# PUBLIC DISCLOSURE

March 13, 2017

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Align Credit Union
Certificate Number: 66365

40 Market Street
Lowell, MA 01852

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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 or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

# TABLE OF CONTENTS

# INSTITUTION RATING

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use their authority when examining financial institutions subject to their 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 agencies 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 **Align Credit Union (Credit Union)** prepared by the Division, the institution's supervisory agency, as of **March 13, 2017**. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00.

**INSTITUTION'S CRA RATING:**

**This institution is rated "High Satisfactory " by the Division.**

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Credit Union's performance under each of these two tests is summarized below:

**Lending Test**

The institution is rated **"High Satisfactory"** under the Lending Test. This rating is supported by the following summary of results.

***Loan-to-Share Ratio***
The loan-to-share (LTS) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Credit Union's average net LTS ratio over the past 8 quarters was 125.2 percent.

***Assessment Area Concentration***
A majority of the Credit Union's home mortgage and consumer loans by number and dollar amount were within its designated assessment area. During 2015 and 2016, 72.7 percent of the number of home mortgage and consumer loans were made inside the assessment area.

***Borrower Characteristics***
The distribution of borrowers reflects, given the demographics of the assessment area, a good penetration among individuals of different income levels (including low- and moderate-income). The Credit Union performed better than the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2015.

***Geographic Distribution***
The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Credit Union's concentration of home mortgage loans in the area's moderate-income geographies is comparable to that of the aggregate.

***Response to Complaints***
The Credit Union did not receive any CRA-related complaints during the period reviewed.

**Community Development Test**

The institution is rated **"High Satisfactory"** under the Community Development Test.

The Credit Union demonstrates a good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area. The Credit Union originated 54 community development loans totaling approximately $2.2 million during the evaluation period. The Credit Union made approximately $135,000 in qualified community development investments represented entirely by donations to organizations within the community. In addition, the Credit Union's management participated with 36 qualified community organizations in providing financial expertise and assistance. During the examination period, there were approximately 18 financial literacy training events held at various locations throughout the assessment area.

# SCOPE OF EVALUATION

## General Information

This evaluation assesses the Credit Union's CRA performance utilizing the interagency intermediate small institution credit union examination procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). An institution with this designation has assets of at least $307 million as of December 31 of both of the prior two calendar years, and less than $1.226 billion as of December 31 (adjusted annually) of either of the prior two calendar years. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage and consumer loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) that an institution has completed to meet the needs of the community since the previous evaluation.

## Loan Products Reviewed

The Lending Test considered the Credit Union's home mortgage and consumer lending. The Credit Union's most recent Report of Condition and Income (Call Report), dated December 31, 2016, indicated that residential lending, including all loans secured by 1 to 4 family and multi-family residential properties, represented 70.3 percent of the loan portfolio and consisted of a significant majority of loan volume generated during the current review period. Consumer loans represented 18 percent of the portfolio. Consumer loans included new and used auto loans, personal loans, credit builder loans and home equity loans and lines of credit. Based on the information in the call report, the overall conclusions were primarily based on the Credit Union's performance in home mortgage lending, as this product carried a greater weight in the overall lending test analysis.

Data reviewed includes all originated home mortgage loans reported on the Credit Union's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for 2015 and 2016. The LARs contain data about home purchase and home improvement loans, including refinances, of one to four family and multifamily (five or more units) properties. The Credit Union's 2015 home mortgage lending performance was compared against 2015 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the same defined assessment area. The evaluation focused on the Credit Union's lending performance in 2015, as aggregate data for 2016 was not yet available.

Consumer loan data for 2015 and 2016 was available and presented in the analysis. Comparisons were not made to the aggregate lending as the Credit Union does not report consumer loan data to the FFIEC. All consumer data was derived from internal loans records. The focus is on comparisons to the area demographics.

While the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Credit Union's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2010 United States (US) Census, unless otherwise noted. Financial data about the Credit Union was obtained from the December 31, 2016 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services during March 27, 2012 through March 13, 2017.

The previous CRA evaluation was conducted by the Division as of March 27, 2012 also using intermediate small institution examination procedures. The evaluation resulted in an overall "High Satisfactory" rating by the Division.

## DESCRIPTION OF INSTITUTION

### Background

Align Credit Union, headquartered in Lowell, Massachusetts, was established in 1922 as the Northern Massachusetts Telephone Workers Credit Union (NMTW) to provide financial resources for area phone company employees and their families. Over the years, membership grew and the Credit Union expanded to include anyone who lives, works or attends school in communities throughout Northeastern Massachusetts and Southern New Hampshire. In 2013, the name changed to Align Credit Union. In 2015, the Credit Union merged with First Choice Credit Union and in 2016 there was a merger with Holy Family Hospital Employees Federal Credit Union.

