

PUBLIC DISCLOSURE

January 11, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Leominster Credit Union
Certificate Number: 66699
20 Adams St
Leominster, Massachusetts 01453

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 **Leominster Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **January 11, 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: Leominster Credit Union 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.

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.

- Leominster Credit Union's average net loan-to-share ratio is more than reasonable given the institution's size, financial condition, and credit needs of its assessment area.
- A majority of the credit union's loans are inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, good 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.

The Community Development Test is rated High Satisfactory.

- The credit union demonstrated good responsiveness to the community development needs of its assessment area through community development services, qualified investments, and community development loans. Examiners considered the institution's capacity, and the need and availability of such opportunities throughout the assessment area.

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 January 19, 2016, to the current evaluation dated January 11, 2021. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Leominster 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 September, 30 2020 Call Report.

Loan Products Reviewed

Examiners determined that the credit union’s major product line is home mortgage loans, and the secondary product are used and new auto 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 data was weighted more heavily than sampled consumer lending data.

Home mortgage lending data analyzed included full-year 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. The HMDA data was compared to aggregate lender data inside of the assessment area as well as pertinent demographics.

Consumer loan data included sampled used and new auto loan data in 2018 and 2019. The data provides trends in comparison to area demographics.

Community Development Activity Reviewed

For the Community Development Test, credit union management provided data on qualified community development loans, qualified investments, and community development services since the prior CRA evaluation dated January 19, 2016.

DESCRIPTION OF INSTITUTION

Background

Leominster Credit Union is a member-owned, not-for-profit cooperative institution originally chartered by the Commonwealth of Massachusetts in 1954. Membership is limited to those persons living, working, or having business within Worcester, Middlesex, Franklin, Hampden, Hampshire and Norfolk Counties. The credit union has 47,175 members as of September 30, 2020.

Leominster Credit Union received a “Satisfactory” rating from the Massachusetts Division of Banks during its prior evaluation using the Intermediate Small Institution Examination Procedures.

Operations

The credit union operates 9 branches (7 full-service and 2 limited-service), including its main office at 20 Adams Street, Leominster, MA located in a middle-income census tract. Other branches are located in Clinton (2), Holden (2), Leominster (2), Sterling, and Worcester (2). The credit union operates one branch in a low-income census tract (Worcester), five in middle-income census tracts (Clinton, Leominster, Worcester) and three in upper-income census tracts (Holden and Sterling). Of the nine branches, two limited-service high school branches (Clinton and Holden) operate within school hours and service is limited to students, faculty and staff. The credit union did not open nor close any branches during the review period.

The credit union offers both personal and business accounts to members. Members can open checking accounts, savings accounts, Certificates of Deposits, Individual Retirement Accounts, and LCU debit card as well as Business Checking accounts. Services that are offered include Online Banking with Popmoney and Mobile Banking with Bill Pay, Apple Pay, Elan Pay Credit Card, and Mobile Deposit. In addition to deposit accounts, credit union members can apply for mortgage loans, home equity loans and lines of credit, personal and student loans, new and used auto loans, personal care financing, and LCU credit card. Also, business lending offers commercial real estate loans and business lines of credit.

The credit union is part of the SUM, NYCE and MoneyPass ATM networks, which allow members to perform ATM transactions, surcharge-free, at over 30,000 participating ATMs.

Ability and Capacity

As of September 30, 2020, the credit union had total assets of approximately \$758.4 million, total shares and deposits of approximately \$620.0 million, and total loans of approximately \$540.7 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 52.1 percent of total loans. Additionally, automobile loans represented the second largest portion of the loan portfolio at 28.5 percent.

The following table illustrates the distribution of the credit union’s loan portfolio.

