to-value first lien residential mortgage loans pursuant to 209 CMR 50.06(3)(k)1

Description of Assessment Area

University Credit Union defines its assessment area as its membership, in accordance with the Massachusetts CRA regulation 209 CMR 46.41(8), which states: “Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area.” The Credit Union has elected to identify its assessment area in this manner.

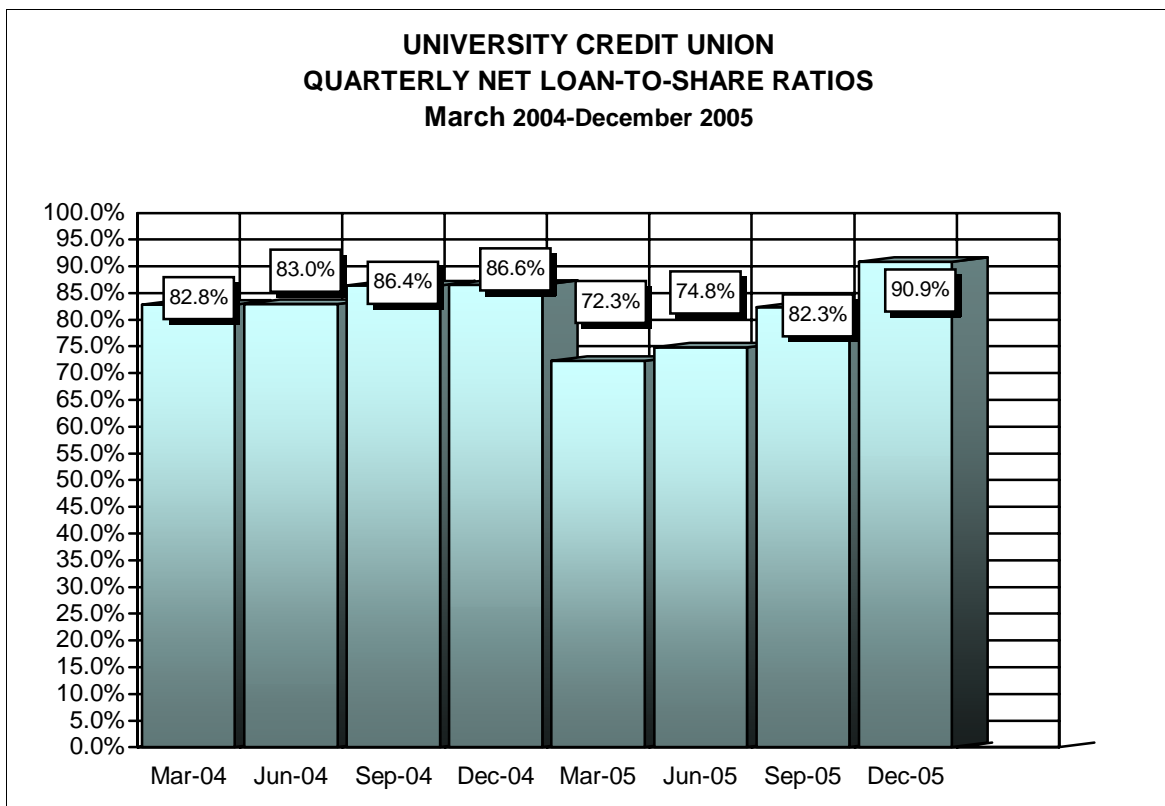
The Credit Union’s membership (as incorporated in its by-laws) is open to those who are current employees or retirees of the following institutions: Bentley College; Berklee College of Music; Boston College; Boston Medical Center; Boston University; Children’s Services of Roxbury; Crittendon Hastings House; Education Development Center; Emerson College; Evans Medical Group; Lesley University; Mental Health Programs; Morgan Memorial Goodwill Industries, Inc.; MSPCA; New England School of Acupuncture; New England School of Law; Newbury College; Perkins School for the Blind; Planned Parenthood; Roxbury Comprehensive Community Health Care; Suffolk University; Tufts University; Victory Human Services; and Vinfen Corporation. In addition, employees of the Credit Union are also eligible as well as families of qualified members.

PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

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

An analysis of University Credit Union's net loan-to-share ("LTS") ratios was performed using National Credit Union Administration quarterly call reports from March 31, 2004, through December 31, 2005. This analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its members. The ratios during this time period ranged from a high of 90.9 percent in December 2005 to a low of 72.3 percent in March 2005. This decrease was a result of the sale of the Credit Union's credit card portfolio. The average net LTS ratio for the period was 82.4 percent. The following graph illustrates the net LTS ratios for the period reviewed.