### Operations

The Credit Union's main office location is at 40 Market Street in Lowell, MA and is primarily operations and administration. In addition to this location, there are seven branches. Two branches are located in Lowell, and a branch each in Danvers, Framingham, Haverhill, Methuen, and Amesbury.

Branch activity since the last examination included relocating the Framingham branch to another location in Framingham and opening the Amesbury branch in 2013.

Most branch lobbies are open from 8:30 AM to 4:30 PM on weekdays and 9:00 AM to 12:00 PM on Saturdays. Also, branches are opened extended evening hours on Fridays at select locations.

There are two standalone ATM machines located in Dracut, MA at Four Oaks Country Club and within Haverhill Family Hospital. In addition, the Credit Union is a member of the SUM, NYCE and CO-OP ATM networks, giving members access to thousands of ATMs without incurring an ATM surcharge.

The Credit Union also participates in the national CO-OP Shared Branching network. This network, which operates like an ATM network, but with expanded transactional capabilities, allows members to conduct transactions at over 5,000 locations nation-wide, plus internationally.

The Credit Union's Member Care Center serves members to obtain account balances, review account activity, perform funds transfers between accounts and make loan payments. The service is available during business hours. Align Credit union also offers Internet-based financial services through their website. Members can obtain account balances, obtain product and service information, open new accounts and apply for loans. In addition, members may transfer funds between accounts and make loan payments. The Credit Union also offers mobile banking access to its members. The mobile access feeds into the Credit Union's secured home banking site, using the same log in credentials, allowing members to view balances, transfer funds between accounts, deposit checks via remote deposit capture and initiate pre-established bill payments.

The Credit Union offers a variety of loan products, including home mortgage, commercial, auto, and consumer loans, along with a range of deposit services including checking and savings options for personal and business purposes.

**Ability and Capacity**

Assets totaled approximately $583 million as of the December 31, 2016 quarterly call report, including total loans of approximately $371 million. Total loans and assets have increased since the last examination in March 2012. Total loans have increased by $104 million or 28.1 percent and total assets have increased by $56 million or 9 percent. The Credit Union attributed the overall loan and asset growth to a convenient and accessible loan application process. Also, the Credit Union increased its marketing efforts as it changed its name and became a community credit union. This in turn brought an increase in loan production in home mortgage and consumer lending and also an increase in membership.

**Table 1 - Loan Portfolio Distribution as of 12/31/2016**

| **Loan Category** | **$(000s)** | **%** |
|---|---|---|
| Unsecured Credit Card Loans | 18,148,487 | 4.9 |
| All Other Unsecured Loans/Lines of Credit | 7,562,710 | 2.0 |
| Non-Federally Guaranteed Student Loans | 9,456,380 | 2.5 |
| New Vehicle Loans | 11,584,867 | 3.1 |
| Used Vehicle Loans | 21,670,450 | 5.8 |
| Total 1st Mortgage Real Estate Loans/Lines of | 261,049,691 | 70.3 |
| Total Other Real Estate Loans/Lines of Credit | 40,828,812 | 11.0 |
| Total All Other Loans/Lines of Credit | 816,419 | 0.4 |
| **Total Loans** | **371,117,816** | **100.0** |

*Source: Reports of Income and Condition*

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Align Credit Union designated a single assessment area encompassing cities and towns within Middlesex and Essex Counties and the towns of Seabrook South Hampton, Kensington, Newton, Plaistow, Atkinson, Salem, Pelham, Hudson and Nashua, all located in New Hampshire. The following sections discuss demographic and economic information for the assessment area. Seabrook South Hampton, Kensington, Hudson and Nashua were added to the assessment area since the last exam.

**Economic and Demographic Data**

The assessment area includes 516 Census Tracts. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 46 low-income tracts
- 103 moderate-income tracts
- 214 middle-income tracts
- 151 upper-income tracts
- two census tracts with no income designation

