

# **PUBLIC DISCLOSURE**

October 13, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Energy Credit Union  
Certificate Number: 66369  
156 Spring Street  
West Roxbury, Massachusetts 02132

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 **Energy Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **October 13, 2020**. 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 this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Energy Credit Union's performance under this test is summarized below:

- Energy Credit Union's average net loan-to-share ratio is reasonable given the institution's size, financial condition, and credit needs of its AA.
- A majority of the credit union's residential loans are inside the AA.
- The geographic distribution of loans reflects adequate dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, 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. Fair lending policies and procedures are adequate.

## SCOPE OF EVALUATION

### **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 AA, 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 membership.

Small Institution CRA procedures were used for the evaluation. The following criteria were considered: Loan-to-Share ratio, Lending Inside and Outside of the Assessment Area, Geographic Distribution, Distribution of Borrowers, and Response to CRA Complaints.

The evaluation references demographic and economic information from the 2010 United States (U.S.) Census, and the 2015 American Community Survey (ACS). Credit union financial data reflects the June 30, 2020 Call Report.

## **Loan Products Reviewed**

Examiners determined that the credit union's major product line is home mortgage loans. This conclusion considered the credit union's business strategy and the number and dollar volume of loans originated during the evaluation period.

Home mortgage lending data analyzed included full-year data from January 1, 2019 through December 31, 2019. Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the credit union, pursuant to HMDA. For 2019, the credit union reported 29 originations totaling \$8.4 million within the AA.

Examiners reviewed the number and dollar volume of home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals served.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Energy Credit Union, formerly known as Boston Gas Employees Credit Union, was incorporated in 1931 as a state chartered industrial credit union. The Credit Union's charter is currently a community credit union and is wholly cooperative, being organized solely for the promotion of thrift among its members by the accumulation of their savings and loaning of such accumulations to its members only for provident purposes.

The Credit Union is a designated low-income credit union by the Commissioner of Banks and in accordance with National Credit Union Administration (NCUA) standards. Eligibility is based in part due to the majority of the Credit Union's membership being low-income.

Energy Credit Union is open to those persons who (a) live or work in Suffolk or Norfolk Counties or in the communities of Waltham, Weston, Newton, Belmont, Lexington, Lincoln, Watertown, Burlington, Bedford, Billerica or Woburn, and (b) are employed by utility companies transmitting or selling natural gas in Massachusetts which include, but not limited to, the following companies: KeySpan Corporation, Boston Gas Company, Eastern Enterprises, or any entity which is 50% or more owned or controlled by any of the foregoing, as well as any company that may result from a merger with any of the foregoing and employees of the Credit Union. In addition, retirees of such entities, widows and widowers of employees of such entities and persons employed by organizations operated wholly by and for employees of such entities shall be eligible for membership. Also included in those eligible for membership shall be the family members of such members defined as spouses, children, siblings, parents, grandparents, grandchildren and in-laws. Persons not so eligible for membership may have joint accounts with members of the Credit Union for the purpose of deposit and withdrawal only. The credit union has 4,121 members as of June 30, 2020.

## Operations

The credit union's main office is located at 156 Spring Street in West Roxbury, Massachusetts, within a middle-income census tract. Since the previous evaluation, the Waltham "Bank at Work" branch, located in a middle-income census tract, inside a National Grid building was closed in late 2016. The branch had no public access. The free-standing ATM at Fargo Street, Seaport Center, Boston is closed. The main branch maintains an ATM.

Members have access to checking accounts, savings accounts, certificates of deposits, individual retirement accounts, and club accounts. Services offered include debit cards, debit/MasterCard, online banking, mobile banking, and bill pay. In addition to deposit accounts, credit union members can apply for mortgage loans, home equity loans and lines of credit, new and used auto loans, Mass Save HEAT loans, student loans, solar energy loans, personal lines of credit, and other consumer loans, and credit cards. Other services include a financial services suite for businesses, the discounted TruStage auto and home insurance program, direct deposit, and the "Energy Line" 24-hour bank-by-phone service. Members can use the credit union's website to apply for home mortgage, auto, MASS Save, and personal loans, and personal line of credit. The credit union is part of the SUM, MoneyPass and NYCE networks which allow members to perform ATM transactions, surcharge-free, at several thousand participating 24-hour ATMs.

Through the *Massachusetts Community & Banking Council: Basic Banking* program, the credit union offers a low cost checking and free savings accounts to those of moderate-income to establish banking relationships.

## Ability and Capacity

As of December 31, 2019, the credit union had total assets of approximately \$101.0 million, total shares and deposits of approximately \$84.7 million, and total loans of approximately \$64.0 million. The credit union is primarily a residential mortgage lender by dollar volume. Loans secured by first liens and junior liens on 1-4 family residential properties account for 72.2 percent of total loans. The following table illustrates the distribution of the credit union's loan portfolio.

<b>Loan Portfolio Distribution as of 6/30/2020</b>		
<b>Loan Category</b>	<b>\$</b>	<b>%</b>
Non-Federally Guaranteed Student Loans	2,438,176	3.8
All Other Unsecured Loans/Lines of Credit	6,111,250	9.6
New Vehicle Loans	5,415,291	8.5
Used Vehicle Loans	3,685,244	5.8
All Other Secured Non-Real Estate Loans/Lines of Credit	43,559	0.1
Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential Properties	40,724,074	63.7
Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	5,457,081	8.5
Commercial Loans/Lines of Credit Real Estate Secured	70,803	0.1
<b>Total Loans</b>	<b>63,945,478</b>	<b>100.0</b>

*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. The Credit Union’s AA did not change since the prior examination and contains all cities and towns located in Norfolk and Suffolk Counties as well as the following eleven cities and towns located in Middlesex County: Bedford, Belmont, Billerica, Burlington, Lexington, Lincoln, Newton, Waltham, Watertown, Weston, and Woburn. The following sections discuss demographic and economic information for the AA.

