

# **PUBLIC DISCLOSURE**

February 19, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**HVERHILL FIRE DEPARTMENT CREDIT UNION**  
**Certificate Number: 67710**

**75 KENOZA AVENUE**  
**HVERHILL, MASSACHUSETTS 01830**

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Haverhill Fire Department Credit Union (Credit Union) prepared by the Division of Banks, the institution's supervisory agency, as of December 17, 2018. The Division of Banks rates the CRA performance of the Credit Union as per the provisions set forth in 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 members, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

The following items summarize the Credit Union's performance.

- The average loan-to-share (LTS) ratio of 40.3 percent is reasonable given the institution's size, financial condition, and credit needs of its membership.
- The distribution of consumer loans to borrowers of different income levels is reasonable.
- The institution did not receive any CRA-related complaints during the evaluation period.

The Credit Union was last examined for CRA compliance on May 21, 2013. The examination resulted in a rating of "Satisfactory."

## DESCRIPTION OF INSTITUTION

### **Background**

Haverhill Fire Department Credit Union is a co-operative financial institution first chartered by the Commonwealth of Massachusetts in 1933. Its membership is limited to any person who works as a public safety employee, present or retired, or is his or her immediate family member, and resides in northern Essex County. The Credit Union had 1,176 members as of December 31, 2018.

### **Operations**

The Credit Union is located at 75 Kenoza Avenue, Haverhill, Massachusetts, in a low-income census tract. Business hours are from 8 AM to 2 PM on Monday through Friday.

The Credit Union offers the following products and services to its members: checking and savings accounts; certificates of deposit; personal, secured, new and used auto, home improvement, recreational vehicle, and debt consolidation loans; and home equity lines of credit. In addition, it offers online banking and bill pay, ATM and debit cards, and 24 hour telephone banking services.

### **Ability and Capacity**

As of December 31, 2018, the Credit Union had total assets of \$17.8 million, total shares of \$15.5 million, and total loans of \$5.9 million. Total loans represented approximately 33.1 percent of total assets.

The Credit Union is primarily a consumer lender by dollar volume. Unsecured, secured, and vehicle loans account for 57.5 percent of the Credit Union’s total loans as of December 31, 2018. Loans secured by residential properties account for 42.5 percent of total loans. Pursuant to 209 CMR 46.22(1)(a), because consumer lending constitutes a substantial majority of the Credit Union’s business, examiners sampled motor vehicle, other secured, and other unsecured consumer loans.

The following table illustrates the distribution of the Credit Union’s loan portfolio.

<b>Loan Distribution as of December 31, 2018</b>		
<b>Loan Type</b>	<b>\$</b>	<b>%</b>
Unsecured Loans/Lines of Credit	682,020	11.6
New Vehicle Loans	1,571,765	26.8
Used Vehicle Loans	632,182	10.8
Secured Non-Real Estate Loans/Lines of Credit	480,311	8.2
Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential Properties	2,159,167	36.9
Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	328,859	5.7
<b>Total Loans</b>	<b>5,854,304</b>	<b>100.0</b>
<i>Source: NCUA 5300 Report, Statement of Financial Condition as of December 31, 2018</i>		

## **DESCRIPTION OF ASSESSMENT AREA**

In accordance with 209 CMR 46.41(8), Haverhill Fire Department Credit Union delineates its membership as its assessment area. According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will meet the credit needs and by which the Division 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. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted. This evaluation was based upon an analysis of the Credit Union’s Loan-to-Share ratio; its performance in providing loans to individuals of various incomes, including low- to moderate-income members; the Credit Union’s response to CRA complaints; and fair lending performance.

Examiners used the 2017 and 2018 FFIEC estimated median family income levels to analyze consumer loans under the Distribution of Credit Among Different Income Levels criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Cambridge-Newton-Framingham, Massachusetts MD, within which the geographic area of the Credit Union’s field of membership is located.

<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 MD Median Family Income (15764)</b>				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<i>Source: FFIEC Due to rounding, totals may not equal 100.0</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. This ratio is based on total loans as a percentage of total shares. The LTS ratio is reasonable given the Credit Union’s size, financial condition, and the credit needs of its members.

The Credit Union’s LTS ratio, as calculated from NCUA quarterly call report data, averaged 40.3 percent over the past eight quarters from March 31, 2017 through December 31, 2018. The ratio ranged from a low of 37.6 percent as of December 31, 2018, to a high of 43.6 percent as of March 31, 2017, having remained relatively consistent during the evaluation period. Over the past eight quarters, total loans decreased by 12.2 percent, assets increased by 1.8 percent, and shares increased by 1.7 percent.

### **Distribution of Credit Among Different Income Levels**

The distribution of consumer loans to borrowers of different income levels is reasonable.

A sample of the Credit Union’s consumer loans was analyzed. Examiners selected a sample of 10 loans from 2017 and 10 loans from 2018.

In 2017, a majority of the Credit Union’s sampled consumer loans, by both number and dollar volume, were originated to moderate-income borrowers. 60 percent of the sampled loans, accounting for 50.3 percent of total dollar volume, were made to moderate-income borrowers. 20 percent of the sampled loans, accounting for 27.1 percent of total dollar volume, were made to low-income borrowers.

Lending to low- and moderate-income borrowers decreased in 2018. Of the sampled consumer loans, one loan accounting for 4.7 percent of total dollar volume, was made to a low-income borrower. Two loans accounting for 6.3 percent of total dollar volume were made to moderate-income borrowers.

Refer to the table below for the distribution of consumer loans by borrower income.

<b>Distribution of Consumer Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>		<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Low</b>					
	2017	2	20.0	36,000	27.1
	2018	1	10.0	8,591	4.7
<b>Moderate</b>					
	2017	6	60.0	66,738	50.3
	2018	2	20.0	11,320	6.3
<b>Middle</b>					
	2017	1	10.0	15,000	11.3
	2018	5	50.0	125,529	69.2
<b>Upper</b>					
	2017	1	10.0	15,000	11.3
	2018	2	20.0	35,988	19.8
<b>Total</b>					
	<b>2017</b>	<b>10</b>	<b>100.0</b>	<b>132,738</b>	<b>100.0</b>
	<b>2018</b>	<b>10</b>	<b>100.0</b>	<b>181,427</b>	<b>100.0</b>
<i>Source: Credit Union Records</i>					

### **Response to Complaints**

The Credit Union did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the 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 public comment file and its performance relative to fair lending practices, no violations of the anti-discrimination laws and regulations were identified.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 75 Kenoza Avenue, Haverhill, MA 01830."

- 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.