The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|---|---|---|---|---|---|
| **Demographic Characteristics** | **#** | **Low % of #** | **Moderate % of #** | **Middle % of #** | **Upper % of #** | **NA* % of #** |
| Geographies (Census Tracts) | 516 | 8.9 | 20.0 | 41.5 | 29.3 | 0.3 |
| Population by Geography | 2,429,472 | 7.4 | 18.9 | 43.9 | 29.9 | 0.0 |
| Housing Units by | 988,038 | 7.4 | 19.8 | 44.9 | 27.9 | 0.0 |
| Owner-Occupied Units by | 602,395 | 2.9 | 13.8 | 48.1 | 35.3 | 0.0 |
| Occupied Rental Units by | 325,055 | 15.0 | 30.2 | 39.4 | 15.4 | 0.0 |
| Family Distribution by | 602,068 | 21.5 | 16.8 | 20.8 | 40.9 | 0.0 |
| **Median Family Income<br>Families Below Poverty Level<br>Households Below the Poverty Level** | | **$96,208<br>5.8%<br>8.9%** | **Median Housing Value<br>Unemployment Rate** | | | **$432,966<br>4.3%** |
| *Source: 2010 U.S. Census, 2015 D&B Data; (*) The NA category consists of geographies that have not been assigned an income classification.* | | | | | | |

The Credit Union's assessment area consist of 2.4 million individuals. Of these, 26.3 percent are considered to be low-income and moderate-income individuals. In addition, approximately 38 percent of families are designated as low- or moderate-income. These percentages further demonstrates the need for affordable housing in the assessment area.

## Competition

Competition in the assessment area is robust.  The Credit union competes directly with other local credit unions, community banks small and large, as well as larger national banks and mortgage companies. Aggregate data for 2015 shows that out of 611 lenders originating at least one home mortgage loan in the assessment area, the Credit Union ranked 77th. Among the top lenders in the assessment area included Wells Fargo Bank, NA, JP Morgan Chase Bank, NA, and Quicken Loans.

## Community Contact

As part of the evaluation process, a third party, active in community affairs, is contacted to assist in assessing the housing and business needs of the Credit Union's AA. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any, are available. An interview was conducted with a local community development corporation that assists in affordable housing The contact stressed the need for affordable housing. Greater collaboration between community banks and credit unions would improve affordable housing.

# CONCLUSIONS ON PERFORMANCE CRITERIA

## LENDING TEST

Align Credit Union demonstrated a good performance under the Lending Test.

### Loan-to-Share Analysis

The average LTS ratio is more than reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area. The average LTS ratio is calculated from Call Report data over the past 8 quarters, from March 31, 2015 to December 31, 2016. The average LTS ratio is 125.2 percent, ranging from a low of 74.8 percent in March 31, 2015 to 85 percent in December 31, 2016. The LTS ratio has risen steadily over the past two years; conversations with the Credit Union's management indicated that the increase is part of the Credit Union's business strategy as it seeks to increase overall lending, membership, and a large portion of the market share. An average LTS ratio of 125.2 demonstrates the Credit Union's ability to lend within the community. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

| Table 3 Loan-to-Share Ratio Comparison | | |
|---|---|---|
| **Institution** | **Total Assets as of 12/31/2016 $(000s)** | **Average Net LTS Ratio (%)** |
| Align Credit Union | $583,950,133 | 125.2 |
| St. Mary's Credit Union | $809,000,000 | 106.6 |
| Workers Credit union | $1,200,000,000 | 103.7 |
| *Source: Reports of Income and Condition 3/31/2015 through 12/31/2016* | | |

## Assessment Area Concentration

The Credit Union made a majority of home mortgage and consumer loans by number within its assessment area. Only home mortgage lending dollar volume is presented in this chart. The dollar volume of consumer loans was not evaluated for this review. Please see the following table for more details.

| Table 4 - Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Loan Category** | **Number of Loans** | | | | **Total #** | **Dollars Amount of Loans $(000s)** | | | | **Total $(000s)** |
| | **Inside** | | **Outside** | | | **Inside** | | **Outside** | | |
| | **#** | **%** | **#** | **%** | | **$** | **%** | **$** | **%** | |
| Home Mortgage | | | | | | | | | | |
| 2015 | 224 | 73.4 | 81 | 26.6 | 305 | 53,209 | 74.0 | 18,697 | 26.0 | 71,906 |
| 2016 | 347 | 80.3 | 85 | 19.7 | 432 | 83,284 | 81.3 | 19,159 | 18.7 | 102,443 |
| **Total** | **571** | **77.5** | **166** | **22.5** | **737** | **137,493** | **78.8** | **37,856** | **21.7** | **174,349** |
| Consumer Loans | | | | | | | | | | |
| **2015** | 1,225 | 70.0 | 544 | 30.0 | 1,769 | **-** | **-** | **-** | **-** | **-** |
| **2016** | 1,465 | 74.1 | 510 | 25.9 | 1,975 | **-** | **-** | **-** | **-** | **-** |
| **Total** | **2,690** | **71.8** | **1,054** | **28.2** | **3,744** | **-** | **-** | **-** | **-** | **-** |
| **Grand Total** | **3,261** | **72.7** | **1,220** | **27.3** | **4,481** | **137,493** | **78.8** | **37,856** | **21.7** | **174,349** |
| *Source: 2015 and 2016 HMDA Reported Data, 2015 and 2016 Consumer Loan Bank Records* | | | | | | | | | | |

## Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts in 2015 and 2016.

