

PUBLIC DISCLOSURE

August 26, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FREEDOM CREDIT UNION
Certificate Number: 66824

1976 Main Street
SPRINGFIELD, MA 01101

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 concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

This document is an evaluation of the CRA performance of **Freedom Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **August 26, 2019**. 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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Freedom Credit Union's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and the Community Development Test primarily supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the credit union's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The Loan-to-Share (LTS) ratio is adequate given the institution's size, financial condition, and assessment area credit needs.
- The credit union made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects good penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test ratings.
- Fair Lending policies and practices are adequate.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate.
- Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from January 1, 2017 to the current evaluation dated, August 26, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Freedom Credit Union's performance. These procedures include two tests: the Lending Test and the Community Development Test.

The evaluation references demographic and economic information from the 2015 American Community Survey (ACS), and the U.S. Bureau of Labor Statistics (BLS). Credit union financial data reflects the June 30, 2019 Consolidated Reports of Condition and Income (Call Report).

The Lending Test considered the institution's performance according to the following criteria.

- Loan-to-share ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services.
- The responsiveness of such activities to the community development needs of the assessment area.

Credit unions must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the credit union's major product line is home mortgage lending, representing 71.2 percent of the loan portfolio as of June 30, 2019. This conclusion considered the credit union's business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners did not consider other product lines, such as commercial and consumer loans, due to the low volume and the small portion of the loan portfolio represented by these loan types.

This evaluation considered all originated home mortgage loans reported on the credit union's 2017 and 2018 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The LARs contain data about home purchase and home improvement loans, refinances of one-to-four family, and multi-family properties. In 2017, Freedom Credit Union reported 270 loans totaling \$36.7 million. In 2018, the credit union reported 350 loans totaling approximately 48.8 million. Examiners compared the credit union's 2017 home mortgage lending performance against the aggregate. Additionally, examiners compared the credit union's 2017 and 2018 performance to 2015 ACS data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals served.

For the Community Development Test, management provided data on community development loans, qualified investments, and community development services since January 1, 2017.

DESCRIPTION OF INSTITUTION

Background

Freedom Credit Union is a Massachusetts state-chartered credit union with its main office located at 1976 Main Street, Springfield, MA. According to the credit union's bylaws, membership is available to those who are employed by companies whose primary business is telecommunication, or persons employed by organizations operated wholly by and for such employees, and those who work, reside, or attend school in the Hampden, Hampshire, Franklin or Berkshire Counties and their immediate families.

During the evaluation period, Freedom Credit Union merged with West Springfield Federal Credit Union located at 58 Union Street, West Springfield, MA. The date of the merger was March 23, 2019.

The Division and the National Credit Union Administration (NCUA) designate the credit union as a Low-Income Credit Union (LICU). A LICU is one in which a majority of its membership (50.1 percent) qualify as low-income members. Low-income members are those who earn 80 percent or less than the median family income or total median earnings for individuals for the metropolitan area where they live, or the national metropolitan area, whichever is greater.

Operations

Including its main office, the credit union operates 11 full-service branches located in Springfield (3), Feeding Hills, Ludlow, Chicopee, Easthampton, Northampton, Turner Falls, Greenfield, and West Springfield. In 2019, the credit union acquired its newest branch located in a moderate-income tract in West Springfield through its merger with West Springfield Federal Credit Union. Freedom Credit Union did not close any branches during the evaluation period.

The credit union's business hours are generally consistent at all branches. The exception is the credit union's branch located at the Roger L. Putnam Vocational Technical Academy in Springfield, which has shorter hours of operation and is only open during the school year.

The credit union offers drive up services at all branches except at the branch located in the Roger L. Putnam Vocational Technical Academy. The credit union offers an ATM at all 11 branch locations, and is a member of the Allpoint ATM Network. Allpoint ATMs are surcharge free for Freedom Credit Union members.

The credit union offers the following consumer products and services to its members: checking accounts, savings accounts, money market accounts, certificates of deposit, individual retirement accounts, mortgage loans, home equity loans and lines of credit, home improvement loans, vehicle loans, personal loans, credit cards, and student loans. Business products and services include savings accounts, checking accounts, money market accounts, term loans, Small Business Administration (SBA) loans, vehicle loans, lines of credit, and credit cards. Other services include mobile banking, online banking with bill pay, and electronic statements.