Loan Portfolio Distribution as of 9/30/2020		
Loan Category	\$	%
Non-Federally Guaranteed Student Loans	4,606,168	0.9
All Other Unsecured Loan/Lines of Credit	18,092,331	3.3
New Vehicle Loans	25,445,008	4.7
Used Vehicle Loans	128,711,977	23.8
Secured Non-Real Estate Loans/Lines of Credit	65,535,140	11.8
Total Loans/Lines of Credit Secured by 1 st Lien 1-4 Family Residential	202,828,483	37.5
Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	78,841,441	14.6
Commercial Loans/Lines of Credit Real Estate Secured	14,418,024	2.7
Commercial Loans/Lines of Credit Not Real Estate Secured	4,232,944	0.8
Total Loans	540,711,516	100.0
<i>Source: Reports of Income and Condition</i>		

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. Leominster Credit Union has designated its assessment area to include a total of 31 cities and towns. Included are the Worcester County communities of Ashburnham, Auburn, Berlin, Bolton, Boylston, Clinton, Fitchburg, Gardner, Grafton, Harvard, Holden, Hubbardston, Lancaster, Leicester, Leominster, Lunenburg, Millbury, Oakham, Paxton, Princeton, Rutland, Shrewsbury, Sterling, Templeton, West Boylston, Westminster, Winchendon, and Worcester which are part of the Worcester MA-CT MSA. The assessment area also includes the Middlesex County communities of Ashby, Shirley, and Townsend which are part of the Cambridge-Newton-Framingham, MA MD. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 117 census tracts. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 17 low-income tracts,
- 25 moderate-income tracts,
- 42 middle-income tracts,
- 30 upper income tracts, and
- 3 tracts without an income designation.

It should be noted that census tract 25 027 7312.00 is occupied by Clark University and tract 25 027 7329.02 is occupied by Holy Cross College. Further, the cities of Worcester and Fitchburg host approximately another six college and university campuses. These areas have limited lending

opportunities.

The low- and moderate-income census tracts are primarily located in Fitchburg, Gardner, Leominster, and Worcester. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas within the credit union’s assessment area. However, there are several designated Opportunity Zones. Opportunity Zones are areas of economic need approved by the U.S. Department of Treasury and the Commonwealth of Massachusetts. Within the credit union’s assessment area, there are ten census tracts in designated opportunity zones located in Clinton (2), Gardner (2), and Worcester (6).

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)	117	14.5	21.4	35.9	25.6	2.6
Population by Geography	539,463	12.6	19.6	37.9	29.1	0.9
Housing Units by Geography	217,848	13.6	20.7	38.3	26.7	0.7
Owner-Occupied Units by Geography	122,689	4.3	15.0	43.7	36.9	0.1
Occupied Rental Units by Geography	76,718	27.3	28.0	31.4	11.8	1.5
Family Distribution by Income Level	129,838	23.8	17.3	20.3	38.5	0.0
Household Distribution by Income Level	199,407	27.7	15.1	17.3	39.9	0.0
Median Family Income MSA - 15764 Cambridge-Newton- Framingham, MA		\$100,380	Median Housing Value			\$238,064
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Gross Rent			\$936
			Families Below Poverty Level			9.8%
<i>Source: 2015 ACS and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Since the prior CRA evaluation, the assessment area’s population increased by 8,715. The combined percentage of low- and moderate-income population by geography increased by 3.0 percent which represents just under a third of the population at 32.2 percent. Median Family Income increased modestly by \$22,230 while Owner-Occupied Units decreased by 5,496 units, and the Families Below Poverty Level increased from 8.2 percent to 9.8 percent. Of the 9.8 percent living below the poverty level, just under one third are designated low-income families. Families with such low incomes may not qualify for home mortgages based on the area’s home prices. As learned in community contact outreach by examiners, local home values more recently have begun to increase due to competition for limited inventory. These factors indicate an increased local need for affordable housing units.

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

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
Worcester, MA-CT MSA Median Family Income (49340)				
2018 (\$86,900)	<\$43,450	\$43,450 to <\$69,520	\$69,520 to <\$104,280	≥\$104,280
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, the 2019 annual average unemployment rate was 3.1 percent in Worcester County and 2.3 percent in Middlesex County. The low unemployment rate had been steady throughout the evaluation period, but sharply increased in March 2020 due to the COVID-19 pandemic, then experienced a decreasing trend in Q3 into Q4 for both Counties.