### *Home Mortgage Loans*

The Credit Union's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The geographic distribution of loans was reviewed to determine how the Credit Union is addressing the credit needs throughout the assessment area, particularly in low- and moderate-income tracts. Residential mortgage loan conclusions are based primarily on the Credit Union's performance of lending in low- and moderate-income tracts relative to aggregate lending data and compared to assessment area demographics.

| Table 5– Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|---|---|---|---|---|---|
| **Tract Income Level** | **% of Owner-Occupied Housing Units** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | | |
| 2015 | 2.9 | 3.7 | 4 | 1.8 | 875 | 1.6 |
| 2016 | -- | -- | 8 | 2.3 | 1,812 | 2.2 |
| Moderate | | | | | | |
| 2015 | 13.8 | 14.9 | 34 | 15.2 | 6,561 | 12.3 |
| 2016 | -- | -- | 60 | 17.3 | 11,792 | 14.2 |
| Middle | | | | | | |
| 2015 | 48.0 | 47.6 | 143 | 63.8 | 33,396 | 62.7 |
| 2016 | -- | -- | 196 | 56.5 | 45,987 | 55.2 |
| Upper | | | | | | |
| 2015 | 35.3 | 33.8 | 43 | 19.2 | 12,377 | 23.4 |
| 2016 | -- | -- | 83 | 23.9 | 23,693 | 28.4 |
| **Totals** | | | | | | |
| **2015** | **100.0** | **100.0** | **224** | **100.0** | **53,209** | **100.0** |
| **2016** | **--** | **--** | **347** | **100.0** | **83,284** | **100.0** |
| *Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data; 2015 HMDA Aggregate Data; "--" data not available* | | | | | | |

In 2015, the Credit Union originated 4 loans, or 1.8 percent by number and 1.6 percent by dollar amount, in the low-income geographies. This level of lending is below the 2015 aggregate and percentage of owner occupied housing units in the assessment area. The Credit Union's performance is reasonable considering the Credit Union's low-income census tracts represent the smallest portion of the assessment area at 2.9 percent of the geographies. For 2016, the Credit Union's performance in lending to low-income census tracts, which was increased, was below the aggregate measures.

Moderate-income census tracts make up the second smallest portion of the Credit Union's assessment area at 13.8 percent. The Credit Union's performance in lending of 15.2 percent by number and 12.3 percent by dollar amount to moderate-income census tracts was in line with the aggregate and percentage of owner-occupied housing units in those tracts in 2015 and showed improvement in 2016.

***Consumer Loans***

The geographic distribution of consumer loans reflects reasonable dispersion. In 2015, the Credit Union originated approximately 4.2 percent of consumer loans in low- income census tracts, which is below the household demographics. Lending to moderate-income geographies is above the demographic level. In 2016, the Credit Union increased its lending to both low-and moderate-income borrowers.

| Table 6 Geographic Distribution of Consumer Loans | | | | | |
|---|---|---|---|---|---|
| **Tract Income Level** | **% of Households** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | |
| 2015 | 25.2 | 51 | 4.2 | 564 | 2.4 |
| 2016 | -- | 92 | 6.2 | 758 | 2.7 |
| Moderate | | | | | |
| 2015 | 15.1 | 230 | 18.8 | 3,147 | 13.5 |
| 2016 | | 270 | 18.4 | 3978 | 14.0 |
| Middle | | | | | |
| 2015 | 17.5 | 693 | 56.6 | 14,383 | 61.6 |
| 2016 | -- | 818 | 55.8 | 16,597 | 58.7 |
| Upper | | | | | |
| 2015 | 42.2 | 251 | 20.4 | 5,234 | 22.5 |
| 2016 | -- | 285 | 19.5 | 6,955 | 24.6 |
| Totals | | | | | |
| 2015 | -- | 1225 | 100.0 | 23,328 | 100.0 |
| 2016 | -- | 1465 | 100.0 | 28,288 | 100.0 |
| *Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 Bank Data* | | | | | |

## Borrower Profile

The distribution of borrowers reflects good penetration among individuals of different income levels in the AA. The Credit Union's performance of home mortgage and consumer lending supports this conclusion. Examiners focused on the percentage by number of home mortgage and consumer loans to low- and moderate-income borrowers.

