

**PUBLIC DISCLOSURE**

**SEPTEMBER 13, 2010**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LYNN TEACHERS' CREDIT UNION**

**67882**

**90 COMMERCIAL STREET**

**LYNN, MA 01905**

**DIVISION OF BANKS**

**1000 WASHINGTON STREET, 10<sup>TH</sup> FLOOR**

**BOSTON, MA 02118**

**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 CRA performance of **Lynn Teachers' Credit Union (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **September 13, 2010**. 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"**

Lynn Teachers' 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 of the small institution examination procedures: 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 September 30, 2008 to June 30, 2010 was 47.4 percent, and meets the standards for satisfactory performance.

The Credit Union's distribution of credit among different income levels is considered reasonable.

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

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Lynn Teachers' Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1935. The Credit Union's main office moved from 33 North Common Street, to 90 Commercial Street, in December 2008. Services are considered convenient and accessible to all members. Hours of operation during the school year are Monday through Thursday 9:00 AM to 3:30 PM (closed from 12:00 PM to 1:00 PM) with condensed hours during the summer months. The Credit Union operates one banking office located at 90 Commercial Street, Lynn Massachusetts. The Credit Union offers share accounts, unsecured loans, share secured loans and auto loans. As of June 30, 2010, the Credit Union had 934 members.

As of June 30, 2010, the Credit Union had assets of approximately \$4.5 million, with loans comprising 34.7 percent of all assets, for a total of approximately \$1.5 million. The Credit Union is a consumer lender, with 90.4% of its loan portfolio consisting of unsecured loans, and 9.6% consisting of loans secured by automobiles. The following chart illustrates the composition of the loan portfolio.

| <b>Loan Distribution as of June 30, 2010</b> |                         |                    |
|--|-------------------------|--------------------|
| <b>Loan Type</b>                             | <b>Dollar Amount \$</b> | <b>Percent (%)</b> |
| Unsecured Loans                              | 1,400,227               | 90.4               |
| New Vehicle Loans                            | 110,396                 | 7.1                |
| Used Vehicle Loans                           | 38,751                  | 2.5                |
| Less: Allowance for Loan & Lease Losses      | (37,206)                | 0.0                |
| <b>TOTAL</b>                                 | <b>1,549,374</b>        | <b>100.0</b>       |

Source: Report of Condition 6/30/10

The Credit Union was last examined for compliance with the CRA by the Division on July 5, 2006. The Credit Union's CRA performance was rated "Satisfactory" at that time.

### **Description of Assessment Area**

The Credit Union defines its assessment area as its membership, in accordance with the Division's 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.

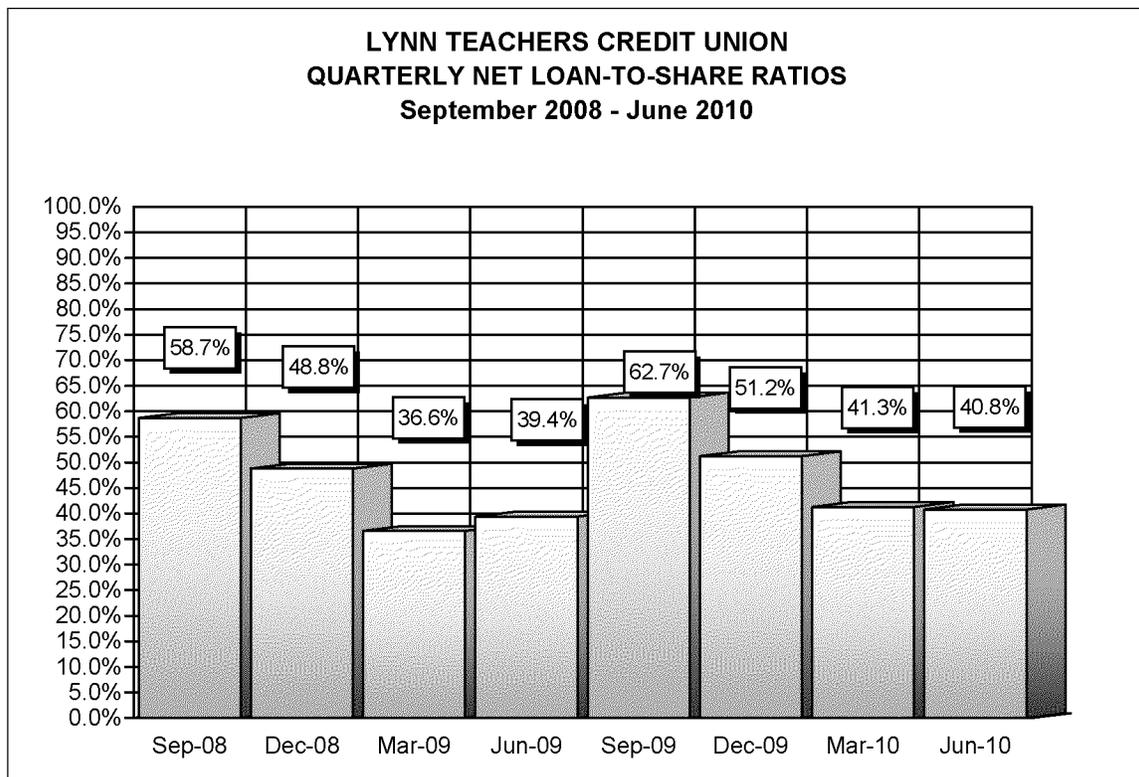
The Credit Union's membership (as incorporated in its by-laws) is open to all employees of Lynn Teachers' Credit Union, employees of the Lynn School Department, organizations of said employees, former employees on pension and their immediate family members.