Ability and Capacity

As of June 30, 2019, the credit union had total assets of \$505.2 million and total shares of \$384.3 million. Total loans totaled \$364.3 million and represented 72.1 percent of total assets.

The credit union is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in the table below, approximately 57.1 percent of the loans are secured by first lien 1-4 family residential properties, followed by commercial loans/lines of credit secured by real estate at 15.8 percent. The following table illustrates the current distribution of the loan portfolio.

Loan Distribution as of June 30, 2019		
Loan Type	Dollar Amount (\$)	Percent of Total Loans (%)
Unsecured Credit Card Loans	418,451	0.1
Non-Federally Guaranteed Student Loans	539,428	0.1
All Other Unsecured Loans/Lines of Credit	4,158,601	1.1
New Vehicle Loans	6,208,141	1.7
Used Vehicle Loans	28,172,112	7.7
Leases Receivable	0	0.0
All Other Secured Non-Real Estate Loans/Lines of Credit	1,282,082	0.4
Loans/Lines of Credit Secured by 1 st Lien 1-4 Family Residential Properties	207,915,358	57.1
Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	51,317,714	14.1
All Other Real Estate Loans/Lines of Credit	0	0.0
Commercial Loans/Lines of Credit Real Estate Secured	57,505,680	15.8
Commercial Loans/Lines of Credit Not Real Estate Secured	6,742,744	1.9
Total Loans	364,260,311	100.0
<i>Source: 5300 Report, Statement of Financial Condition as of June 30, 2019</i>		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Freedom Credit Union designated its assessment area to include the Massachusetts counties of Hampden, Hampshire, and Franklin. The assessment area is unchanged since the previous examination. The following sections discuss economic and demographic information, as well as the assessment area's credit needs.

Economic and Demographic Data

The following bullets group the assessment area's municipalities by county:

- **Hampden County:** Agawam, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Monson, Palmer, Springfield, Southwick, West Springfield, Westfield, and Wilbraham
- **Hampshire County:** Amherst, Belchertown, Easthampton, Granby, Hadley, Hatfield, Northampton, Pelham, South Hadley, Southampton, Ware, Westhampton, and Williamsburg.
- **Franklin County:** Bernardston, Colrain, Conway, Deerfield, Gill, Greenfield, Leyden, Montague, Northfield, Shelburne, Sunderland, and Whately.

The assessment area's 147 census tracts reflect the following income designations according to the 2015 ACS data:

- 25 low-income tracts,
- 23 moderate-income tracts,
- 50 middle-income tracts,
- 45 upper-income tracts, and
- 4 tracts with no income designation

The low-income census tracts are located in Holyoke (eight), Greenfield (one), and Springfield (sixteen). The moderate-income census tracts are located in Chicopee (six), Ludlow (one), Montague (one), Springfield (twelve), Ware (one), West Springfield (one), and Westfield (one).

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)	147	17.0	15.6	34.0	30.6	2.7
Population by Geography	662,059	14.0	15.2	35.3	32.8	2.7
Housing Units by Geography	270,266	13.7	15.8	38.3	32.0	0.1
Owner-Occupied Units by Geography	155,746	4.7	12.3	40.4	42.6	0.0
Occupied Rental Units by Geography	94,459	27.1	20.6	35.7	16.3	0.3
Vacant Units by Geography	20,061	20.4	20.9	35.0	23.2	0.4
Businesses by Geography	38,692	13.6	14.9	34.5	36.2	0.8
Farms by Geography	1,330	2.2	5.6	44.3	47.7	0.2
Family Distribution by Income Level	157,444	24.6	16.1	18.3	41.0	0.0
Household Distribution by Income Level	250,205	27.2	14.8	15.8	42.2	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$209,390
Median Family Income Non-MSAs – MA		\$73,868	Median Gross Rent			\$858
			Families Below Poverty Level			11.9%
Source: 2015 ACS Census Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