### *Home Mortgage Loans*

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels including low- and moderate-income and businesses of different sizes. The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area's residents, particularly those of low- or moderate-income. Residential home mortgage loan conclusions are based primarily on the Credit Union's performance of lending to low- and moderate-income borrowers relative to aggregate lending data and compared to assessment area demographics.

| Table 7 – Borrower Distribution of Home Mortgage Loans | | | | | | |
|---|---|---|---|---|---|---|
| **Tract Income Level** | **% of Families** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | | |
| 2015 | 21.5 | 3.3 | 25 | 11.2 | 3,521 | 6.6 |
| 2016 | -- | -- | 33 | 9.5 | 4,333 | 5.2 |
| Moderate | | | | | | |
| 2015 | 16.8 | 11.1 | 62 | 27.7 | 12,056 | 22.7 |
| 2016 | -- | -- | 91 | 26.2 | 18,316 | 22.0 |
| Middle | | | | | | |
| 2015 | 20.8 | 17.7 | 66 | 29.5 | 15,755 | 29.5 |
| 2016 | -- | -- | 106 | 30.5 | 27,101 | 32.5 |
| Upper | | | | | | |
| 2015 | 40.9 | 48.3 | 71 | 31.7 | 21,877 | 41.1 |
| 2016 | -- | -- | 113 | 32.6 | 32,355 | 38.9 |
| **Totals** | | | | | | |
| **2015** | **100.0** | **100.0** | **224** | **100.0** | **53,209** | **100.0** |
| **2016** | **--** | **--** | **347** | **100.0** | **83,284** | **100.0** |
| *Source: 2010 U.S. Census; 2015 and 2016 HMDA Reported Data; 2015 HMDA Aggregate Data; "--" data not available* | | | | | | |

In 2015, the Credit Union originated 11.2 percent of home mortgage loans to low-income borrowers, which exceeded the aggregate lending percentage to low-income borrowers. The Credit Union's percentage of home mortgage loans to low-income borrowers was greater than the percentage of low-income families in the assessment area. This performance is better than similar institutions as it is often expected that institutions do not meet this distribution percentage as a significant portion of these families would not be able to qualify for a home mortgage loan given their limited income. Low-income families represent the second largest income category in the assessment area.

In lending to moderate-income borrowers the Credit Union originated 27.7 percent to moderate-income borrowers, which exceeds that aggregate lending to moderate-income borrowers and is higher than the percent percentage of moderate-income families in the assessment area.

The Credit Union achieved a good penetration of home mortgage loans among individuals to different incomes levels, including low- and moderate-income.

### *Consumer Loans*

The distribution of the consumer loans reflects reasonable penetration of borrowers of different incomes. The following table shows that the majority of consumer loans were extended to individuals falling within the low- and moderate-income household delineations. The Credit Union's lending to low-income households is comparable to the demographic of households. The level of lending to moderate-income households exceeds the demographics of individuals in the same income delineations and, as such, reflects good performance.

| Table 8 - Borrower Distribution of Consumer Loans | | | | | |
|---|---|---|---|---|---|
| **Tract Income Level** | **% of Households** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | |
| 2015 | 25.2 | 354 | 29.7 | 4,936 | 21.3 |
| 2016 | -- | 405 | 28.0 | 4,469 | 15.8 |
| Moderate | | | | | |
| 2015 | 15.1 | 302 | 25.3 | 5,189 | 22.3 |
| 2016 | | 372 | 25.7 | 6,078 | 21.5 |
| Middle | | | | | |
| 2015 | 17.5 | 305 | 25.6 | 7,206 | 31.0 |
| 2016 | -- | 293 | 20.3 | 6,301 | 22.3 |
| Upper | | | | | |
| 2015 | 42.2 | 204 | 17.1 | 5,435 | 23.4 |
| 2016 | -- | 224 | 15.5 | 6,412 | 22.7 |
| Income N/A | | | | | |
| | | 27 | 2.3 | 467 | 2.0 |
| | | 151 | 10.4 | 4,984 | 17.7 |
| Totals | | | | | |
| 2015 | 100.0 | 1,192 | 100.0 | 23,233 | 100.0 |
| 2016 | 100.0 | 1,445 | 100.0 | 28,244 | 100.0 |
| *Source: 2010 U.S. Census; 1/1/2014 - 6/30/2016 Bank Data* | | | | | |

**Response to Complaints and Fair Lending Policies and Practices**

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to the Regulatory Bulletin 1.3-106.

