

PUBLIC DISCLOSURE

August 24, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Holyoke Credit Union
Certificate Number: 67875
490 Westfield Road
Holyoke, Massachusetts 01040

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.

INSTITUTION RATING

This document is an evaluation of the CRA performance of **Holyoke Credit Union (credit union)** prepared by the Division, the institution's supervisory agency. 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 individuals, in a manner consistent with its resources and capabilities. Holyoke Credit Union's performance under this test is summarized below:

- Holyoke Credit Union's average net loan-to-share ratio is reasonable given the institution's size, financial condition, and credit needs of its assessment area.
- The credit union made a substantial majority of home mortgage loans, by number and dollar volume, within its assessment area.
- The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, less than 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 ("Division") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the 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 the prior evaluation dated July 7, 2014, to the current evaluation dated August 24, 2020. Small Institution CRA procedures were used for the evaluation. The following criteria were considered: Loan-to-Share Analysis, Lending Inside and Outside of the Assessment Area, Geographic Distribution, Borrower's Characteristics and Response to CRA Complaints.

The evaluation references demographic and economic information from 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 data from January 1, 2018 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 2018, the credit union reported 223 originations totaling \$32.3 million within the assessment area. For 2019, the credit union reported 244 originations totaling \$37 million within the assessment area.

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

Holyoke Credit Union was founded in 1911, as a Massachusetts state-chartered credit union. The purpose of the credit union is to promote thrift among its members by the accumulation of savings and the lending of such accumulation to its members for provident purposes at a moderate rate of interest. According to the credit union's bylaws, "membership is available to anyone who lives or works in Hampden or Hampshire Counties in Massachusetts." Holyoke Credit Union has received a low-income designation from the NCUA and the Division of Banks. As of June 30, 2020 the credit union had 21,403 members.

Operations

The main office is located at 490 Westfield Road in Holyoke, an upper-income census tract. In addition to its main office, the credit union operates two full-service branch offices located in West Springfield and Agawam. Both branches are located in middle-income census tracts. Business hours are from 9:00 a.m. to 6:00 p.m. with extended hours on Thursday until 7:00 p.m. The main office and West Springfield branch offer Saturday hours, from 9:00 a.m. to 3:00 p.m., as well as Sunday hours, from 10:00 a.m. to 2:00 p.m. The Agawam branch is open on Saturday's from 9:00 a.m. to 1:00 p.m. The main office and West Springfield branch have drive-up services. The credit union offers automated teller machines (ATM) and is a member of the SUM Network, a surcharge free ATM network.

Holyoke Credit Union is a full-service financial institution that offers a wide variety of products and services. Savings and checking accounts offered by the credit union include share savings accounts, money market deposit accounts, certificates of deposit, and IRA accounts. Home

financing programs include fixed rate and adjustable rate mortgages and home equity loans. Consumer loans include personal (unsecured) loans, new and used automobile loans, and credit cards. Other services offered by the credit union include online banking, ATM cards, debit card, direct deposit (payroll, pension and social security) and payroll deductions.

The credit union was last examined for CRA on July 7, 2014. The examination resulted in a CRA rating of High Satisfactory.

Ability and Capacity

As of June 30, 2020, the credit union had total assets of \$218.5 million and total shares of \$159.5 million. Total loans were \$122.7 million and represented 56.2 percent of total assets. The credit union's net loan-to-share ratio, as of the same date, was 76.9 percent. Since the last CRA evaluation, the credit union's assets have increased 54.1 percent, shares have increased 74.7 percent and net loans have increased 47.1 percent.

Total residential real estate credit accounts for 59.5 percent of the portfolio. Consumer lending accounts for the second largest portion of the loan portfolio at 24.8 percent.

Loan Portfolio Distribution as of June 30, 2020		
Loan Type	\$	%
Total First Lien 1-4 Family Real Estate Credit	46,329,698	37.7
Total Junior Lien 1-4 Family Real Estate Credit	25,832,002	21.1
Total Other Real Estate Credit	909,156	0.7
Total Residential Real Estate	73,070,856	59.5
Commercial Credit (Real Estate Secured)	17,754,751	14.5
Commercial Credit (Not Real Estate Secured)	1,451,077	1.2
Total Commercial Loans	19,205,828	15.7
Used Vehicle Loans	15,365,815	12.5
New Vehicle Loans	7,393,116	6.0
Total All Other Secured Loans/Lines of Credit	1,480,498	1.2
All Other Unsecured Loans/Lines of Credit	3,584,821	2.9
Unsecured Credit Card Loans	2,637,876	2.2
Total Consumer Loans	30,462,126	24.8
Total	122,738,810	100.0

Source: June 30, 2020 NCUA 5300 Call Report

There are no apparent financial or legal impediments that would limit the credit union's ability to help meet the credit needs of its assessment area.

