# PUBLIC DISCLOSURE

June 14, 2021

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Merrimack Valley Credit Union
Certificate Number: 68693

500 Merrimack Street
Lawrence, MA 01843

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

This document is an evaluation of the CRA performance of **Merrimack Valley Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **June 14, 2021**. 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:** Merrimack Valley 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 <u>Satisfactory</u>.**

- Merrimack Valley Credit Union's average net loan-to-share ratio is reasonable given the institution's size, financial condition, and credit needs of its assessment area.
- A substantial 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 did not receive any CRA-related complaints; therefore, this factor did not affect the Lending Test rating. The credit union has an adequate record relative to fair lending policies and practices and a reasonable percentage of applications received from ethnic and racial minority applicants in the assessment area.

**The Community Development Test is rated <u>Satisfactory</u>.**

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

## DESCRIPTION OF INSTITUTION

### Background

Merrimack Valley Credit Union was originally established in 1955 as Communications Workers Employee Credit Union. In 2005, the credit union converted to a community charter, expanding membership eligibility to towns in the Merrimack Valley region in Massachusetts and New Hampshire. On October 1, 2018, Merrimack Valley Credit Union became a state-chartered credit union. This allowed Merrimack Valley Credit Union to pursue a merger with Bridgewater Credit Union and subsequently pursued a merger with Oceanspray Employees Federal Credit Union.

### Operations

The credit union is headquartered in Lawrence, MA and serves approximately 82,000 members from portions of New Hampshire, throughout the eastern part of Massachusetts and portions of Rhode Island.

Services are delivered through a network of 10 full service branch locations. The main office in Lawrence and the Haverhill branch are both located in a low-income census tract. The credit union operates three branches in moderate-income census tracts in Quincy and Methuen, Massachusetts and a branch in Seabrook, NH. There are five branches in middle-income census tracts in Bridgewater MA, Plymouth MA, Fair Haven, MA, North Andover, MA and Plaistow, NH. In addition, the credit union operates four of its branches in opportunity zones in Lawrence, Fairhaven, Haverhill and Methuen. Opportunity zones are federally and state designated areas identified as areas of economic need, with many opportunity zones having the lowest median family income within MA. The branch locations support the availability of banking services to low- and moderate-income individuals and members.

The credit union offers both personal, student, and business accounts to members. Members can open checking accounts, savings accounts, certificates of deposits, individual retirement accounts, as well as business checking accounts. Services offered include online banking and mobile banking. 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, and credit builder loans. Also, business lending offers commercial real estate loans and business lines of credit. Throughout the COVID-19 Pandemic, the credit union originated 196 PPP loans totaling $6.9 million inside and outside of the assessment area. The purpose of the loans were to help small businesses retain permanent jobs for low- or moderate-income individuals or in low or moderate-income areas.

The credit union employs approximately 41 individuals who speak at least one language outside of English, including Cambodian, Greek, French, Portuguese, and Spanish. Given the assessment area's diversity, these services are useful in providing assistance to those who are not proficient in English.

## Ability and Capacity

The credit union has grown in size since the merger with Bridgewater Credit Union and Oceanspray Employees Federal Credit Union creating a combined entity totaling over $1 billion in assets. As of March 31, 2021, the credit union had total assets of approximately $1.3 billion, total shares and deposits of approximately $1.1 billion, and total loans of approximately $762 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 61.3 percent of total loans. Additionally, automobile loans represented the second largest portion of the loan portfolio at 20.8 percent and followed by commercial loans and real estate representing 13.1 percent. The following table illustrates the distribution of the credit union's loan portfolio.

| Loan Portfolio Distribution as of 3/31/2021 | | |
|---|---|---|
| **Loan Category** | **$** | **%** |
| Non-Federally Guaranteed Student Loans | 9,873,582 | 1.3% |
| Unsecured credit card loans | 355,681 | 0.0% |
| All Other Unsecured Loan/Lines of Credit- includes SBA PPP Loans | 19,482,483 | 2.6% |
| New Vehicle Loans | 37,363,155 | 4.9% |
| Used Vehicle Loans | 120,988,058 | 15.9% |
| Secured Non-Real Estate Loans/Lines of Credit | 7,812,469 | 1.0% |
| Total Loans/Lines of Credit Secured by 1st Lien 1-4 Family Residential | 395,744,255 | 51.9% |
| Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential | 71,842,881 | 9.4% |
| All Other Real Estate Loans/Lines of Credit | 30,759 | 0.0% |
| Commercial Loans/Lines of Credit Real Estate Secured | 95,829,151 | 12.6% |
| Commercial Loans/Lines of Credit Not Real Estate Secured | 3,537,317 | 0.5% |
| **Total Loans** | **762,859,791** | **100.00%** |
| *Source: Reports of Income and Condition* | | |

There were no significant financial or legal impediments identified that would limit the credit union's ability to help meet its assessment area's credit or community development needs.

# DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The credit union designated an assessment area that includes 11 full counties including; 7 full counties in Massachusetts, 2 full counties in New Hampshire and 2 full counties in Rhode Island.

The formation of the credit union's assessment area is consistent with the credit union's field of membership and encompasses the northern and southern boundaries of the credit union's former predecessor's footprint, Merrimack Valley Federal Credit Union and Bridgewater Credit Union. The following sections discuss demographic and economic information for the assessment area.

Due to the assessment area's contiguous footprint, examiners conducted a review on the entire area and did not perform a separate analysis for each defined Metropolitan Statistical Area (MSA) or Metropolitan Division (MD). The 11 full counties include Barnstable, Bristol, Essex, Middlesex, Norfolk, Plymouth and Suffolk Counties in Massachusetts. In addition, Hillsborough and Rockingham Counties in New Hampshire and Kent and Providence County in Rhode Island. The following is a breakdown of the counties by MSA or MD.

- Barnstable Town, MA MSA #12700 (includes Barnstable County)
- Boston -Cambridge -Newton, MA -NH MSA #14460, which consists of:
    - Cambridge -Newton -Framingham, MA MD #15764 (includes Essex County and Middlesex County)
    - Boston, MA MD #14454 (includes Norfolk County, Plymouth County, and Suffolk County)
- Providence -Warwick, RI -MA MSA #39300 (includes Bristol County Massachusetts, Kent and Providence County in Rhode Island)
- Manchester-Nashua, MSA (31700)includes Hillsborough County
- Rockingham County-Strafford County (40484) includes Rockingham County

The following sections discuss demographic and economic information for the assessment area.

**<u>Economic and Demographic Data</u>**

The assessment area includes 1,431 census tracts. These census tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 173 low-income tracts,
- 279 moderate-income tracts,
- 563 middle-income tracts,
- 391 upper income tracts, and
- 25 tracts without an income designation.

There are concentrations of low- and moderate -income census tracts dispersed throughout the assessment area. Manchester, NH contains low and moderate-income census tracts. Cambridge, Everett, Haverhill, Lawrence, Lowell, Lynn, Malden, and Somerville also contain numerous low- and moderate -income tracts. The City of Boston contains a large concentration of the area's low and moderate-income census tracts. Similarly, municipalities south of Boston including Brockton, Quincy, Weymouth, Randolph, Stoughton, New Bedford and Fall River also contain low- and moderate -income tracts. Additionally, Providence, RI contains low and moderate -income census tracts. 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 opportunity zones within the assessment areas. Opportunity zones are federally and state designated areas identified as areas of economic need, with many opportunity zones having the lowest median family income within MA. Branch locations in Lawrence, Fairhaven, Haverhill, and Methuen are within designated opportunity zones.

The 25 census tracts with no income designation contain universities, medical centers, state park, golf courses, ports and terminals.

| Demographic Information of the Assessment Area | | | | | | |
|---|---|---|---|---|---|---|
| **Demographic Characteristics** | **#** | **Low % of #** | **Moderate % of #** | **Middle % of #** | **Upper % of #** | **NA* % of #** |
| Geographies (Census Tracts) | 1,431 | 12.1 | 19.5 | 39.3 | 27.3 | 1.7 |
| Population by Geography | 6,536,210 | 10.1 | 18.9 | 40.7 | 30.0 | 0.3 |
| Housing Units by Geography | 2,745,715 | 9.7 | 19.6 | 42.4 | 28.1 | 0.2 |
| Owner-Occupied Units by Geography | 1,544,233 | 3.5 | 13.7 | 46.7 | 36.0 | 0.1 |
| Occupied Rental Units by Geography | 953,612 | 19.5 | 28.3 | 34.5 | 17.2 | 0.4 |
| Vacant Units by Geography | 247,870 | 10.7 | 22.9 | 45.9 | 20.2 | 0.3 |
| Businesses by Geography | 593,308 | 7.7 | 15.4 | 39.4 | 37.0 | 0.4 |
| Farms by Geography | 12,637 | 3.6 | 11.1 | 46.9 | 38.3 | 0.1 |
| Family Distribution by Income Level | 1,590,836 | 23.3 | 16.6 | 19.8 | 40.3 | 0.0 |
| Household Distribution by Income Level | 2,497,845 | 26.4 | 14.7 | 16.5 | 42.3 | 0.0 |
| Median Family Income MSA - 12700 Barnstable Town, MA MSA | | $80,751 | Median Housing Value | | | $357,599 |
| Median Family Income MSA - 14454 Boston, MA | | $90,699 | Median Gross Rent | | | $1,170 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA | | $100,380 | Families Below Poverty Level | | | 7.8% |
| Median Family Income MSA - 31700 Manchester-Nashua, NH MSA | | $85,966 | | | | |
| Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA | | $73,950 | | | | |
| Median Family Income MSA - 40484 Rockingham County-Strafford County, NH | | $90,150 | | | | |

*Source: 2015 ACS and 2020 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.*

According to 2015 ACS data, percentage of families below the poverty level in the assessment area is 7.8 percent. This may limit these families from qualifying for a home mortgage loan, which limits lending opportunities. In addition, 17.2 percent of the owner-occupied units are located in low- and moderate-income census tracts. The low owner-occupancy rates, particularly in low-income census tracts at 3.5 percent, indicates limited owner-occupied home mortgage lending opportunities in those census tracts. The percentage of vacant properties in low and moderate-income census tracts, however, demonstrates opportunities for rehabilitating and renovating properties in the assessment area.