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

A review of the Credit Union's residential and consumer 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 residential loan applications were compared with the 2015 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. Refer to the following table for information on the Credit Union's minority application flow as well as a comparison of the aggregate lenders throughout the Credit Union's assessment area.

| ***Table 9 - Minority Application Flow*** | | | | | |
|---|---|---|---|---|---|
| **RACE** | **2015 Align Credit Union** | | **2015 Aggregate Data** | **2016 Align Credit Union** | |
| | **#** | **%** | **% of #** | **#** | **%** |
| *American Indian/ Alaska Native* | 0 | 0.1 | 0.2 | 2 | 0.5 |
| *Asian* | 17 | 2.6 | 6.6 | 21 | 4.8 |
| *Black/ African American* | 1 | 1.0 | 1.6 | 7 | 1.6 |
| *Hawaiian/Pac Isl.* | 1 | 0.0 | 0.1 | 0 | 0.0 |
| *2 or more Minority* | 0 | 0.0 | 0.1 | 0 | 0.0 |
| *Joint Race (White/Minority)* | 5 | 1.3 | 1.4 | 4 | 0.9 |
| **Total Minority** | **24** | **7.3** | **10.0** | **34** | **7.8** |
| *White* | 273 | 83.2 | 65.8 | 368 | 84.0 |
| *Race Not Available* | 31 | 9.5 | 24.2 | 36 | 8.2 |
| **Total** | **328** | **100.0** | **100.0** | **438** | **100.0** |
| **ETHNICITY** | **#** | **%** | **% of #** | **#** | **%** |
| *Hispanic or Latino* | 4 | 1.2 | 4.3 | 8 | 1.8 |
| *Not Hispanic or Latino* | 290 | 88.4 | 70.6 | 391 | 89.3 |
| *Joint (Hisp/Lat /Not Hisp/Lat)* | 5 | 1.5 | 1.0 | 4 | 0.9 |
| *Ethnicity Not Available* | 29 | 8.9 | 24.1 | 35 | 8.0 |
| **Total** | **328** | **100.00** | **100.00** | **438** | **100.00** |

According to the 2010 U.S. Census, the assessment area has a population of 596,768, of which 19.9 percent are minority. The assessment area's minority and ethnic population is 7.2 percent Asian; 2.7 percent Black/African American; 7.8 percent Hispanic or Latino; 2.0 percent "other"; and 0.1 percent American Indian.

The Credit Union's performance in 2015 is lower than the aggregate level of racial minority mortgage applications; the Credit Union received 7.3 percent of its applications from minorities, while the aggregate received 10.0 percent from racial minorities. The Credit Union is below the aggregate in applications to ethnic minorities representing 2.7 percent from Hispanic/Latino or Joint Hispanic or Latino applicant, while the aggregate is 5.3 percent. In 2016, there is an increase in applications from both racial and ethnic minorities.

The Credit Union received 766 HMDA reportable loan applications within the assessment area in 2015. Of the applications received from racial and ethnic minority applicants, 57.0 percent resulted in originations, which is comparable to the aggregate percentage for minority applicants.

Overall, the Credit Union's minority application flow is considered reasonable.

## COMMUNITY DEVELOPMENT TEST

Align Credit Union demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. The Credit Union's responsiveness is best evidenced by their partnership with Community Teamwork, Inc. The Credit Union partnership involves active involvement with this organization by providing time and financial expertise. In addition, the Credit Union is further responsive by providing charitable donations to the organizations. Examiners considered the institution's capacity and the need and availability of such opportunities. Community development loans, investments and services were evaluated from the previous evaluation dated March 27, 2012 through March 13, 2017, the start date of the current examination.

### Community Development Loans

Align Credit Union originated 54 qualified community development loans totaling approximately $2.2 million during the evaluation period. The community development loans are for the purpose of community development to assist low- and moderate-income individuals, affordable housing, revitalizing or stabilizing LMI areas or for the purpose of economic development by financing small businesses. Below is a listing of the Credit Union's community development loans.

Over the period from 2014-2016, the Credit Union originated 48 Mass Save HEAT Loans totaling $335,000 to low- and moderate-income homeowners. These community development loans were for the purpose of both community services to low-and moderate-income borrowers and are responsive to the community development needs. As part of the Mass Save HEAT Loan program, eligible borrowers may obtain an unsecured interest-free HEAT Loan up to $25,000 with terms up to 7 years for the installation of energy efficient improvements. To be eligible for the program borrowers must own a 1-4 family home and have been approved by Mass Save after completing the Mass Save Home Energy Assessment.

