

PUBLIC DISCLOSURE

December 16, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bay Credit Union
Certificate Number: 67541

300 Granite Street
Braintree, MA 02184

**Division of Banks
1000 Washington Street
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 **Liberty Bay Credit Union (credit union)** prepared by the Division of Banks (Division), the institution's supervisory agency as of **December 16, 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. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The credit union's performance under each of these two tests is summarized below.

The Lending Test is rated Satisfactory.

- The loan-to share ratio (LTS) is more than reasonable given the institution's size, financial condition and assessment area credit needs.
- The credit union made a reasonable percentage of home mortgage and consumer loans inside the assessment area.
- The distribution of borrowers reflects good penetration of individuals of different income levels.
- The geographic distribution of home mortgage and consumer loans reflects reasonable dispersion throughout the assessment area.
- Response to CRA Complaints and Fair Lending Policies is adequate. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The credit union did not receive any CRA-related complaints during the period reviewed; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated High Satisfactory.

- The institution demonstrates good responsiveness to the community development needs of its assessment area through qualified community development, loans, investments and 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 assesses the credit union's CRA performance utilizing the Interagency Intermediate Small Institution Credit Union Examination Procedures. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage and consumer loan data during a certain review period. The Community Development Test is an analysis of loan, investment and service related activities that an institution has completed to meet the needs of the community since the previous evaluation.

Loan Products Reviewed

The Lending Test considered the credit union's home mortgage and consumer lending. The credit union's most recent Report of Condition and Income (Call Report), dated September 30, 2019, indicated that residential lending, including all loans secured by 1 to 4 family and multi-family (five or more units) residential properties, represented 67 percent of the loan portfolio by dollar amount, and consisted of a significant majority of loan volume generated during the current review period. Based on the information in the call report, the overall conclusions were primarily based on the credit union's performance in home mortgage lending, as this product carried a greater weight in the overall lending test analysis. Consumer lending represented 20 percent of the loan portfolio by dollar amount and was considered as the second product within the CRA evaluation.

Data reviewed includes all originated home mortgage loans reported on the credit union's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2017 and 2018. The LARs contain data about home purchase and home improvement loans, including refinances, of one to four family and multifamily properties. The evaluation focused on the credit union's lending performance in 2017 and 2018. The credit union's 2017 and 2018 home mortgage lending performance was compared against 2017 and 2018 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the same defined assessment area. Examiners selected a sample of consumer loans in years 2017 and 2018. This sample was considered representative of the credit union's performance during the entire evaluation period.

While the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the credit union's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2010 United States (US) Census, unless otherwise noted. Financial data about the credit union was obtained from the September 30, 2019 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services from November 30, 2015 through December 16, 2019.

DESCRIPTION OF INSTITUTION

Background

Liberty Bay Credit Union is designated as a community credit union, and was originally chartered by the Commonwealth of Massachusetts in 1917. Its membership includes anyone who lives, works or attends school in Norfolk and Suffolk County and eligible communities of Plymouth and Middlesex Counties. Membership is also open to those with an affiliation to the credit union's partner organizations. In 2017, the credit union merged with Hingham Federal Credit Union. As of September 30, 2019, the credit union's membership was 27,835.

The credit union received a Satisfactory rating at its previous evaluation by the Division of Banks on November 30, 2015. The Lending Test received a Satisfactory rating and the Community Development Test received a High Satisfactory rating.

Operations

The credit union's main office and branch is located at 300 Granite Street in Braintree. The credit union operates a branch in Woburn, Scituate and Hingham. All branches have the same lobby hours, being open from 8:30 to 4:30 on Monday – Wednesday, and Thursday 8:30 to 6:00, Friday 8:30-4:30 and Saturday 9:00 -1:00.

Since the previous evaluation, the credit union relocated its main office from 350 Granite Street to 300 Granite Street in Braintree and closed the Stoneham and Boston office branches. A branch was opened in Woburn. The banking office of Hingham Federal Credit Union was retained as a branch office of the credit union in Hingham.