The FFIEC-updated median family income level was used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2017 and 2018 FFIEC-updated median family income for the Springfield, MA MSA and the portion of the Assessment Area not within a MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
2018 (\$73,900)	<\$36,950	\$36,950 to <\$59,120	\$59,120 to <\$88,680	≥\$88,680
MA NA Median Family Income (99999)				
2017 (\$80,000)	<\$40,000	\$40,000 to <\$64,000	\$64,000 to <\$96,000	≥\$96,000
2018 (\$80,700)	<\$40,350	\$40,350 to <\$64,560	\$64,560 to <\$96,840	≥\$96,840
<i>Source FFIEC</i>				

BLS data indicated that the 2018 year-end unemployment rate was 2.5 percent in Franklin County, 3.7 percent in Hampden County, and 2.3 percent in Hampshire County. The Massachusetts unemployment rate was 2.7 percent as of year-end 2018.

Competition

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2017, 317 lenders reported 15,471 originated or purchased residential mortgage loans. Freedom Credit Union ranked 22nd out of this group with a 1.6 percent market share. Many of the lenders ranked ahead of Freedom Credit Union were large national banks, non-depository lenders, and credit unions.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help assess credit and community development needs. The information obtained helps examiners determine whether local financial institutions are responsive to these needs and what credit and community development opportunities, if any, are available.

Examiners contacted a representative of a community development organization that serves western Massachusetts. The contact noted a need for financial institutions to offer financial literacy programs and services. The contact noted that one of the major blocks for their clients was a lack of understanding of credit. The contact suggested that an increase in financial literacy classes, especially online offerings, would prove to be a major benefit to the area. The contact also noted that financial institutions could benefit the area by increasing consideration of alternative credit histories.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Freedom Credit Union demonstrated reasonable performance under the Lending Test. The credit union's performance under the LTS ratio and Geographic Distribution criteria primarily supports this conclusion.

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 since the previous evaluation is adequate given the institution's size, financial condition, and assessment area credit needs.

The credit union's net LTS ratio, as calculated from NCUA 5300 Quarterly Call Report data, averaged 87.5 percent over the past eight calendar quarters from September 30, 2017 through June 30, 2019. The ratio ranged from a low of 81.8 percent on March 31, 2018, to a high of 95.7 percent on December 31, 2018, having shown an increasing trend during the evaluation period.

The credit union's average net LTS ratio over the previous eight quarters was compared to that of two similarly situated institutions. The institution selection is based on asset size, geographic location and lending focus. Freedom Credit Union's average net LTS ratio is below those of the two similarly situated institutions.

Loan-to-Share Ratio Comparison		
Institution	Total Assets as of 6/30/19 \$(000s)	Average Net LTS Ratio (%)
Freedom Credit Union	505,166	87.5
Polish National Credit Union	620,043	96.1
Leominster Credit Union	727,531	109.3
Source: NCUA Form 5300 Call Report Data		

Assessment Area Concentration

The credit union made a substantial majority of its home mortgage loans, by both number and dollar amount, within the assessment area. The following table captures the credit union's performance by both number of loans and total dollar amount for 2017 and 2018 home mortgage lending.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	240	88.9	30	11.1	270	32,104	87.4	4,623	12.6	36,727
2018	318	90.9	32	9.1	350	42,910	87.9	5,900	12.1	48,810
Total	558	90.0	62	10.0	620	75,014	87.7	10,523	12.3	85,537
Source: Evaluation Period: 1/1/2017 - 12/31/2018 Credit Union Data Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Although examiners compared the credit union's lending performance to aggregate and demographic data, examiners placed more weight on the comparisons to aggregate data. The aggregate data provides a better indicator of the opportunities and demand in the assessment area.

In 2017, lending in both low- and moderate-income census tracts was comparable to the aggregate. The credit union showed an upward trend in lending in both low- and moderate-income census tracts in 2018.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.7	5.3	12	5.0	1,251	3.9
2018	4.7	--	18	5.7	2,580	6.0
Moderate						
2017	12.3	13.8	34	14.2	5,696	17.7
2018	12.3	--	52	16.4	6,480	15.1
Middle						
2017	40.4	40.2	113	47.1	13,830	43.1
2018	40.4	--	134	42.1	17,420	40.6
Upper						
2017	42.6	40.6	81	33.8	11,327	35.3
2018	42.6	--	114	35.9	16,430	38.3
Totals						
2017	100.0	100.0	240	100.0	32,104	100.0
2018	100.0	--	318	100.0	42,910	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Credit Union Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Borrower Profile

The distribution of borrowers reflects good penetration among individuals of different income levels. Examiners emphasized performance compared to the aggregate.