In 2015, the Credit Union originated a small business loan for $450,000. The commercial loan was to purchase a mixed use property in Haverhill, MA. The property is in a low-income area and houses retail space and also multi-family residential space. The community development loan promotes an activity that revitalizes and stabilizes an LMI area. All rents are below market rents in both the residential and retail spaces.

In 2016, the Credit Union originated a $380,000 loan for a multi-family consisting of 11 affordable units in Lawrence. All units were listed as affordable and below the HUD fair market rent. The community development loan promotes affordable housing.

In 2015, the Credit Union refinanced a multi-family loan in the assessment area totaling $110,000. The five rental units have are considered below the market value and promote affordable housing.

The Credit Union originated a small business loan for $576,000 loan to purchase commercial space in a low income census tract in Lowell. The location occupies a market and also an art shop and café. This loan promotes revitalization and stabilization of a low-income area.

In 2014, the Credit Union originated a $220,00 loan to refinance existing property located in Lowell. This property houses retail space in a moderate-income area and promotes economic development purpose.

The Credit Union originated a loan in 2016, for $156,000. The loan was a for a multi-family property just outside the assessment area consisting of 5 units. All rents are considered below market rents. This loan promotes affordable housing.

**Qualified Investments**

Align Credit Union made approximately $247,000 in investments to organizations within the community from the period of March 27, 2012 through March 13, 2017. Of this amount, approximately 150 donations totaling $135,630 were considered qualified investments represented entirely by donations to charitable organizations that meet the definition of community development. Donations have increased slightly since the last examination. At the last examination, a total of 94 donations were provided in the community and $122,473 considered qualified for CRA purposes. Highlights of organizations where the Credit Union was responsive in the community are below.

Community Teamwork (CTI): Originally established in 1965 as part of the Economic Opportunity Act, they are comprised of a non-profit community action agency, a regional non-profit housing agency, and a community development corporation. CTI's mission is to reduce poverty by delivering vital services and collaborating with key stakeholders to create housing, education and economic opportunities. Operating in the Greater Lowell Region, CTI delivers resources for low-income individuals.

Merrimack Valley Food Bank (MVFB): The Merrimack Valley Food Bank, Inc. has been gathering, transporting, storing and distributing food to disadvantaged members of the community since 1991. Food is accessed by food pantries, shelters and meal programs and then given to approximately 65,000-70,000 low-and moderate-income individuals monthly.

D'Youville Life & Wellness: D'Youville Life & Wellness provides long- and short-term care solutions for seniors. It is Medicare/Medicaid certified and accredited by the Joint Commission on Accreditation of Healthcare Organizations. D'Youville is sponsored by the Sisters of Charity of Ottawa, a division of the Grey Nuns and they are an independent not-for-profit 501(c)(3) organization whose mission is to further the healing and care of seniors in a kind and compassionate manner and to serve the sick, aged, dying and marginalized of society, regardless of socio-economic status, and particularly to meet the needs of the poor.

The Arc: The Arc is a national organization with local chapters whose mission is to enhance the lives of individuals with intellectual and developmental disabilities and their families through advocacy and services based in the community that can include direct services such as case management, special needs trust planning, early intervention, supported employment, job training, transition planning, respite care, transportation, and supported living.

The Lowell Plan: A private non-profit economic development organization, the Lowell Plan's mission provides a forum for private and public sector leaders to discuss the city's economic, educational, and cultural development, and supports and advocates for partnership programs to advance the organization's goals to transform and improve the experience and reputation of the city. The organization supports activities directed to the economic development of the city and the downtown area.

**Community Development Services**

Since the prior examination, 12 individuals of the Credit Union's senior management participated in 121 instances of community service activities. The Credit Union tracks the individual employee community involvement by employee and associated volunteer organization(s). Management has devoted their time and financial expertise to organizations whose primary purpose is community development. During the exam period, there were 36 qualified organizations who benefited from the Credit Union's involvement. Several of these organizations are highlighted in the list below. These activities are responsive to the community and promote economic development and community development services towards low- and moderate-income individuals.

The Lowell Plan: A private non-profit economic development organization, the Lowell Plan's mission provides a forum for private and public sector leaders to discuss the city's economic, educational, and cultural development, and supports and advocates for partnership programs to advance the organization's goals to transform and improve the experience and reputation of the city. The organization supports activities directed to the economic development of the city and the downtown area. A Senior Vice President serves on the Board of Directors (5 years) and the Credit Union also made a qualified community development donation to this organization.