The credit union offers the following products and services to its members: checking and savings accounts for consumers and businesses, money market accounts, holiday and vacation savings accounts, share certificates and retirement accounts. It also provides its members with mortgage loans, home equity loans and lines of credit, new and used auto loans, student loans and consolidation, personal loans and lines of credit, boat loans, and energy efficient loans offered through a partnership with Mass Save. Additional services include ATM/Debit cards, internet banking, and mobile banking and business services. The credit union offers a virtual teller machine service. The machines accept deposits, dispense cash, and provide a real time, face-to-face conversation with a teller using a video camera. The virtual teller machines provide and expand services and are located at the credit union's Braintree branch and Woburn branch. They offer extended hours past normal branch hours.

The credit union is a member of a Shared Branch Network. It is a shared financial delivery channel created by credit unions to provide members with convenient hours and locations. Shared Branching allows members within its network to access and do limited transactions through a network of participating credit unions worldwide. Examples of such transactions include, but are not limited to, balance inquiries, share to share transfers, deposits, withdrawals, check cashing, statement printouts, and purchasing of monetary instruments such as bank checks, money orders, and traveler checks.

Ability and Capacity

Assets totaled approximately \$661.8 million as of the September 30, 2019 quarterly call report, including total loans of approximately \$463 million.

Since the last evaluation, commercial and consumer lending portfolios increased by dollar amount while the residential lending and auto lending portfolios remained consistent. The increase is attributed to organic loan growth and also membership. Membership growth resulted from the Hingham Federal Credit Union merger. Additionally, the credit union's involvement in community financial literacy efforts also continued to bring in new membership volume throughout the examination period.

Loan Portfolio Distribution as of 9/30/2019		
Loan Type	Dollar Amount (\$)	Percent of Total Loans
Unsecured Credit Card Loans	22,782	0.01%
Non-Federally Guaranteed Student Loans	10,303,351	2.23%
All Other Unsecured Loans/LOCs	19,483,696	4.21%
New Vehicle Loans	9,077,341	1.96%
Used Vehicle Loans	50,445,763	10.89%
All Other Secured Non-Real Estate Loans/LOCs	3,765,715	0.81%
Total Loans/LOCs Secured by 1 st Lien 1-4 Family Residential	235,324,776	50.82%
Total Loans/LOCs Secured by Junior Lien 1-4 Family	77,943,696	16.83%
Commercial Loans/Lines of Credit Real Estate Secured	43,989,858	9.50%
Commercial Loans/Lines of Credit Non-Real Estate Secured	12,665,485	2.74%
Total Loans	463,022,463	100.00%
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREA

The credit union's assessment area, as currently defined, meets the technical requirements of the CRA Regulation.

Economic and Demographic Data

The assessment area includes 603 census tracts in the municipalities and contains all of Suffolk and Norfolk County and portions of Middlesex and Plymouth County

Plymouth County towns include: Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plymouth, Plympton, Rockland, Scituate, West Bridgewater, and Whitman.

The following towns in Middlesex County include: Arlington, Belmont, Burlington, Cambridge, Everett, Lexington, Malden, Medford, Melrose, Newton, North Reading, Reading, Somerville, Stoneham, Wakefield, Waltham, Watertown, Weston, Wilmington, Winchester, and Woburn.

The assessment area is unchanged since the previous examination. The assessment are reflects the following income designations according to the 2015 ACS data:

- 61 low-income tracts,
- 123 moderate-income tracts,
- 211 middle-income tracts, and
- 192 upper-income tracts
- 15 census tracts with no income designation