2. LENDING TO BORROWERS OF DIFFERENT INCOMES

The distribution of residential and consumer loans to borrowers of different incomes reflects reasonable penetration among all income levels. Based upon this analysis, the Credit Union's efforts meet the standards for satisfactory performance.

PERFORMANCE CRITERIA (CONTINUED)

The Credit Union originated 9 loans during 2004 totaling \$760,000 and 7 loans in 2005 totaling \$868,000. Originations include first mortgage and home improvement loans. The Credit Union originated 1001 consumer loans in 2004 totaling \$7.5 million and 1083 consumer loans in 2005 totaling \$9.3 million. Originations include new and used autos, unsecured, recreational vehicles, share secured, vacation and holiday loans. All real estate loans from 2004 and 2005 along with a sample of 40 consumer loans from 2004 and 2005 was taken in order to determine the distribution of credit based on the income levels of members. The originations were categorized by the ratio of the applicant's reported income to the estimated 2004 and 2005 median family incomes. The 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 for the Metropolitan Statistical Area ("MSA"). Moderate income is defined as income between 50 and 79 percent of the median family income level for the MSA. Middle income is defined as income between 80 and 119 percent of the median income. Upper income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the distribution of the Credit Union's residential lending by borrower income:

Residential Lending to Members of Different Income Levels

% OF MEDIAN MSA INCOME	2004		2005		TOTAL	
	#	%	#	%	#	%
<50%	1	11.1	0	0.0	1	6.3
50% - 79%	1	11.1	2	28.6	3	18.7
80% - 119%	2	22.2	1	14.3	3	18.7
120% >	5	55.6	4	57.1	9	56.3
Income N/A	0	0.0	0	0.0	0	0.0
TOTAL	9	100.0	7	100.0	16	100.0

Source: HMDA/LAR- 2004 and 2005

Although the total volume of loans originated is relatively small, the performance within the low and moderate-income category is considered reasonable.

PERFORMANCE CRITERIA (CONTINUED)

A sample of consumer loans reviewed for 2004 and 2005 indicated that the majority of the loans were to low and moderate-income members. The following table provides further detail.

Consumer Lending to Members of Different Income Levels

% OF MEDIAN MSA INCOME	2004		2005		TOTAL	
	#	%	#	%	#	%
<50%	5	25.0	6	30.0	11	27.5
50% - 79%	6	30.0	7	35.0	13	32.5
80% - 119%	5	25.0	4	20.0	9	22.5
120% >	4	20.0	3	15.0	7	17.5
TOTAL	20	100.0	20	100.0	40	100.0

Source: In House Loan Files – 2004 and 2005

It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members would be higher than that of residential mortgage originations, where the income is usually the result of the combined incomes of joint applicants. Of the sampled consumer loans reviewed, 7 were joint applicants.

3. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices the institution meets the standards for satisfactory performance.

The Credit Union's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment Act and Fair Lending guidelines. A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. A sample of the Credit Union's approved and denied consumer loan application files were reviewed for fair lending. No discriminatory practices were noted.

The Credit Union's staff is comprised of 16 full-time and 2 part-time employees. Two of the Credit Union's staff speak Spanish; 2 speak Albanian; 1 speaks Cantonese; and 1 speaks Italian.

The Credit Union's marketing efforts appear to adequately reach members of all income levels. The institution evaluates both the products it offers and its product mix to help determine whether those products are responsive to the needs of its members.

PERFORMANCE CRITERIA (CONTINUED)

The Credit Union provides consumer education articles in its newsletters as well as its website that includes benefits of credit union membership, identity theft, how to identify phony e-mails, phishing, the FACT Act, and car buying tips.

The Credit Union staff regularly attends meetings and educational seminars to remain informed of current in-house matters as well as issues in the credit union industry.

The Credit Union's credit committee reviews all residential loans. The credit committee is comprised of five members, all of which are members of the board, and one is the Chairperson.

4. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S); and

5. GEOGRAPHIC DISTRIBUTION OF LOANS

An assessment area defined as a credit union's membership does not consider any fixed limits on geography. Therefore an evaluation of credit extended inside and outside of a geographic assessment area was not conducted nor was there an evaluation conducted regarding the distribution of loans by geographic location.

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 (846 Commonwealth Avenue, Boston, MA 02215)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 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.