## **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 members, the Credit Union's net loan-to-share ratio indicates that the Credit Union meets the standards of satisfactory performance.

An analysis of the Credit Union's net loan-to-share ("LTS") ratios was performed using National Credit Union Administration ("NCUA") quarterly call reports from September 30, 2008, through June 30, 2010. 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 low of 36.6 percent, in March 2009, to a high of 62.7 percent, in September 2009. The average net LTS ratio for the period was 47.4 percent. The following graph illustrates the net LTS detail for the period reviewed.



### **2. LENDING TO BORROWERS OF DIFFERENT INCOMES**

The Credit Union originated 205 loans during 2008, totaling \$1,755,00, and 218 loans in 2009, totaling \$1,130,065. Originations include unsecured personal loans and auto loans. Forty consumer loans, from 2008 and 2009, were reviewed in order to determine the distribution of credit based on the income levels of members. All of the consumer loans sampled were evaluated by using the income figures for the Peabody County, MA

Metropolitan Statistical Area (“MSA”) for 2008 and 2009. The originations were categorized by the ratio of the applicant’s reported income to the estimated 2008 and 2009 median family incomes. The income figures are based on estimated Department of Housing and Urban Development (“HUD”) information which was \$78,800 for 2008, and \$83,600 for 2009.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the 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.

A sample of the consumer loans reviewed indicated that 10 percent of the loans were to low-income members and 40 percent were to moderate-income members. The remaining 50 percent were to middle-income borrowers. The following table provides further detail.

| <b>Consumer Lending to Borrowers of Different Income Levels</b> |             |              |             |              |              |              |
|---|-------------|--------------|-------------|--------------|--------------|--------------|
| <b>% OF<br/>MEDIAN<br/>MSA<br/>INCOME</b>                       | <b>2008</b> |              | <b>2009</b> |              | <b>TOTAL</b> |              |
|   | <b>#</b>    | <b>%</b>     | <b>#</b>    | <b>%</b>     | <b>#</b>     | <b>%</b>     |
| <50%  | 1           | 5.0          | 3           | 15.0         | 4            | 10.0         |
| 50% - 79%   | 6           | 30.0         | 10          | 50.0         | 16           | 40.0         |
| 80% - 119%  | 13          | 65.0         | 7           | 35.0         | 20           | 50.0         |
| 120% >  | 0           | 0/0          | 0           | 0.0          | 0            | 0.0          |
| <b>TOTAL</b>  | <b>20</b>   | <b>100.0</b> | <b>20</b>   | <b>100.0</b> | <b>40</b>    | <b>100.0</b> |

Source: In House Loan Files – 2008 and 2009.

Based upon the analysis of consumer loans by borrower income, it appears that the Credit Union’s lending is adequately distributed to members of various income levels, including those of low and moderate-income. It should be noted that while the above-referenced figures are compared to the median family income, the Credit Union’s credit decision is typically based on the income of just one borrower. Performance in this category is considered to meet the standards for satisfactory performance.

### **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 credit committee reviews all loans. The credit committee is comprised of three members, all of whom are directors.

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 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. No practices that would result in disparate treatment were noted during the Fair Lending review.

## 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 33 North Common Street, Lynn, MA 01905."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that 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.