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Liberty Bay Credit Union						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	603	10.1	20.4	35.0	32.0	2.5
Population by Geography	2,748,367	8.5	20.6	37.0	33.4	0.5
Housing Units by Geography	1,115,694	8.0	20.7	38.0	33.0	0.4
Owner-Occupied Units by Geography	587,421	2.9	14.2	41.1	41.6	0.2
Occupied Rental Units by Geography	456,719	14.1	28.8	34.3	22.2	0.6
Vacant Units by Geography	71,554	10.0	23.1	35.9	30.4	0.6
Businesses by Geography	212,246	5.8	13.7	35.4	44.4	0.6
Farms by Geography	3,243	1.9	10.1	42.1	45.9	0.1
Family Distribution by Income Level	628,308	23.4	15.7	18.7	42.1	0.0
Household Distribution by Income Level	1,044,140	26.5	14.1	15.8	43.6	0.0
Median Family Income MSA - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$440,011
			Median Gross Rent			\$1,358
			Families Below Poverty Level			7.9%
Source: 2015 ACS Census and 2018 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 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 and median family income for the Boston MA, MD and Cambridge-Newton- Framingham, MA MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA MD Median Family Income (14454)				
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
2018 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
<i>Source FFIEC</i>				
Cambridge-Newton-Framingham, MA MD (15764)				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360

The U.S. Bureau of Labor Statistics (BLS) data indicated that the 2018 year-end unemployment rate in Massachusetts was 3.1 percent. For the same time period, the counties of the assessment area had an unemployment rate of 3.0 percent in Suffolk County, 2.3 percent in Norfolk County, 2.1 percent in Middlesex County and 3.5 percent in Plymouth County.

Competition

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository lenders in the area. In 2018, 575 lenders reported 84,998 originated or purchased residential mortgage loans. Liberty Bay Credit Union had a 0.2 percent market share. The majority of the lenders ranked ahead of Liberty Bay Credit Union were large national banks, non-depository lenders, and credit unions.

Community Contact

Examiners met with an organization that focuses on helping people find a safe and affordable place to live. The organization develops and manages affordable housing, educates and assists homeowners and homebuyers, and helps homeowners repair and maintain their homes. The contact stated that the residential real estate market is extremely competitive. The combination of low inventory and a large pool of qualified buyers has resulted in rising prices. The contact was of the opinion that financial institutions are meeting the credit lending needs of the community. It was stated that one of the most valuable ways that financial institutions could assist the community would be through increased assistance with financial coaching seminars and classes.

Credit and Community Needs and Opportunities

Considering information from the community contacts, credit union management, and demographic and economic data, examiners determined that affordable housing and financial literacy education are the primary community development needs. As shown in the demographic table, housing costs are high as the median housing value is \$441,011.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Liberty Bay Credit Union demonstrated a good performance under the Lending Test.

Loan-to-Share Ratio

The average LTS ratio is more than reasonable given the credit union's size, financial condition, and assessment area credit needs. The credit union's LTS ratio, calculated from Call Report data, averaged 98.8 percent over the past eight quarters from December 31, 2017 to September 30, 2019. The ratio ranged from a low of 95.2 percent as of March 31, 2018 to a high of 101.9 percent as of December 31, 2018.

Since the last examination, the average LTS ratio has increased from approximately 58.9 percent. The improving ratio supports the good performance. The credit union attributes this increase to organic growth in the mortgage, consumer and commercial lending operations. The loan to share ratio reflects participation loan purchases and funding with Federal Home Loan Bank borrowings.

Examiners compared Liberty Bay Credit Union's average LTS to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the following table, the credit union maintained a ratio that exceeded those of similarly situated institutions.

Loan-to-Share Ratio Comparison		
Institution	Total Assets as of September 30, 2019	Average Net LTS Ratio (%)
Liberty Bay Credit Union	661,873	98.8
Quincy Credit Union	561,817	76.2
Sharon Credit Union	607,515	92.4
<i>Source: NCUA Form 5300 Call Report Data 12/31/17 through 9/30/19</i>		

Assessment Area Concentration

The credit union made a majority of home mortgage and consumer loans, by number and dollar volume, within its assessment area. The following table details the credit union's home mortgage and consumer lending activity inside and outside of the assessment area in 2017 and 2018.