The Geographic Distribution criterion compares home mortgage lending performance to the distribution of owner-occupied housing units. Within the credit union’s assessment area, opportunities for home mortgage lending are somewhat limited, as only 56.3 percent of the 217,848 housing units are owner-occupied. Additionally, housing costs are moderately expensive, with a median housing value of \$238,064.

Competition

The assessment area is located in a competitive market for financial services. Based on 2019 Deposit Market Share data, 39 financial institutions operated 145 branches within the assessment area. Leominster Credit Union ranked 9th, by Total Deposit Amount, with 3.5 percent market share and was the second highest ranked credit union. The top ranking institutions were comprised of national banks and community financial institutions, which included Bank of America, N.A., TD Bank, N.A., Berkshire Bank, Workers Credit Union, and Santander Bank, N.A. with a total of 43.4 percent market share.

The assessment area market for home mortgage loans is also competitive. In 2019, Leominster Credit Union ranked 27th out of 416 home mortgage lenders within the assessment area with a 1.0 percent market share. Large national banks, non-depository lenders and several state-chartered community banks and federal credit unions ranked above Leominster Credit Union. The lenders with the biggest market share included Digital Federal Credit Union, Wells Fargo Bank NA, Quicken Loans, LLC, Fairway Independent Mortgage Corporation, and Workers Credit Union.

Community Contact

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

Examiners contacted a local community development corporation located in the North Central region of the assessment area. The organization assists with affordable housing, small business development and neighborhood revitalization. Due to the COVID-19 pandemic, program priorities shifted more toward food and basic needs as well as to under-resourced small businesses. The contact stressed that increased partnership and collaboration between community financial institutions and local non-profit organizations could synergize services to low- and moderate-income individuals and small businesses. Further, the area's recent housing market is experiencing a significant surge and is believed to be having upward pressure on home and collateral valuations. The contact noted there is one physical bank branch remaining in downtown Fitchburg and expressed concern over a potential reduction in access to banking services.

The COVID-19 pandemic placed significant challenges on small under-resourced businesses with many of them closing while residential homeowners and tenants fared better due to government eviction-prevention programs. The Small Business Administration's (SBA) Paycheck Protection Program (PPP) benefited many businesses, but presented difficulty for others with program application and compliance requirements.

Credit and Community Development Needs and Opportunities

Examiners identified the primary credit needs of the assessment area based on demographic and economic information, discussion with management, and the conversation with the community contact. The needs and opportunities of the assessment area include economic development, community services for low- and moderate-income individuals and affordable housing. The impact of the COVID-19 pandemic on small businesses in the North Central Massachusetts area has been the largest challenge. Financial institutions have opportunities to create small business-friendly grants and loan funds, along with community service opportunities for accounting assistance, business coaching or other technical expertise. The COVID-19 pandemic has also significantly worsened food insecurity and access to basic needs. With job and business losses, low- and moderate-income individuals could benefit, for example, from a zero- or low-interest, small dollar emergency loan fund to cover government agency waiting periods.

The need for affordable housing continues to be present for low- and moderate-income individuals and families. Low- and moderate-income individuals would benefit from low-cost funding for development of additional affordable housing units as well as low-cost mortgage loans and down payment assistance.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Leominster Credit Union demonstrated satisfactory performance under the Lending Test. The Loan- To-Share Ratio, Assessment Area Concentration, and Borrower Profile support 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 for the last eight quarters is more than 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 100.7 percent over the past eight calendar quarters from December 31, 2018 through September 30, 2020. The ratio ranged from a high of 112.9 percent as of December 31, 2018, to a low of 87.2 percent as of September 30, 2020. Over the last four quarters, total shares increased by approximately \$83.0 million, while loans increased by only \$6.7 million. The resulting drop in LTS ratio is attributed in part to stimulus check receipt and other share growth from assistance during the pandemic.

The credit union's average net LTS ratio over the previous 8 quarters was compared to that of three similarly situated institutions. The institution selection is based on geographic location, lending focus and branching structure. Leominster Credit Union's average net LTS ratio is above two of the institutions used in this comparison.

