

PUBLIC DISCLOSURE

August 15, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Massachusetts Family Credit Union

Certificate Number: 67714

51 Willow Street
Lynn, MA 01901

Massachusetts 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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 following performance factors:

- The average loan-to-share (LTS) ratio of 90.7 percent is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The Credit Union made a majority of home mortgage loans within the assessment area during the evaluation period.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area, and specifically low- and moderate-income geographies.
- The distribution of home mortgage loans to borrowers of different income levels is adequate.
- The institution did not receive any CRA-related complaints during the evaluation period.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation, dated December 21, 2009, to the current evaluation dated August 15, 2016. Examiners used Small Institution Examination Procedures as established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate Massachusetts Family Credit Union's CRA performance.

The Small Institution Examination Procedures encompasses the Lending Test, which evaluates the Bank's performance according to the following criteria:

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

Loan Products Reviewed

Examiners reviewed home mortgage loans, which constitute a plurality of the Credit Union's loan portfolio, for the purpose of this evaluation. Consumer and other loan types represent a smaller portion of the Credit Union's origination figures and loan portfolio, and were consequently not reviewed for the evaluation.

The evaluation analyzed first home mortgage loans originated by the Credit Union in 2015 and 2016. In 2015, the Credit Union originated three first home mortgage loans totaling approximately \$1 million. Thus far in 2016, the Credit Union has originated five first home mortgage loans totaling approximately \$430,000. The Credit Union's lending performance was compared with assessment area demographics.

Examiners considered both the number and dollar volume in reviewing the Credit Union's lending performance, however, more weight is given to the number of loans as it presents a more accurate indication of the number of individuals serviced. Dollar volume figures do not take into account applicant income or housing values, and can artificially skew data as a result. Examiners further considered that the very low amount of originations can drastically alter lending figures, and, as such, the figures presented herein cannot offer a reasonable comparison of the Credit Union's performance relative to other lenders or demographic figures in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Massachusetts Family Credit Union is a state-chartered credit union headquartered in Lynn, Massachusetts. The previous CRA Performance Evaluation, conducted in 2009 using FFIEC Small Institution Examination Procedures, resulted in a High Satisfactory rating.

The Credit Union is a designated low-income credit union by the Commissioner of Banks and in accordance with National Credit Union Administration (NCUA) standards. Eligibility is based in part due to the majority of the Credit Union's membership being low-income.

It should be noted that the NCUA Rules and Regulations Part 701.34 (2) stipulates that low-income members are those members whose family income is 80% or less than the median family income for the metropolitan area where they live or national metropolitan area, whichever is greater, or those members who earn 80% or less than the total median earnings for individuals for the metropolitan area where they live or national metropolitan area, whichever is greater. This differs from CRA standards, which designates those earning less than 50% of the median family income as low-income; by NCUA standards, a low-income designation captures a larger group of members than would otherwise be recognized for CRA purposes.

Operations

The Credit Union operates two full-service locations. Credit Union headquarters are located at 51 Willow Street in Lynn, in a low-income census tract. Additionally, there is a branch located at 139 Lynnfield Street in Peabody, in a middle-income tract. The Peabody branch houses the Credit Union's only ATM. Service hours are from 9 AM to 4 PM, Monday through Friday.

Massachusetts Family Credit Union offers traditional loan products and services: consumer loans, auto loans, home mortgages, and home equity lines of credit. Deposit options include checking accounts, savings accounts, certificates of deposits, and IRAs. The Credit Union issues debit cards and offers an online banking platform.

Ability and Capacity

As of June 30, 2016, the Credit Union had total assets of \$21.6 million and total loans of \$16.6 million. As illustrated in the following table, real estate loans constitute the majority of the loan portfolio.

Loan Portfolio Distribution as of June 30, 2016		
Loan Category	Dollar Volume	Percentage of Total
Unsecured Credit Card Loans	0	0.0
All Other Unsecured Loans/Lines of Credit	2,179,806	13.1
New Vehicle Loans	592,324	3.5
Used Vehicle Loans	1,367,409	8.2
Total 1 st Mortgage Real Estate Loans/Lines of	6,079,681	36.6
Total Other Real Estate Loans/Lines of Credit	6,066,455	36.5
Total All Other Loans/Lines of Credit	341,230	2.1
Total	16,626,905	100.0
<i>Source: 5300 Report, Statement of Financial Condition as of June 30, 2016.</i>		

Examiners did not identify any financial or legal impediments that would limit the Credit Union's ability to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate one or more assessment areas(s) within which its CRA performance will be evaluated. For the purpose of this evaluation, the single contiguous assessment area is all of the municipalities in Massachusetts with a zip code beginning in 019-, including: Lynn, Lynnfield, Saugus, Nahant, Swampscott, Marblehead, Salem, Peabody, Danvers, Beverly, Middleton, Boxford, Topsfield, Hamilton, Wenham, Manchester, Essex, Gloucester, Rockport, Ipswich, Rowley, Newbury, West Newbury, Newburyport, Amesbury, and Salisbury. All of the listed municipalities are located in the Cambridge-Newton-Framingham Metropolitan Statistical Area (MSA) (15764). There are 102 total census tracts in the assessment area.