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. Holyoke Credit Union designated assessment area includes the Springfield MA MSA. The credit union’s assessment area contains all the cities and towns located in Hampden County and Hampshire County. The assessment area as currently defined meets the technical requirements of the regulation as it includes whole geographies and does not arbitrarily exclude low- or moderate-income areas or expand beyond state boundaries.

Economic and Demographic Data

The credit union’s assessment area consists of 139 census tracts that reflect the following income designations, according to the 2015 ACS Census data:

- 24 low-income tracts,
- 22 moderate-income tracts,
- 41 middle-income tracts,
- 48 upper-income tracts, and
- 4 N/A tracts

The following table provides additional demographic and economic information pertaining to the credit union’s assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	17.3	15.8	29.5	34.5	2.9
Population by Geography	628,800	14.3	15.3	31.0	36.5	2.9
Housing Units by Geography	254,960	14.1	16.0	33.7	36.0	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	35.2	47.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.0	18.3	0.3
Vacant Units by Geography	19,429	20.9	20.7	30.6	27.4	0.4
Businesses by Geography	38,869	14.0	15.1	28.8	41.3	0.9
Farms by Geography	1,217	2.8	6.3	32.7	58.0	0.2
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Household Distribution by Income Level	235,531	27.1	14.5	15.5	42.9	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$209,221
			Median Gross Rent			\$856
			Families Below Poverty Level			12.0%

Source: 2015 ACS and 2019 D&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.*

The 2018 and 2019 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.

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)				
2018 (\$73,900)	<\$36,950	\$36,950 to <\$59,120	\$59,120 to <\$88,680	≥\$88,680
2019 (\$76,700)	<\$38,350	\$38,350 to <\$61,360	\$61,360 to <\$92,040	≥\$92,040
<i>Source: FFIEC</i>				

According to the 2015 ACS Census Data, the unemployment rate for the assessment area was 5.9 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of December 31, 2019, indicates that the unemployment rate across the assessment area averaged 3.8 percent over the evaluation period. The Hampden County unemployment rate at 4.6 percent, is above the Hampshire County unemployment rate of 3.1 percent. The state of Massachusetts had an overall unemployment rate of 3.3 percent. The assessment area’s higher unemployment rate relative to the state of Massachusetts, coupled with a high poverty rate of 12.0 percent, reflect a weaker economic profile. Such a profile may pose challenges for consumers to obtain home mortgages.

Competition

The credit union operates in a competitive market for credit and financial services. Deposit market share data provides an indicator of deposit competition. As of June 30, 2019, nineteen financial institutions operate 193 branch offices throughout the assessment area, Holyoke Credit Union ranks 13th among these institutions.

The credit union faces strong competition from other financial institutions that originate loans within the assessment area. The assessment area includes 408 institutions that originated 24,557 loans in 2019. Holyoke Credit Union ranked 22nd among the lenders with a market share of 1.5 percent. Holyoke Credit Union ranked 19th behind other large financial institutions and online mortgage lenders.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities 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 also noted that one major area of concern for their clients is the lack of understanding of credit. The contact suggested that financial institutions

increase their financial literacy classes that they provide 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

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 ten quarters is reasonable given the institution’s size, financial condition, and assessment area credit needs.

The credit union’s net LTS ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 93.5 percent over the past 10 calendar quarters from March 31, 2018 through June 30, 2020. The ratio ranged from a high of 103.9 percent as of March 31, 2018, to a low of 76.9 percent as of June 30, 2020.

The credit union’s average LTS ratio over the past 10 quarters was also compared to that of two similarly situated institutions. The institutions were selected based on geographic location and lending focus. Holyoke credit union’s average LTS ratio is above that of the two similarly situated institutions.

Loan-to-Share Ratio Comparison		
Institution	Total Shares (000’s)	Average LTS Ratio (%)
Holyoke Credit Union	159,543	93.5
Alden Credit Union	152,295	73.6
Greater Springfield Credit Union	171,399	59.6
Source: Reports of Income and Condition 03/31/2018 through 6/30/2020		

Assessment Area Concentration

The credit union made a substantial majority of home mortgage loans, by number and dollar volume, within its assessment area. See the following table for details.

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										
2018	223	96.5	8	3.5	231	32,264	94.6	1,832	5.4	34,096
2019	244	95.3	12	4.7	256	37,053	93.5	2,596	6.5	39,649
Subtotal	467	95.9	20	4.1	487	69,317	94.0	4,428	6.0	73,744
Total	467	95.9	20	4.1	487	69,317	94.0	4,428	6.0	73,744