The following table shows that in 2017, lending to low-income borrowers exceeded aggregate performance and was below demographics. In 2018, lending to low-income borrowers increased, but was still below demographics. The demand and opportunity of lending to low-income families is relatively limited. Approximately 11.9 percent of families in the assessment area have incomes below the poverty level, a sub-set of the low-income category. In addition, a low-income family in the assessment area would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$209,390.

Freedom Credit Union's lending to moderate-income borrowers in 2017 was above both the aggregate and demographics. In 2018, the credit union's lending to moderate-income borrowers increased as a percentage of total originations.

Market share data correlates with the credit union's performance compared to the aggregate. In 2017, the credit union ranked 13th out of 122 lenders in originating loans to low-income borrowers, with a 2.1 percent market share. The credit union ranked 14th out of 163 lenders in originating loans to moderate-income borrowers, with a 2.0 percent market share.

In discussions with management, it was suggested that the performance could be explained, in part, by the credit union's emphasis on first time homebuyer counseling and the emphasis of mortgage products such as Mass Housing's ONE Mortgage program and the FHLB's Equity Builder program.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	24.6	5.5	18	7.5	1,769	5.5
2018	24.6	--	33	10.4	3,135	7.3
Moderate						
2017	16.1	19.2	58	24.2	6,555	20.4
2018	16.1	--	86	27.0	10,290	24.0
Middle						
2017	18.3	23.3	76	31.7	9,846	30.7
2018	18.3	--	84	26.4	11,020	25.8
Upper						
2017	41.0	36.9	81	33.8	10,785	33.6
2018	41.0	--	105	33.0	13,735	32.0
Not Available						
2017	0.0	15.1	7	2.9	3,149	9.8
2018	0.0	--	10	3.1	4,730	11.0
Totals						
2017	100.0	100.0	240	100.0	32,104	100.0
2018	100.0	--	318	100.0	42,910	100.0
Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Credit Union Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

Response to CRA-related Complaints

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

Fair Lending Policies and Procedures

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, no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified during this evaluation.

MINORITY APPLICATION FLOW

The credit union's HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial groups within the credit union's assessment area was reflective of the assessment area's demographics.

According to 2017 demographic data, the credit union's assessment area contained a total population of 662,059 of which 28.8 percent are minorities. The assessment area's minority and ethnic population is 6.2 percent Black/African American, 2.9 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 17.6 percent Hispanic or Latino and 2.0 percent other.

In 2017, the credit union received 415 HMDA reportable loan applications from within its assessment area. Of these applications, 31 or 7.5 percent were received from racial minority applicants, of which 17 or 54.8 percent resulted in originations. For the same period, the Bank also received 70 or 16.9 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 53 or 75.7 percent resulted in originations. The 2017 aggregate received 7.7 percent of loan applications from minority applicants of which 57.9 percent were originated. For the same period, the aggregate received 9.3 percent from Hispanic applicants of which 60.2 percent were originated.

In 2018, the Bank received 511 HMDA reportable loan applications from within its assessment area. Of these applications, 47 or 9.2 percent were received from racial minority applicants, of which 27 or 90.9 percent resulted in originations. There were 93 or 18.2 percent of applications received from Hispanic applicants and 53 or 60.0 percent were originated.

The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders in the assessment area.