Loan-to-Share Ratio Comparison		
Institution	Total Shares	Average Net LTS Ratio (%)
Align Credit Union	627,672,980	86.6
Freedom Credit Union	509,014,729	90.7
Leominster Credit Union	758,422,588	100.7
St. Mary's Credit Union	892,414,962	102.8
<i>Source: Reports of Income and Condition 12/31/2018 through 9/30/2020</i>		

Assessment Area Concentration

The credit union made a majority of loans within its assessment area. Home mortgage lending received greater weight than consumer lending from examiners. Home mortgage loans, by number and dollar volume, were primarily originated within the assessment area. Based on analysis of sampled data, a majority of consumer loans, by number and dollar volume, was made outside the assessment area. This is reasonable given the volume of indirect auto lending distributed through area dealerships. Please see the following table for more detail.

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	194	75.2	64	24.8	258	32,804	78.0	9,268	22.0	42,072
2019	200	74.3	69	25.7	269	32,570	76.8	9,823	23.2	42,393
Total	394	74.8	133	25.2	527	65,375	77.4	19,091	22.6	84,465
Consumer Lending										
2018	15	50.0	15	50.0	30	248	45.6	295	54.4	543
2019	12	40.0	18	60.0	30	248	38.5	396	61.5	644
Total	27	45.0	33	55.0	60	496	41.8	691	58.2	1,187
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

Considering the credit union’s assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage loans and consumer loans shows reasonable penetration in the low- and moderate-income geographies.

Home Mortgage Lending

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows the credit union’s lending in low-income census tracts was below aggregate performance but in line with the percentage of owner-occupied housing units in 2018 and 2019. Lending in low-income tracts increased slightly by number and percentage in 2019.

The credit union’s lending in moderate-income census tracts exceeded aggregate and demographic data in 2018. Lending fell below aggregate data in 2019, but remained comparable to the demographic of owner-occupied housing units in moderate-income census tracts.

The credit union’s geographic distribution is explained in part by the composition of the assessment area. While the majority of the credit union’s branch structure and lending occurs in northern central Massachusetts, aggregate lenders exhibit proportionally greater lending in Worcester. Approximately 19.0 percent of the credit union’s lending occurs in Worcester, while for aggregate lenders that proportion increases to 24.6 percent. As Worcester comprises 59.5 percent of the entire assessment area’s population of low- and moderate-income census tracts, this difference in concentration contributes to a difference in geographic distribution.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	4.3	6.3	7	3.6	1,596	4.9
2019	4.3	6.1	8	4.0	1,790	5.5
Moderate						
2018	15.0	16.7	33	17.0	4,649	14.2
2019	15.0	16.2	29	14.5	4,319	13.3
Middle						
2018	43.7	42.5	85	43.8	12,868	39.2
2019	43.7	41.3	101	50.5	14,423	44.3
Upper						
2018	36.9	34.3	68	35.1	13,655	41.6
2019	36.9	36.2	62	31.0	12,038	37.0
Not Available						
2018	0.1	0.1	1	0.5	36	0.1
2019	0.1	0.1	0	0.0	0	0.0
Totals						
2018	100.0	100.0	194	100.0	32,805	100.0
2019	100.0	100.0	200	100.0	32,570	100.0
Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Consumer Lending