### **Economic and Demographic Data**

The AA includes 409 census tracts. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 48 low-income tracts,
- 79 moderate-income tracts,
- 131 middle-income tracts,
- 138 upper income tracts, and
- 13 tract without an income designation.

The following table illustrates select demographic characteristics of the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	409	11.7	19.3	32.0	33.7	3.2
Population by Geography	1,827,708	9.4	19.7	34.6	35.9	0.4
Housing Units by Geography	742,062	8.6	19.8	35.4	35.6	0.5
Owner-Occupied Units by Geography	376,580	2.8	12.9	38.4	45.5	0.3
Occupied Rental Units by Geography	320,187	15.0	27.4	32.4	24.5	0.8
Vacant Units by Geography	45,295	11.3	23.6	31.2	33.0	0.9
Businesses by Geography	149,236	5.2	12.0	32.2	49.8	0.8
Farms by Geography	2,041	1.7	9.1	37.0	52.1	0.1
Family Distribution by Income Level	412,039	23.6	15.1	17.8	43.5	0.0
Household Distribution by Income Level	696,767	27.0	13.5	15.3	44.3	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$454,073
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Gross Rent			\$1,356
			Families Below Poverty Level			8.5%
<i>Source: 2015 ACS and 2018 D&amp;B Data                      Due to rounding, totals may not equal 100.0%                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The updated Federal Financial Institutions Examination Council (FFIEC) 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>Boston, MA Median Family Income (14454)</b>				
2019 (\$105,500)	<\$52,750	\$52,750 to <\$84,400	\$84,400 to <\$126,600	≥\$126,600
<b>Cambridge-Newton-Framingham, MA Median Family Income (15764)</b>				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
<i>Source: FFIEC</i>				

**Competition**

The AA is located in a highly competitive market for home mortgage loans. There is a high level of competition for home mortgage loans among credit unions, banks, and non-depository lenders. Large national banks, non-depository lenders and several state-chartered community banks and credit unions ranked above Energy Credit Union.

**CONCLUSIONS ON PERFORMANCE CRITERIA**

**LENDING TEST**

Energy Credit Union exhibited satisfactory performance under the Lending Test.

**Loan-to-Share Ratio**

This performance criterion determines what percentage of the credit union’s share base is reinvested in the form of loans. The average net loan-to-share ratio is reasonable given the institution’s size, financial condition, and AA credit needs.

The credit union’s net LTS ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 80.4 percent over the past eight calendar quarters from September 30, 2018 through June 30, 2020. The ratio was 85.2 percent as of December 31, 2019, and decreased slightly to 75.5 percent as of June 30, 2020.

The credit union’s average LTS ratio over the previous eight quarters was compared to that of three similarly situated institutions. The institution selection is based on asset size, geographic location, and lending focus. Energy Credit Union’s average LTS ratio is above those of the three institutions. Please refer to the following table.

<b>Loan-to-Share Ratio Comparison</b>		
<b>Institution</b>	<b>Total Shares (\$)</b>	<b>Average LTS Ratio (%)</b>
Brotherhood Credit Union	106,676,553	69.7
River Works Credit Union	104,105,541	73.1
Worcester Credit Union	83,873,380	76.5
<b>Energy Credit Union</b>	<b>100,759,265</b>	<b>80.4</b>
<i>Source: Reports of Income and Condition 09/01/2018 through 6/30/2020</i>		

### **Assessment Area Concentration**

The Credit Union made a majority (52.7 percent) of home mortgage loans by number and dollar volume within its AA.

### **Geographic Distribution**

Considering the credit union’s AA demographics, aggregate data, and performance context factors, the distribution of home mortgage loans reflects adequate penetration in low- and moderate-income geographies.

The credit union did not originate any home mortgage loans within low-income census tracts. Energy Credit Union originated 3.4 percent of its 2019 HMDA reportable loans within moderate-income census tracts. This number is below aggregate and demographic performance.

The credit union serves their low- and moderate-income members by offering and referring FHA, VA, USDA and adjustable rate loans through third-party relationships.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	2.8	3.4	0	0.0	0	0.0
Moderate						
2019	12.9	14.2	1	3.4	75	0.9
Middle						
2019	38.4	37.8	10	34.5	2,592	30.7
Upper						
2019	45.5	44.2	18	62.1	5,773	68.4
Not Available						
2019	0.3	0.4	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>8,440</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available; Due to rounding, totals may not equal 100.0%</i>						

## **Borrower Profile**

The distribution of home mortgage loans reflects reasonable penetration to individuals of different income levels.

The credit union originated 3.4 percent of its loans to low-income borrowers, which was in-line aggregate performance of 3.5 percent. The credit union originated 6.9 percent of its loans to moderate-income borrowers, which was below the aggregate at 13.5 percent. Please refer to the table below for more information.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	23.6	3.5	1	3.4	312	3.7
Moderate						
2019	15.1	13.5	2	6.9	508	6.0
Middle						
2019	17.8	21.2	11	37.9	2,669	31.6
Upper						
2019	43.5	49.1	15	51.7	4,952	58.7
Not Available						
2019	0.0	12.7	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>8,440</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

## **Response to Complaints**

The credit union did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

## **Discriminatory of Other Illegal Credit Practices**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify any violations of anti-discrimination laws and regulations.

## 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 AA;
- 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 156 Spring Street, West Roxbury, MA 02132"

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

- 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.