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	149	76.4	46	23.6	195	40,892	78.4	11,234	21.6	52,126
2018	182	79.8	46	20.2	228	43,480	81.7	9,740	18.3	53,220
Total	331	78.2	92	21.7	423	84,372	80.0	20,974	20.0	105,346
Consumer										
2017	50	74.6	17	25.4	67	683	68.5	315	31.5	998
2018	54	80.6	13	19.4	67	882	79.8	223	20.2	1,105
Total	104	77.6	30	22.4	134	1,565	74.4	538	25.6	2,103
Grand Total	435	78.1	122	21.9	557	85,937	80.0	21,512	20.0	107,449
Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data. Due to rounding, totals may not equal 100.0										

Borrower Profile

The distribution of borrowers reflects good distribution among individuals of different income levels. Examiners focused on the percentage of home mortgage and consumer loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of borrowers reflects good distribution among individuals of different income levels.

Liberty Bay Credit Union's lending to low and moderate-income borrowers was above the aggregate performance in 2017 and 2018. The credit union offers a number of home mortgage loan products that are responsive to low and moderate-income credit needs and support the overall performance. The Home Possible loan offers low down payment options for homebuyers/owners of low-to- moderate income or in underserved communities. The One Mortgage is offered through the Massachusetts Housing Partnership with flexible terms and offered to eligible borrowers whose income does not exceed 100% of the median family income limits. Lastly, the credit union offers the Lend a Hand Home Equity Loan. This loan is available to members facing financial hardship.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	23.4	4.0	17	11.4	2,611	6.4
2018	23.4	4.9	13	7.1	1,605	3.7
Moderate						
2017	15.7	15.6	25	16.8	5,536	13.5
2018	15.7	15.9	38	20.9	7,290	16.8
Middle						
2017	18.7	24.3	48	32.2	12,565	30.7
2018	18.7	24.0	52	28.6	12,090	27.8
Upper						
2017	42.1	50.4	59	39.6	20,180	49.4
2018	42.1	50.5	76	41.8	21,410	49.2
Not Available						
2017	0.0	5.6	0	0.0	0	0.0
2018	0.0	4.8	3	1.7	1,085	2.5
Totals						
2017	100.0	100.0	149	100.0	40,892	100.0
2018	100.0	100.0	182	100.0	43,480	100.0
Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "---" data not available. Due to rounding, totals may not equal 100.0						

Consumer Loans

The distribution of sampled consumer loans reflects a good performance among individuals of different income levels. The majority of consumer loans were extended to individuals within the low- and moderate-income household delineations. In 2017 and 2018, the credit union's level of consumer lending to low- and moderate-income borrowers was above area demographics.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Households	#	%	\$(000s)	%
Low					
2017	26.5	21	42.0	256	37.5
2018	26.5	21	38.9	204	23.2
Moderate					
2017	14.1	17	34.0	220	32.2
2018	14.1	16	29.6	253	28.7
Middle					
2017	15.8	6	12.0	77	11.2
2018	15.8	11	20.4	232	26.3
Upper					
2017	43.6	6	12.0	130	19.0
2018	43.6	6	11.1	193	21.8
Not Available					
2017	0.0	0	0.0	0	0.0
2018	0.0	0	0.0	0	0.0
Totals					
2017	100.0	50	100.0	683	100.0
2018	100.0	54	100.0	882	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Credit union Data. Due to rounding, totals may not equal 100.0</i>					

Geographic Distribution

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

Home Mortgage Loans

The geographic dispersion of home mortgage loans reflects reasonable distribution 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, because it better indicates opportunities and demand within the assessment area.

In 2017, the credit union's lending to the assessment area's low-income census tract was below the aggregate. In 2018, the credit union's lending to the low-income tract matched the aggregate. In 2017, lending in the moderate-income census tracts of the assessment area was above the aggregate. The credit union's level of lending to moderate-income census tracts fell below the 2018 aggregate.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	2.9	4.1	3	2.0	877	2.1
2018	2.9	3.7	6	3.3	1,800	4.1
Moderate						
2017	14.2	16.4	26	17.4	7,304	17.9
2018	14.2	15.6	21	11.5	5,345	12.3
Middle						
2017	41.1	40.1	82	55.0	20,141	49.2
2018	41.1	39.7	88	48.4	19,760	45.4
Upper						
2017	41.6	39.0	38	25.5	12,570	30.7
2018	41.6	40.4	67	36.8	16,575	38.1
Totals						
2017	100.0	100.0	149	100.0	40,892	100.0
2018	100.0	100.0	182	100.0	43,480	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 & 2018 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Consumer Loans

The geographic distribution of sampled consumer loans reflects reasonable performance throughout the assessment area. Examiners compared the credit union's lending performance to demographic data.