The geographic distribution of sampled consumer loans reflects reasonable dispersion. Examiners compared the credit union's lending activity to the demographic data of households. The credit unions sampled loans exhibited only one origination in 2018 and no loans originated in 2019 to low-income tracts. The credit union originated one of the sampled loans in a moderate-income census tract in 2018. In 2019, five of the sampled loans were originations in moderate-income census tracts, far above the demographic distribution of households.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low					
2018	13.2	1	6.7	22	8.8
2019	13.2	0	0.0	0	0.0
Moderate					
2018	20.0	1	6.7	5	2.2
2019	20.0	5	41.7	103	41.6
Middle					
2018	39.0	11	73.3	166	67.1
2019	39.0	4	33.3	90	36.4
Upper					
2018	27.2	2	13.3	54	21.9
2019	27.2	3	25.0	55	22.0
Not Available					
2018	0.6	0	0.0	0	0.0
2019	0.6	0	0.0	0	0.0
Totals					
2018	100.0	15	100.0	247	100.0
2019	100.0	12	100.0	248	100.0
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects good penetration among individuals of different incomes levels. The credit union's good performance in home mortgage and reasonable performance in consumer lending supports this conclusion. Examiners focused on percentage, by number, of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of borrowers reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the credit union's lending to low-income borrowers exceeded aggregate data in both 2018 and 2019. Performance improved in 2019. The percentage of low-income families is typically higher than aggregate lending to these families. A low-income family in the assessment area, earning less than \$55,150 or \$57,750, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$238,064.

The credit union's lending to moderate-income borrowers exceeded aggregate data for 2018 and 2019, though the credit union's performance declined in 2019. Similarly, the credit union consistently exceeds the demographic of moderate-income families in the assessment area.

Market share data from 2019 further supports the credit union's good performance. Leominster Credit Union ranked 18th out of 185 lenders with a 1.4 percent market share in lending to low-income borrowers, and ranked 23rd of 230 lenders with 1.0 market share in lending to moderate-income borrowers. In both cases the credit union's rank exceeded its overall rank of 27th, exhibiting a concentration of lending to low- and moderate-income borrowers.

The credit union extended credit to low- and moderate-income borrowers through a variety of programs during the review period. The credit union's First-Time Home Buyer program offers reduced closing costs and low down payment options, particularly for the benefit of low- and moderate-income borrowers. The credit union also participated in the Federal Home Loan Bank's Equity Builder and Housing Our workforce programs, designed to help low- and moderate-income buyers with down-payment, closing cost, and home rehabilitation assistance. Additionally, the credit union did not charge for annual servicing on twelve Habitat for Humanity home mortgage loans on homes built for income-qualified home-buyers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	23.9	7.0	15	7.7	1,287	3.9
2019	23.9	7.5	23	11.5	1,866	5.7
Moderate						
2018	17.3	22.3	58	29.9	7,410	22.6
2019	17.3	23.4	48	24.0	6,514	20.0
Middle						
2018	20.3	25.4	58	29.9	9,978	30.4
2019	20.3	23.7	57	28.5	10,190	31.3
Upper						
2018	38.5	32.1	55	28.4	11,958	36.5
2019	38.5	30.3	65	32.5	12,653	38.8
Not Available						
2018	0.0	13.1	8	4.1	2,172	6.6
2019	0.0	15.0	7	3.5	1,348	4.1
Totals						
2018	100.0	100.0	194	100.0	32,805	100.0
2019	100.0	100.0	200	100.0	32,570	100.0

Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Consumer Lending

The distribution of sampled consumer loans reflects reasonable penetration to individuals of different income levels. Examiners compared the credit union's consumer lending activity to the Percentage of Households demographic data. In 2018, the credit union's percentage of consumer loans among low-income borrowers was below demographic data, with no loans in 2019. The credit union's consumer loans among moderate-income borrowers significantly exceeded the demographic in both 2018 and 2019.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low					
2018	27.7	1	6.7	16	6.6
2019	27.7	0	0.0	0	0.0
Moderate					
2018	15.1	5	33.3	77	31.2
2019	15.1	6	50.0	156	62.9
Middle					
2018	17.3	6	40.0	90	36.2
2019	17.3	2	16.7	35	13.9
Upper					
2018	39.9	3	20.0	65	26.1
2019	39.9	4	33.3	57	23.2
Not Available					
2018	0.0	0	0.0	0	0.0
2019	0.0	0	0.0	0	0.0
Totals					
2018	100.0	15	100.0	248	100.0
2019	100.0	12	100.0	248	100.0

*Source: 2015 ACS; Bank Data.
Due to rounding, totals may not equal 100.0%*

Response to Complaints

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

Discriminatory or Other Illegal Credit Practices – Fair Lending Policies and Procedures

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not impact the credit union's overall rating.