Source: Bank Data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The credit union’s home mortgage lending performance primarily supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The following table shows the credit union’s performance in low- and moderate-income census tracts in 2018 and 2019. In 2018, the credit unions exceeded the aggregate in lending in low-income census tracts by 6.9 percent. In moderate-income census tracts, the credit union was 3.9 percent below the aggregate. In 2019, the credit union was above the aggregate in lending to low-income census tracts by 5.9 percent. In moderate-income census tracts, the credit union was 6.0 percent below the aggregate.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	4.7	6.1	29	13.0	4,317	13.4
2019	4.7	6.1	25	10.2	3,233	8.7
Moderate						
2018	12.4	15.1	25	11.2	3,069	9.5
2019	12.4	14.6	21	8.6	2,619	7.1
Middle						
2018	36.2	35.7	51	22.9	6,749	20.9
2019	35.2	35.0	58	23.8	8,114	21.9
Upper						
2018	46.6	43.1	118	52.9	18,129	56.2
2019	47.6	44.3	140	57.4	23,086	62.3
Not Available						
2018	0.0	0.0	0	0.0	0	0.0
2019	0.0	0.0	0	0.0	0	0.0
Totals						
2018	100.0	100.0	223	100.0	32,264	100.0
2019	100.0	100.0	244	100.0	37,053	100.0

Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data

Borrower Distribution

The distribution of borrowers reflects less than reasonable penetration among individuals of different income levels. The credit union’s performance in home mortgage lending primarily supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

In 2018, the credit union trailed the aggregate by 2.2 percent in lending to low-income borrowers and 3.9 percent to moderate-income borrowers. In 2019, the credit union’s lending to low-income borrowers decreased to 1.7 percent which trailed the aggregate by 3.0 percent. In lending to moderate-income borrowers, the credit union increased their lending to 22.5 percent, which was in-line with the aggregate at 22.1 percent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	24.7	8.0	13	5.8	1,530	4.7
2019	24.7	7.1	10	4.1	783	2.1
Moderate						
2018	15.7	22.3	41	18.4	4,800	14.9
2019	15.7	22.1	55	22.5	7,559	20.4
Middle						
2018	17.9	22.9	70	31.4	10,011	31.0
2019	17.9	23.6	67	27.5	8,596	23.2
Upper						
2018	41.8	31.5	98	43.9	15,700	48.7
2019	41.8	30.6	104	42.6	18,991	51.3
Not Available						
2018	0.0	15.4	1	0.4	224	0.7
2019	0.0	16.5	8	3.3	1,125	3.0
Totals						
2018	100.0	100.0	223	100.0	32,264	100.0
2019	100.0	100.0	244	100.0	37,053	100.0

Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data

Response to Complaints

The credit union did not receive any CRA-related complaints during the evaluation period.

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. A review of the credit union's public comment file indicated the credit union received no complaints pertaining to the institution's CRA performance since the previous examination. 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 disparate treatment was noted.

Minority Application Flow

The credit union's HMDA LARs for 2018 and 2019 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 the 2015 ACS Census Data, the credit union's assessment area contained a total population of 628,800 individuals of which 29.6 percent are minorities. The minority population represented is 6.5 percent Black/African American, 2.9 percent Asian, 0.1 percent American Indian, 18.2 percent Hispanic or Latino, and 1.9 percent other.

The credit union's level of lending in 2018 and 2019 was compared with that of the 2018 and 2019 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority home mortgage loan applicants. Refer to the table below for information on the credit union's minority application flow, as well as the aggregate lenders in the credit union's assessment area.

MINORITY APPLICATION FLOW						
RACE	Credit Union 2018 HMDA		2018 Aggregate Data	Credit Union 2019 HMDA		2019 Aggregate Data
	#	%	%	%	%	%
American Indian/ Alaska Native	4	1.2	0.4	4	1.1	0.3
Asian	3	0.9	2.2	2	0.6	2.4
Black/ African American	12	3.8	4.5	10	2.7	4.8
Hawaiian/Pacific Islander	1	0.3	0.2	0	0.0	0.2
2 or more Minority	0	0.0	0.2	0	0.0	0.1
Joint Race (White/Minority)	5	1.6	1.0	4	1.1	1.0
Total Racial Minority	25	7.8	8.5	20	5.5	8.8
White	276	86.8	69.9	336	91.8	69.8
Race Not Available	17	5.4	21.6	10	2.7	21.4
Total	318	100.0	100.0	366	100.0	100.0
ETHNICITY						
Hispanic or Latino	27	8.5	9.6	40	10.9	10.3
Joint (Hisp/Lat /Not Hisp/Lat)	7	2.2	1.2	8	2.2	1.3
Total Ethnic Minority	34	10.7	10.8	48	13.1	11.6
Not Hispanic or Latino	259	81.5	68.1	307	83.9	67.8
Ethnicity Not Available	25	7.8	21.1	11	3.0	20.6
Total	318	100.0	100.0	366	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2018 and 2019, HMDA LAR Data 2018 and 2019

The credit union's rate of applications from ethnic and racial minorities is comparable to the aggregate. In 2018, 50 and 72 percent of applications received from ethnic and racial minority applicants respectively resulted in originations. In 2019, 45.8 and 45.0 percent of applications received from ethnic and racial minority applicants respectively resulted in originations.

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 (490 Westfield Rd. Holyoke MA 01040)."

[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.