D'Youville Life & Wellness: D'Youville Life & Wellness provides long- and short-term care solutions for seniors. It is Medicare/Medicaid certified and accredited by the Joint Commission on Accreditation of Healthcare Organizations. Sponsored by the Sisters of Charity of Ottawa, it is an independent not-for-profit 501(c)(3) organization whose mission is to further the healing and care of seniors in a kind and compassionate manner and to serve the sick, aged, dying and marginalized of society, regardless of socio-economic status, and particularly to meet the needs of the poor. A Senior Vice President serves on the Board of Directors (3 years) and on the Finance Committee (3 years). The Credit Union also made a qualified community development donation to this organization.

The Boys and Girls Club of Lowell: The area Boys and Girls Club provides a traditionally underserved portion of the community with a variety of affordable social service programs ranging from academic assistance and health and wellness seminars, to job training and financial literacy. Donations and contributions are directed toward financial assistance for those that have a demonstrated need so no members of the community are turned away. A member of executive management from the Credit Union serves as on the Board of Directors (4 years) and the Finance Committee (2 years).

Investments in Youth Foundation: As a 501c3 nonprofit organization, the organization provides grants to other 501c3 groups that promote youth and adult involvement in ice skating sports. Priority is given for demonstrated financial need. A Senior Vice President of the Credit Union serves on the Board of Directors (11 years).

Elder Services of Merrimack Valley: Elder Services of Merrimack Valley is a non-profit organization serving elders and disabled adults and is a designated federal Area Agency on Aging (AAA), a state Aging Service Access Point (ASAP), and an elder protective service agency for the region. The organization promotes availability of programs and services to meet the diverse and changing lifestyle needs of older adults including caregiver support and respite programs. Assessment and referral services are provided to all regardless of income or need. A Senior Vice President of the Credit Union serves on the agency's Advisory Council (11 years).

Mill City Community Investments (MCCI): The organization's mission is to advance community revitalization and development in the Merrimack Valley by providing appropriate loan programs and technical assistance to low- and moderate-income communities. They provide small business loans and home improvement loans. One way they do this is by providing subordinate mortgages to help existing homeowners and new homebuyers with loans that are amortizing level-payment loans with terms of 10 or 20 years and may be financed for up to 100% of the after-rehab market value of the home and by considering customers with alternative credit history, low credit scores, or high DTI ratios. A Senior Vice President provides technical expertise by serving on the Loan Approval Committee.

Massachusetts Workforce Board Association (MWBA): MWBA is a business-led organization representing 16 member regional workforce boards, employers, representatives of labor, higher education, business and industry associations, economic development and workforce organizations to provide leadership in workforce development in each region across the Commonwealth. They do this through labor market analysis, industry partnerships, educational programs, policy advocacy, youth development and job placement. Most Career Center services are free of charge. A Credit Union Vice President serves on the Board of Directors (2 years).

Lowell Development and Finance Committee (LDFC): The LDFC is an innovative urban development organization with customized programs to advance the economic prospects of the community by the partnering of the local lending institutions, the city, and the Lowell National Historical Park. A Senior Vice President served on the Board of Directors (3 years).

**Financial Literacy Programs and Educational Seminars**

Align Credit Union employees facilitated financial literacy programs for students including junior high and high school to adults as well as local organizations, such as Community Teamwork, Inc. in Lowell. The programs are tailored for the audience's needs. The youth programs are designed to teach early on the importance of establishing good money habits, basic financial responsibility, saving and investing, budgeting, managing a checking account, paying for college, consideration of lifestyle and career choices, and job and interview skills. For adults, educational program topics include managing personal finances, budgeting, credit history, the home-buying process, how to pay for college, teaching your child about money, identity theft, and senior scams. During the examination period, there were approximately 18 financial literacy training events held at various locations throughout the assessment area.

There were 6 CU 4 Reality events held during the examination period. They occurred throughout schools in Lowell.

The Credit Union has conducted approximately 12 First-Time Home-Buyer Training courses through the Community Teamwork, Inc. (CTI) organization during the examination period. Attendees of the six-week course would learn about topics such as credit history, budgeting, and the home-buying process. Upon course completion, attendees receive a certificate making them eligible for MHFA low-interest loans and down-payment assistance in certain cities in MA.

# GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that
(1) Has as its primary purpose community development; and
(2) Except in the case of a wholesale or limited purpose bank:

(i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and

(ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

(1) Has as its primary purpose community development;
(2) Is related to the provision of <u>financial</u> services; and
(3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies**: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

(1) an unemployment rate of at least 1.5 times the national average;
(2) a poverty rate of 20 percent or more; or,
(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.
Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## 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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, 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 40 Market Street Lowell, MA."

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