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 practices were noted.

Minority Application Flow

The credit union’s level of lending was 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 539,463 individuals, of which 23.2 percent are minorities. The minority population represented is 5.1 percent Black/African American, 4.4 percent Asian, 0.1 percent American Indian, 11.3 percent Hispanic or Latino, and 2.3 percent other.

The credit union’s HMDA LARs in 2018 and 2019 were compared with the aggregate lending performance for the same years. 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		2018 Aggregate Data	Credit Union 2019		2019 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.3	1	0.3	0.2
Asian	7	2.3	5.1	7	1.9	5.6
Black/ African American	9	3.0	4.4	10	2.7	4.8
Hawaiian/Pacific Islander	0	0.0	0.2	1	0.3	0.2
2 or more Minority	1	0.3	0.1	1	0.3	0.1
Joint Race (White/Minority)	3	1.0	1.3	10	2.7	1.3
Total Racial Minority	20	6.6	11.4	30	8.2	12.2
White	250	83.1	67.7	297	79.5	65.5
Race Not Available	31	10.3	20.9	46	12.3	22.3
Total	301	100.0	100.0	373	100.0	100.0
ETHNICITY						
Hispanic or Latino	23	7.6	7.3	22	5.9	7.9
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.3	1.2	6	1.6	1.3
Total Ethnic Minority	27	8.9	8.5	28	7.5	9.2
Not Hispanic or Latino	237	78.8	70.0	286	76.7	68.6
Ethnicity Not Available	37	12.3	21.5	59	15.8	22.2
Total	301	100.0	100.0	373	100.0	100.0

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

In 2018, the credit union received 301 HMDA reportable loan applications within its assessment area. Of these applications, 20, or 6.6 percent, were received from racial minority applicants. This was below aggregate lending performance.. The credit union’s performance increased in 2019 to 30 racial minority applications or 8.2 percent. While still below aggregate performance, the gap was reduced to only 4 percentage points.

The credit union received 27 or 8.9 percent of applications from ethnic minority applicants within its assessment area. This was comparable to the aggregate ethnic minority application flow for 2018. The credit unions performance increased slightly by number but decreased by percentage in 2019, to 7.5 percent. This remained comparable to the aggregate lending pattern for the same demographic groups.

The difference between the credit union’s racial minority application flow and aggregate lending patterns has several contributory factors. The city of Worcester accounts for 56.5 percent of the minority population in the assessment area and is highly competitive. The credit union’s lending and branch footprint is relatively more focused on northern municipalities than aggregate lenders, many of which maintain headquarters or strategic concentrations in the large city. The difference in racial minority application flow is largest in the Asian demographic. Difficulty in penetrating the Asian demographic is a characteristic shared by several local credit unions in the assessment area, as mortgage companies and depository institutions with broad mortgage lender operations represent a relatively larger market share among Asian applicants. The credit union mitigates these factors with through both monitoring of lending patterns and utilizing employees that act as resources for applicants with limited English proficiency. Languages represented include Hmong, Spanish, and Vietnamese.

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2018 and 2019, the credit union’s minority application flow is reasonable.

COMMUNITY DEVELOPMENT TEST

Leominster Credit Union demonstrated good responsiveness to the assessment area’s community development needs through community development services. The credit union opted to provide its record of community development loans and investments for CRA consideration. Examiners also considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

Leominster Credit Union originated 69 community development loans totaling approximately \$5.5 million during the evaluation period. This level of activity represents a large increase since the previous evaluation period.

