

# **PUBLIC DISCLOSURE**

August 28, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Billerica Municipal Employees Credit Union  
Certificate Number: 66336

365 Boston Road,  
Billerica, Massachusetts 01821

Division of Banks  
1000 Washington Street, 10<sup>th</sup> 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 concerning the safety and soundness of this financial institution.

## INSTITUTION RATING

This document is an evaluation of the CRA performance of **Billerica Municipal Employees Credit Union (credit union)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency as of **August 28, 2023**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

An institution in the group has a satisfactory record of helping to meet the credit need of its assessment area, including low- and moderate-income borrowers, in a manner consistent with its resources and capabilities. The credit union's performance under this test is summarized below:

- Billerica Municipal Employees Credit Union's average net loan-to-share ratio (31.8 percent) is adequate given the institution's size, financial condition, and credit needs of its assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The credit union has not received any CRA-related complaints since the last CRA evaluation.

## SCOPE OF EVALUATION

### **General Information**

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks 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, 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 membership.

This evaluation covers the period from January 1, 2021, to the current evaluation dated August 28, 2023. Small Institution CRA procedures were used for the evaluation.

The evaluation references demographic and economic information from the 2015 American Community Survey (ACS) and the 2020 U.S. Census. Credit Union financial data reflects the June 30, 2023, Call Report.

Since the credit union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within a defined geographic area was not conducted. This evaluation was based on an analysis of the credit union's loan-to-share ratio, its performance in providing loans to individuals of various incomes, its response to CRA related complaints, and fair lending performance.

## DESCRIPTION OF INSTITUTION

### Background

Billerica Municipal Employees Credit Union is a state-chartered credit union founded in 1971. The credit union's membership is limited to those who are employees or retired employees of the town of Billerica and their families. As of June 30, 2023, the credit union has 1,205 members.

### Operations

The credit union maintains one office located at 365 Boston Road, Billerica, MA. The credit union's hours are Monday through Friday, 9:00 a.m. to 4:00 p.m.

The credit union offers basic savings and checking accounts, and various types of consumer loans, including auto and personal loans. The credit union does not originate mortgage products but maintains a referral relationship with Members Mortgage.

### Ability and Capacity

As of June 30, 2023, the credit union had total assets of approximately \$19.9 million, total shares and deposits of approximately \$16.2 million, and total loans of \$5.6 million. Since the previous evaluation, total assets increased by 36.3 percent, and total loans increased by 21.7 percent.

The credit union's primary loan portfolio is comprised of loans/lines of credit secured by a first lien on 1-4 family residential properties representing, 47.6 percent of all loans, followed by new and used auto loans at 40.6 percent. The following table provides additional details regarding the credit union's loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/2023</b>		
<b>Loan Category</b>	<b>\$</b>	<b>%</b>
All Other Unsecured Loans/Lines of Credit	425,104	7.6
New Vehicle Loans	1,515,157	27.0
Used Vehicle Loans	764,357	13.6
All Other Secured Non-Real Estate Loans/Lines of Credit	232,223	4.1
Loans/Lines of Credit Secured by a First Lien on a single 1-4 Family Residential	2,669,254	47.6
<b>Total Loans</b>	<b>5,606,095</b>	<b>100.0</b>
<i>Source: Credit Union Reports of Income and Condition</i>		

## DESCRIPTION OF ASSESSMENT AREA

Pursuant to 209 CMR 46.41(8), Billerica Municipal Employees Credit Union delineates its membership as its assessment area. According to the CRA regulation, an institution shall delineate one or more assessment areas where the institution will meet the credit needs and by which the Division of Banks will evaluate the institution's CRA performance. Credit Unions whose

membership by-laws provisions are not based upon geography are permitted to designate its membership as its assessment area.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table:

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2021 (\$120,200)	<\$60,100	\$60,100 to <\$96,160	\$96,160 to <\$144,240	≥\$144,240
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<i>Source: FFIEC</i>				

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **Loan-to-Share Ratio**

This performance criterion determines what percentage of the credit union’s share base is reinvested in the form of loans and evaluates its appropriateness. The average net loan-to-share ratio for the last eight quarters is adequate given the institution’s size and financial condition.

The credit union’s net loan-to-share ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 31.8 percent over the last eight calendar quarters from September 30, 2021, through June 30, 2023. The ratio ranged from a low of 28.5 percent as of June 30, 2022, to a high of 35.1 percent as of March 31, 2023.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Examiners focused on lending to low- and moderate-income members..

A sample of the credit union’s consumer loans was analyzed. Examiners selected a random sample of loans from 2021 and 2022. The sample consisted of personal unsecured, new and used auto, and share-secured loans.

In 2021, the credit union originated two loans to low-income borrowers and two loans to moderate-income borrowers within the sample of loans reviewed, with a majority of the dollar amount of loans being made to low- and moderate-income borrowers. In 2022, the credit union made a majority of its loans within the sample to low- and moderate-income borrowers by both number and dollar amount.

<b>Distribution of Consumer Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>		<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
Low					
2021		2	20.0	27,500	13.9
2022		1	10.0	35,400	18.0
Moderate					
2021		2	20.0	77,828	39.4
2022		6	60.0	110,325	56.1
Middle					
2021		4	40.0	46,167	23.4
2022		3	30.0	50,783	25.8
Upper					
2021		2	20.0	46,000	23.3
2022		0	0	0	0
Not Available					
2021		0	0	0	0
2022		0	0	0	0
<b>Totals</b>					
2021		<b>10</b>	<b>100.0</b>	<b>197,495</b>	<b>100.0</b>
2022		<b>10</b>	<b>100.0</b>	<b>196,508</b>	<b>100.0</b>

*Source: 1/1/2021 – 12/31/2022 Credit Union Data*

### **Response to Complaints**

The credit union has not received any CRA-related complaints since the last CRA evaluation; therefore, this criterion did not affect the CRA rating.

### **Fair Lending Policies and Procedures**

The Division of Banks provides comments regarding the institution's fair lending policies and practices pursuant to Regulatory Bulletin 1.3-106. Based on a review of the credit union's performance relative to fair lending policies and practices, no violations of anti-discrimination laws and regulations were identified.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, require all financial institution 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 (365 Boston Road, Billerica, Massachusetts 01821)."

[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.

## 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.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**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 credit union under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**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.

**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 Area (CBSA):** 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.

**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).

**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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**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 (e.g., 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.

**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.

**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 (also known as non-MSA):** 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.

**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 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.

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