In 2017, the credit union's level of lending to the assessment area's low- and moderate-income census tract was above area demographics. In 2018, the credit union's level of lending is below area demographics.

Geographic Distribution of Consumer Loans					
Tract Income Level	% of Households	#	%	\$(000s)	%
Low					
2017	7.8	4	8.0	61	8.9
2018	7.8	3	5.6	18	2.1
Moderate					
2017	20.6	13	26.0	145	21.3
2018	20.6	6	11.1	90	10.2
Middle					
2017	38.1	21	42.0	305	44.6
2018	38.1	34	63.0	492	55.7
Upper					
2017	33.1	12	24.0	172	25.2
2018	33.1	11	20.4	282	31.9
Not Available					
2017	0.4	0	0.0	0	0.0
2018	0.4	0	0.0	0	0.0
Totals					
2017	100.0	50	100.0	683	100.0
2018	100.0	54	100.0	882	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 credit union Data. Due to rounding, totals may not equal 100.0</i>					

Response to CRA Complaints and Fair Lending Policies

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 Bank's public comment file indicated the Bank 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 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. Considering the demographic composition of the assessment area and comparisons to aggregate data in 2017 and 2018, the credit union's minority application flow is reasonable.

The credit union's assessment area contained a total population of 2,748,367 individuals, of which 31.8 percent are minorities. The assessment area's minority and ethnic population is 10.4 percent Black/African American, 8.6 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 9.7 percent Hispanic or Latino and 3.0 percent other.

In 2017, the credit union received 177 HMDA-reportable loan applications from within its assessment area. Of these applications, 29 or 16.4 percent were received from racial minority applicants, of which 21 or 72.0 percent were originated. The aggregate received 16.3 percent from minority applicants and 59.3 percent were originated. For the same time period, the credit union received 10 applications or 5.7 percent from ethnic groups of Hispanic origin within its assessment area, of which 9 or 90.0 percent were originated versus the aggregate that received 5.4 percent from Hispanic applicants and 56.4 percent were originated.

In 2018, the credit union received 207 HMDA-reportable loan applications from within its assessment area. Of these applications, 14 or 6.8 percent were received from minority applicants, of which 13 or 92.0 percent resulted in originations. The aggregate received 17.6 percent from minority applicants and 54.6 percent were originated. For the same time period, the credit union also received 9 or 3.0 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 7 or 77 percent were originated versus the aggregate that 5.6 percent from Hispanic applicants of which 52.0 percent were originated.

MINORITY APPLICATION FLOW						
RACE	Credit Union 2017		2017 Aggregate	Credit Union 2018		2018 Aggregate
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.6	0.2	1	0.5	0.3
Asian	2	1.1	7.9	0	0.0	8.9
Black/ African American	21	11.9	6.3	11	5.3	6.5
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.2
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	5	2.8	1.7	2	1.2	1.6
Total Minority	29	16.4	16.3	14	6.8	17.6
White	131	74.0	61.3	181	87.4	59.9
Race Not Available	17	9.6	22.3	12	5.8	22.5
Total	177	100.0	100.0	207	100.0	100.0
ETHNICITY						
Hispanic or Latino	6	3.4	4.2	8	1.8	4.6
Not Hispanic or Latino	149	84.2	72.6	188	96.5	71.3
Joint (Hisp/Lat /Not Hisp/Lat)	4	2.3	1.2	1	1.2	1.1
Ethnicity Not Available	18	10.1	22.0	10	0.6	22.9
Total	177	100.0	100.0	207	100.0	100.0

Source: US Census 2010, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017

The credit union's level of lending was compared with that of the aggregate's lending performance level for 2017 and 2018. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority residential 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.