The following table illustrates the credit union’s community development lending activity by year and purpose.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
1/19/16-12/31/16	1	250	0	0	0	0	0	0	1	250
2017	0	0	0	0	0	0	0	0	0	0
2018	1	506	0	0	4	825	0	0	5	1,331
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	1,820	62	2,106			63	3,926
Totals	2	756	1	1,820	66	2,931	0	0	69	5,507

Source: Credit Union Records

Below are notable examples of community development loans:

- In 2016, the credit union made a \$250,000 loan to purchase a multifamily property in Fitchburg, MA. The 16 units include 12 units subsidized by the Massachusetts Rental Voucher Program, providing Single Resident Occupancy (SRO) units for low- or moderate-income individuals as affordable housing.
- The credit union originated two loans in 2018 for \$423,000 to purchase a commercial property located in Leominster, MA. The projects will help generate employment and the loans were originated in concert with the SBA 504 program. This loan qualifies as economic development within the assessment area.
- The credit union financed the purchase of a mixed-use multifamily property in Worcester, MA in 2018. All nine units maintained rent below the HUD Fair Market Value and deemed affordable. Based on this metric, these units are likely occupied by residents delineated as low- or moderate-income. The qualified amount of the loan totals \$506,000.
- In 2020, the credit union originated a \$1.8 million loan to a nonprofit organization. The mission of the organization is to alleviate poverty through social services and support. This loan was originated through the SBA PPP program.
- The credit union originated an \$180,000 loan to a local small business through the PPP program. The business, a plumbing company in Worcester, employs 25 individuals at an average salary of \$34,000 per year. This income level indicates that a large portion of the employees are likely part of moderate-income households.

Qualified Investments

Leominster Credit Union made 130 qualified investments totaling approximately \$266,613, equal to 0.4 percent of average total assets over the evaluation period. This represents a significant increase since the previous evaluation, when the institution’s qualified investments totaled \$51,127.

The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
1/19/16-12/31/16	1	1,500	10	17,907	0	0	0	0	11	19,407
2017	4	6,000	5	10,629	0	0	0	0	9	16,629
2018	2	10,000	32	54,415	1	10,000	0	0	35	74,415
2019	3	13,934	33	70,580	1	250	0	0	37	84,769
2020	2	8,000	36	63,393	0	0			38	71,393
Totals	12	39,439	116	216,924	2	10,250	0	0	130	266,613

Source: Credit Union Records

Qualified Donations

Below are notable examples of the credit union’s qualified donations:

- *Newvue Communities* – The purpose of the organization is to promote healthy neighborhoods in North Central Massachusetts through homeownership and small business technical assistance. The credit union made several donations to the organization during the evaluation period, including the in-kind donation of a home to be rehabilitated and used for a local family.
- *Bonzai Financial Literacy* – The purpose of this program is to provide basic financial education for local schools. The credit union purchased the program annually for five local schools, four of which primarily serve individuals from low- and moderate-income families.
- *Community Harvest Project* – This non-profit farm engages volunteers on behalf of hungry families. The organization provides for those in need through educational initiatives and community partnerships. This program benefits low- and moderate-income individuals throughout Worcester County.
- *Massachusetts Coalition For the Homeless* – This charitable organization aims to assist needy families in Massachusetts with housing essentials. The credit union provided donations for multiple years over the evaluation period, including several donations directed to the build-a-bed program for children in poverty without a bed of their own.
- *YWCA* – This Worcester-based chapter of the YWCA aims to be an all-inclusive advocacy and resource center for women throughout Central Massachusetts. Programs include child care, assistance for victims of domestic violence, and transitional housing. While all are welcome, this organization is located in low- and moderate-income areas and primarily benefits individuals delineated as low- and moderate-income. The credit union provided 2018 and 2019 contributions to this organization.

Community Development Services

During the evaluation period, the credit union provided 177 instances of financial expertise or technical assistance to 34 different community development-related organizations in the assessment area. The following table illustrates the community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
09/12/2016-12/31/2016	8	10	0	0	18
2017	8	11	0	0	19
2018	10	50	0	0	60
2019	10	42	1	0	53
2020	7	17	3	0	27
Total	43	129	4	0	177
<i>Source: Credit Union Records</i>					

During the evaluation period, the credit union provided technical assistance through employee expertise, financial education, and other programs designed to expand services to low- and moderate-income communities. The following are notable qualified examples.