Economic and Demographic Data

Of the 102 census tracts, there are 13 low-income, 22 moderate-income, 49 middle-income, and 18 upper-income tracts. Please refer to the following table for relevant demographic information regarding the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	102	12.8	21.6	48.0	17.6	0.0
Population by Geography	476,115	9.8	20.0	49.7	20.5	0.0
Housing Units by Geography	201,605	9.9	21.1	50.3	18.7	0.0
Owner-Occupied Units by Geography	124,375	4.2	16.4	56.0	23.4	0.0
Occupied Rental Units by Geography	61,649	21.0	30.2	38.3	10.5	0.0
Vacant Units by Geography	15,581	12.1	22.1	51.3	14.5	0.0
Family Distribution by Income Level	120,769	8.5	19.2	50.9	21.4	0.0
Household Distribution by Income	186,024	9.7	21.0	50.2	19.1	0.0
Median Family Income (2010 U.S. Census) FFIEC-Estimated Median Family Income for: (Cambridge-Newton-Framingham MSA 15764) 2015 2016		\$88,903 \$101,700 \$98,600	Median Housing Value Median Gross Rent Families Below Poverty Level			\$428,402 \$998 6.3%
Source: 2010 U.S. Census, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

The total population in the assessment area, according to 2010 U.S. Census data, is 476,115. The FFIEC Estimated Median Family Income was used to determine low-, moderate-, middle-, and upper-income designations for individuals and geographies in the assessment area, as shown 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 MSA Median Family Income (\$88,903)				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: FFIEC.</i>				

There are 201,605 housing units in the assessment area, 124,375 of which are owner-occupied. Furthermore, there are 61,649 occupied rental units. Median gross rent is \$998. Approximately 49 percent of renters in the assessment area are considered “cost burdened,” whereby they spend more than 30% of their income on rent.

Based on Census data, the median housing value is \$428,402, higher than the statewide median housing value of \$352,300. Median housing value for the Cambridge-Newton-Framingham MSA is \$446,332.

According to April 2016 data from the U.S. Bureau of Labor Statistics, unemployment in the metropolitan area stands at 3.5 percent, compared to the statewide rate of 4.2 percent, and a national rate of 4.7 percent.

Competition

The Credit Union operates in a highly competitive market for lending services. Aggregate lending data for 2014 indicates that 428 lenders originated 18,904 home mortgage loans in the Credit Union’s assessment area. Top lenders consisted dominantly of large national and regional banks and credit unions.

Community Contact

As part of the examination process, examiners consulted with a local organization to gain a better understanding of the region’s economy and the credit needs of those residing there. The organization is dedicated to economic development.

The community contact stressed a need for initiatives that will increase employment and provide higher incomes to the poorest parts of the region. The contact felt the North Shore area was performing generally well economically, but some cities, specifically Lynn, were in great need for new job and educational opportunities. It was suggested that Lynn’s immigrant population could serve as a key cog in building towards an improved community.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the Credit Union, and economic data to determine the primary credit and community development needs of the assessment area.

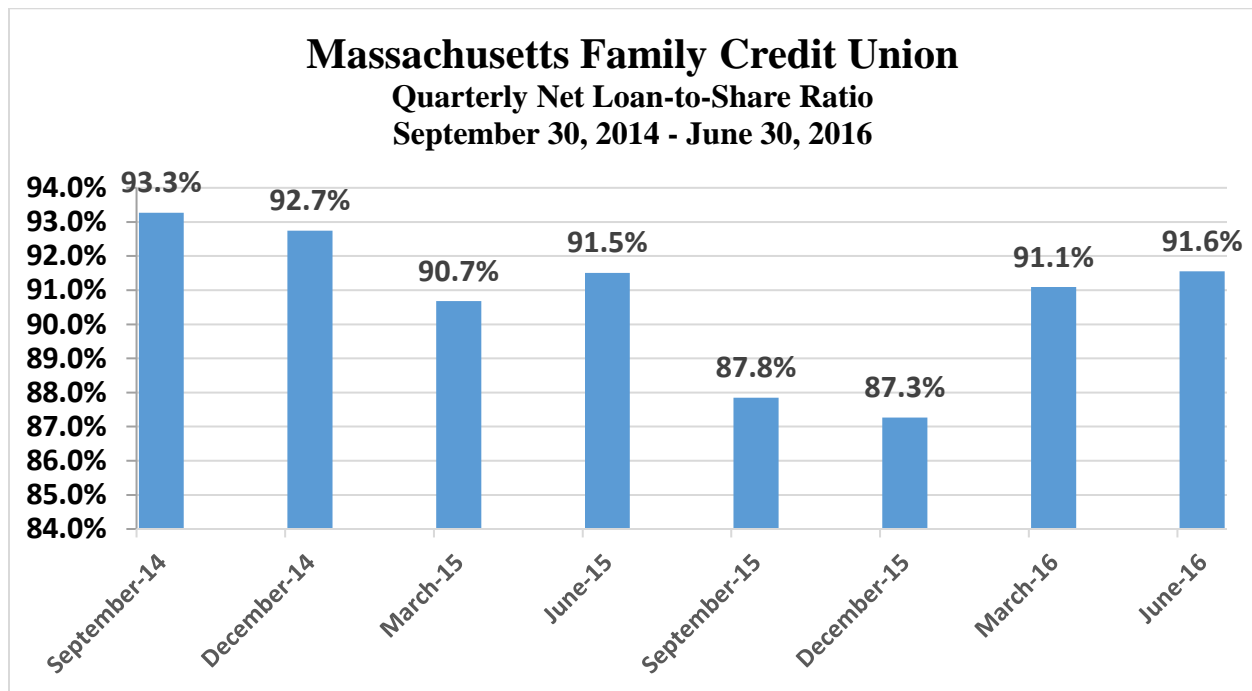
Both the community contact and economic data suggest that an increased focus on economic development and educational programs, including financial literacy education, would serve as key components in revitalizing the Lynn area. The low rate of homeownership and relatively low income levels in Lynn compared to the surrounding area support the community contact’s assertion that new jobs and economic opportunities are in high demand.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Share Ratio