MINORITY APPLICATION FLOW					
RACE	HMDA 2017		HMDA Aggregate 2017	HMDA 2018	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.4	1	0.2
Asian	6	1.5	1.9	6	1.2
Black/ African American	22	5.3	3.9	29	5.7
Hawaiian/Pacific Islander	1	0.2	0.3	2	0.4
2 or more Minority	0	0.0	0.1	3	0.6
Joint Race (White/Minority)	2	0.5	1.2	6	1.2
Total Minority	31	7.5	7.7	47	9.2
White	344	82.9	70.4	407	79.7
Race Not Available	40	9.6	21.8	57	11.2
Total	415	100.0	100.0	511	100.0
ETHNICITY					
Hispanic or Latino	62	14.9	8.0	90	17.6
Not Hispanic or Latino	307	74.0	69.4	362	70.8
Joint (Hisp/Lat /Not Hisp/Lat)	8	1.9	1.2	3	0.6
Ethnicity Not Available	38	9.2	21.3	56	11.0
Total	415	100.0	100.0	511	100.0

COMMUNITY DEVELOPMENT TEST

The credit union demonstrated adequate responsiveness to the community development needs of the assessment area through community development loans, charitable donations, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

The credit union originated two community development loans totaling approximately \$1.1 million. The following describes the community development loans:

- In 2017, the credit union extended a loan totaling \$800,000 to finance the construction of a housing project consisting of two single-story housing buildings. A majority of the units created will be affordable housing units.
- In 2018, the credit union extended a \$250,000 line of credit to a Community Development Financial Institution providing small business loans and business assistance to low- and moderate-income residents in the Western Massachusetts region.

Qualified Investments

During the examination period, the credit union made 116 qualified donations and grants totaling approximately \$143,000 in the combined assessment area.

Below are notable examples of the credit union's donations.

- **Valley Community Development Corporation (CDC)** - this organization's mission is to empower low- and moderate-income individuals and underserved populations manage and improve the quality of their lives. The organization focuses on three aspects of community

development; small business development, affordable housing development, and housing services that include first time homebuyer workshops and foreclosure prevention.

- **New North Citizen Council-** this social service agency offers a variety of services to low- and moderate-income at-risk youth in Springfield, MA. Services include GED training, re-entry for juvenile offenders, English as a Second Language courses, family planning, and home visits.
- **Springfield Partners for Community Action-** this Community Action Agency reaches underserved, economically-disadvantaged communities through various programs such as asset development, housing and energy conservation, youth and family services, and veteran services.
- **Wayfinders-** this organization administers various services to help individuals lift themselves out of homelessness. Services include emergency housing, homebuyer education, employment support, and community engagement. Wayfinders serves western Massachusetts including Hampshire and Hampden counties.

Community Development Services

During the evaluation period, credit union employees provided 49 instances of financial expertise or technical assistance to 15 different community development organizations in the combined assessment area. The credit union's community development services consisted of board involvement and the provision of financial literacy and education seminars.

The tables below summarize the credit union's community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	5	8	1	1	15
2018	6	10	2	1	19
YTD 2019	3	9	2	1	15
Total	14	27	5	3	49
<i>Source: Credit Union Records</i>					

- **Greater Springfield Habitat for Humanity-** this organization's mission is to provide homeownership opportunities to low-income families. Each Habitat for Humanity partner family participates in the construction of their home, and financing is in the form of zero percent interest mortgages. The credit union's Marketing Officer serves as a Board Member of the organization.
- **Develop Springfield-** formed in 2008, this organization's mission is to advance development and redevelopment projects, stimulate and support economic growth, and expedite the revitalization process within the City of Springfield. The credit union's President and CEO serves as a Board Member of the organization.
- **Gray House-** this social service agency is located in a low-income tract in Springfield. Its mission is to provide food, clothing, and educational services to those in need. The credit union's VP of Commercial Lending serves as Board Member of the organization.

- **Big Brothers Big Sisters of Hampden County**- this organization provides mentoring services to at-risk youth. Many of the individuals served live in single parent households, grow up in poverty, or cope with parental incarceration. The credit union's CFO serves on the organization's Finance Committee.

Financial Education and Outreach

- Throughout the evaluation period, credit union employees taught students about banking and participated at Credit for Life Fairs at schools located throughout the assessment area, including the Mary Walsh School and St Michael's School in Springfield.
- Throughout the evaluation period, credit union employees presented at 10 first time homebuyer classes. These classes were held in conjunction with community development organizations that serve low- and moderate-income individuals. These organizations included Springfield Partners for Community Action, Wayfinders, Holyoke Housing Authority, and the Valley Community Development Corporation (CDC).

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 financial 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 requires 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 (1976 Main Street, Springfield, MA 01101)."

[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.