Employee Involvement

- *Volunteer Income Tax Assistance (VITA)* – Five employees of the credit union are certified tax preparers for the VITA program. This program offers free tax help to low-income individuals and limited English speaking taxpayers who need assistance in preparing their own tax returns. IRS certified volunteers provide free basic income tax return preparation with electronic filing qualified individuals. The credit union employees participated in this program from 2016 through 2018.
- *Newvue Communities* – This organization aims to develop quality housing and create economic opportunities throughout North Central Massachusetts. Programs include financial coaching for individuals and small businesses, downpayment assistance, and affordable rental housing development and maintenance. A credit union Vice President acted as a Board Member in 2020, and a credit union employee contributed to NewVue FTTHB classes from 2016 through 2020.
- *Habitat for Humanity North Central Massachusetts* – This organization provides affordable housing for low- and moderate-income families in the region. Programs include construction of new homes, critical repair of low-income housing, and the provision of used furniture and appliances. The credit union’s SVP of Lending serves as the Treasurer for the organization.

- *Making Opportunity Council (MOC) Inc.* – This organization aims to fight the impact and root causes of poverty. Programs include workforce development, childcare, and community housing support. The VP of Lending and CRA Officer of the credit union serves as a Board Member of the organization.

Financial Education

- *CU for Reality* – Leominster Credit Union organized an event at Clinton High School to better help students understand credit and financial decisions. The credit union coordinated with Avidia Bank and Nichols College. The majority of students attending Clinton High School receive free or reduced-price lunch.
- *Clinton High School Branch* – The credit union runs a high school based branch in the assessment area, at a school primarily serving low- and moderate-income students. The branch services are available to students and faculty. The branch also incorporates National Endowment for Financial Education (NEFE) curricula as financial literacy training for students, including topics around budgeting, credit, and investing. The credit union also provides internship and workforce development opportunities to students.
- *First Time Homebuyer Seminars* – Leominster Credit Union held twenty-nine seminars over the evaluation period in its own branches, in addition to financial literacy education provided in concert with other organizations. These programs detailed a number of the flexible lending initiatives (Masshousing, FHLB, LCU FTHB) particularly responsive to the needs of low- and moderate income individuals.
- *Samoset Middle School Financial Literacy Career Day* – A credit union Branch Manager and Assistant Branch Manager provided basic financial literacy and banking career information at a middle school in Leominster in 2019. The majority of students at the school receive free or reduce priced lunch, which reflects low- or moderate-income family delineation.
- *Let Us Know (LUK) Crisis Center Inc.* – The mission of LUK Inc. is to support at-risk children and families in Central Massachusetts. The organization provides substance abuse treatment and prevention programs, vocational development and workforce support, and residential and foster care placement. The organization’s programs primarily assist low- and moderate-income residents of the area. The credit union’s collection manager provided a financial literacy program designed for young adults in 2019.

Other Services

- *Branch Utilization* – The credit union uses its branch locations extensively for the benefit of local community fundraising initiatives. The credit union used its branch network as collection points for blankets, books, school supplies, and other essentials in coordination with organizations like Toys for Tots or Fostering Change. These collection initiatives augment the fundraising initiatives for organizations geared to assist low- and moderate-income families.

- *LCU Fresh Start* – The credit union provides coaching for applicants with damaged credit histories. The goal of the coaching is to help applicants understand their options, but also create a plan for a successful application, including information about budgeting and credit improvement.
- *Worcester Branch* – The credit union maintained a branch in a low-income census tract in Worcester MA. This branch provides essential retail services for a low- and moderate-income community.
- *Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)* – Leominster Credit Union participates in the IOLTA program, an initiative to utilize interest earned on accounts to support free legal programs for low- and moderate-income individuals in Massachusetts. The credit union operates as a leadership institution, remitting a higher rate of interest than the federal funds rate to continue fundraising efforts on behalf of local organizations. During the evaluation period, the credit union remitted over \$55,103 in interest through this program.

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 institution under the requirements of the Community Reinvestment Act.

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

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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 refinancing 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.

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.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

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 (20 Adams St, Leominster, MA 01435)

[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.