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The LTS ratio for the Credit Union is reasonable given the institution's size, financial condition, and assessment area credit needs. The Credit Union's average net LTS ratio, using the last eight quarterly NCUA 5300 Call Reports, was 90.7 percent. The LTS remained relatively stable over that period, ranging from a high of 93.3 percent as of September 30, 2014, to a low of 87.3 percent as of December 31, 2015.



Source: NCUA 5300 Call Reports September 30, 2014 through June 30, 2016.

Assessment Area Concentration

By both number and dollar volume, the Credit Union originated a majority of its home mortgage loans inside the assessment area. As illustrated in the following table, the Credit Union made 62.5 percent of its loans by number and 56.8 percent of loans by dollar volume inside the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	2	66.7	1	33.3	3	472	45.6	563	54.4	1,035
YTD 2016	3	60.0	2	40.0	5	360	83.7	70	16.3	430
Total	5	62.5	3	37.5	8	832	56.8	633	43.2	1,465
Source: 2015, 2016 Credit Union Data										

Geographic Distribution

The geographic distribution of home mortgage loans reflects adequate dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

The Credit Union originated one loan, or 33 percent of its total loans, to a moderate-income borrower in 2015. 16.4 percent of housing in the moderate-income tracts are owner-occupied.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2015	4.2	0	0.0	0.0	0.0
YTD 2016	4.2	0	0.0	0	0.0
Moderate					
2015	16.4	1	33.3	75	15.9
YTD 2016	16.4	0	0.0	0	0.0
Middle					
2015	56.0	1	33.3	295	62.5
YTD 2016	56.0	2	100.0	360	100.0
Upper					
2015	23.4	1	33.3	102	21.6
YTD 2016	23.4	0	0.0	0	0.0
Totals					
2015	100.0	3	100.0	472	100.0
YTD 2016	100.0	2	100.0	360	100.0
<i>Source: 2010 U.S. Census; 2015 and 2016 Credit Union Data</i>					

Borrower Profile

The Credit Union originated no loans to low-income borrowers in 2015 or 2016. In 2015, the Credit Union originated two loans to moderate-income borrowers, representing 66.7 percent of total loans by number, and 92 percent of total loans by dollar volume. Thus far in 2016, one loan was originated to a moderate-income borrower, accounting for half of total loans originated by number, and 44.4 percent of total loans by dollar volume.

The Credit Union's overall performance is considered adequate.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2015	8.5	0	0.0	0	0.0
YTD 2016	8.5	0	0.0	0	0.0
Moderate					
2015	19.2	2	66.7	370	92.0
YTD 2016	19.2	1	50.0	160	44.4
Middle					
2015	50.9	1	33.3	102	8.0
YTD 2016	50.9	0	0.0	0	0.0
Upper					
2015	21.4	0	0.0	0	0.0
YTD 2016	21.4	1	50.0	200	55.6
Income not Available					
2015	--	0	0.0	0	0.0
YTD 2016	--	0	0.0	0	0.0
Total					
2014	100.0	3	100.0	472	100.0
2015	100.0	2	100.0	360	100.0
<i>Source: 2010 U.S. Census; 2015 and 2016 Credit Union Data;; "--" data not available</i>					

Response to Complaints

Massachusetts Family Credit Union did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The Bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including Fair Housing and Equal Credit Opportunity. No evidence of discriminatory or other illegal credit practices was identified.

Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all financial institutions to take the following actions within 45 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 "One East Main Street, Avon MA 02322."

- 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.