COMMUNITY DEVELOPMENT TEST

Liberty Bay Credit Union demonstrates good responsiveness to the community development needs of its assessment area through community development loans, qualified investments and community development services. The credit union's responsiveness is best evidenced by its commitment and participation in a number of financial literacy initiatives. In addition, the credit union is further responsive by originating loans to non-profit organizations with a community development purpose and also lending that promotes affordable housing. Qualified charitable donations are made to organizations that promote community development.

Community loans, investments and services were evaluated from the previous evaluation to the start date of the current examination. Examiners considered the institution's capacity and the need and availability of such opportunities. Community development activities were evaluated from the previous evaluation dated November 30, 2015 through December 16, 2019, the start date of the current examination.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the credit union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the credit union's assessment area or a broader statewide or regional area that includes the credit union's assessment area.

The credit union originated 12 community development loans totaling \$4.4 million since the previous examination. Of the community development loans, 5 loans totaling \$4.2 million promote affordable housing in the assessment area and a statewide regional area.

There were 7 loans totaling \$200,000 to non-profit organizations that assist low –and moderate-income individuals in the assessment area.

Community Development Investments

A qualified community development investment for the purpose of this CRA evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose.

There were 44 grants and donations totaling \$87,000. Grants and donations included those made to the following organizations that promote community development services to low- and moderate-income individuals and affordable housing within the assessment area.

- **Father Bill's & MainSpring.** Father Bill's & MainSpring is a nonprofit organization whose primary mission is to prevent homelessness in Southern Massachusetts. With an emphasis on supporting low-income individuals, families, and veterans, the organization manages approximately 500 permanent support houses for people in need, and helps connect struggling homeowners with resources that may allow them to remain in their homes while experiencing financial distress.
- **Quincy Community Action Programs.** QCAP is a private, nonprofit organization that serves the Greater Quincy area and is dedicated to reducing poverty and helping low-income residents achieve financial stability and security. To those ends, QCAP's services are focused on preserving and expanding affordable housing options, improving the energy efficiency of low-income households, supporting households in crisis by working with them to stabilize their living situations, and assisting adults with their financial management skills.
- **South Shore Habitat for Humanity.** South Shore Habitat for Humanity assists individuals and families with affordable homeownership. The service area includes 35 cities and towns south and southwest of Boston.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services. The information below details management's involvement in a community development organization, financial literacy programs and seminars provided by the credit union, and other community development services offered by the credit union that met the credit needs of low- and moderate-income members.

The credit union collaborated with Manet Community Health Center to create a financial literacy program which focused on topics including borrowing, saving, building your credit, home financing, education loans, debt consolidation, and overall financial wellness. In 2018, there were 24 literacy events held in partnership with Manet Community Health Center in Quincy, Taunton, Braintree and Hull. Of these events, 8 were held in low-income areas. All educational materials were self-created by the credit union and workshops were facilitated by the VP of Marketing and Communications. This activity qualifies for CRA Credit as Manet Community Health Center, Inc. (Manet) is a 501(c) (3) not-for-profit Federally Qualified Health Center (FQHC) dedicated to providing preventive, primary and non-emergent urgent care to all, regardless of financial circumstance or health insurance coverage status.

Additionally, there were 13 workshops held throughout 2017 and 2018 at the credit union branches. Each workshop focused on a specific topic: home buying, student loan refinancing, retirement planning, and credit scores.

The credit union provides free financial literacy tools accessible through their website. FA\$Ttrack is an online learning portal that ranges in topics from home purchasing, paying for college, retirement planning, and education geared toward young adults and teens. These tools are offered in partnership with Everfi.

Furthermore, the credit union offers free community room space that consists of a multi-functional room provided expressly for holding meetings, seminars, and events that are of interest to the communities and non-profit organizations. The credit union offers community room space at 300 Granite Street in Braintree, MA.

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, 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 300 Granite St. Braintree, MA 02184.

[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.