Examiners used the FFIEC- updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-and upper-income categories. These categories are based on the 2019 and 2020 FFIEC-updated median family income for each MD in the assessment area.

| Table B – Median Family Income Ranges | | | | |
|---|---|---|---|---|
| **Median Family Incomes** | **Low <50%** | **Moderate 50% to <80%** | **Middle 80% to <120%** | **Upper ≥120%** |
| **Barnstable Town, MA MSA Median Family Income (12700)** | | | | |
| 2019 ($91,300) | <$45,650 | $45,650 to <$73,040 | $73,040 to <$109,560 | ≥$109,560 |
| 2020 ($96,600) | <$48,300 | $48,300 to <$77,280 | $77,280 to <$115,920 | ≥$115,920 |
| **Boston, MA Median Family Income (14454)** | | | | |
| 2019 ($105,500) | <$52,750 | $52,750 to <$84,400 | $84,400 to <$126,600 | ≥$126,600 |
| 2020 ($109,800) | <$54,900 | $54,900 to <$87,840 | $87,840 to <$131,760 | ≥$131,760 |
| **Cambridge-Newton-Framingham, MA Median Family Income (15764)** | | | | |
| 2019 ($115,500) | <$57,750 | $57,750 to <$92,400 | $92,400 to <$138,600 | ≥$138,600 |
| 2020 ($118,800) | <$59,400 | $59,400 to <$95,040 | $95,040 to <$142,560 | ≥$142,560 |
| **Manchester-Nashua, NH MSA Median Family Income (31700)** | | | | |
| 2019 ($98,100) | <$49,050 | $49,050 to <$78,480 | $78,480 to <$117,720 | ≥$117,720 |
| 2020 ($105,000) | <$52,500 | $52,500 to <$84,000 | $84,000 to <$126,000 | ≥$126,000 |
| **Providence-Warwick, RI-MA MSA Median Family Income (39300)** | | | | |
| 2019 ($85,100) | <$42,550 | $42,550 to <$68,080 | $68,080 to <$102,120 | ≥$102,120 |
| 2020 ($89,000) | <$44,500 | $44,500 to <$71,200 | $71,200 to <$106,800 | ≥$106,800 |
| **Rockingham County-Strafford County, NH Median Family Income (40484)** | | | | |
| 2019 ($103,200) | <$51,600 | $51,600 to <$82,560 | $82,560 to <$123,840 | ≥$123,840 |
| 2020 ($106,600) | <$53,300 | $53,300 to <$85,280 | $85,280 to <$127,920 | ≥$127,920 |
| *Source: FFIEC* | | | | |

## Competition

The credit union operates in a highly competitive market for loans. In 2020, 648 lenders originated or purchased 410,521 home mortgage loans in the assessment area. The top five lenders of the market included Citizens Bank, N.A.; Wells Fargo Bank; Quicken Loans, LLC; Leader Bank, N.A.; and Guaranteed Rate, Inc. The credit union ranked 97th.

**Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities.

Examiners contacted a community development corporation that creates and preserves affordable rental housing in the Metrowest neighborhoods of Middlesex County. The contact described the significant demands on affordable rental housing. In addition, the contact also expressed how the COVID-19 pandemic has negatively impacted consumer credit scores and the ability to qualify for lending products. The contact identified an opportunity for institutions to be involved with innovative products and financial education to assist customers in building credit scores. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs.

Examiners contacted a non-profit community action organization serving communities South of Boston. The group helps low- and moderate-income people by providing financial education and counseling, workforce training, affordable housing programs including emergency housing assistance, food and nutrition programs, and child care and early childhood education. The contact described how the COVID-19 pandemic has reshaped and increased demand for food, child care, re-entering the workforce and financial education resources. The contact further indicated a need for innovative solutions addressing equitable incomes among diverse populations.

**Credit and Community Needs and Opportunities**

Considering information from the community contact, credit union management, and demographic and economic data, examiners determined that affordable housing and financial education represent primary credit needs for 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 is the first CRA evaluation for Merrimack Valley Credit Union since converting to a state chartered credit union and merging with Bridgewater Credit union and Oceanspray Employees Federal Credit Union . The CRA evaluation covers the period from January 1, 2019, to the current evaluation dated June 14, 2021. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Merrimack Valley 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 March 31, 2021 Call Report.

## Loan Products Reviewed

Examiners determined that the credit union's major product line is home mortgage loans. This conclusion considered the credit union's business strategy and the number and dollar volume of loans originated during the evaluation period.

Home mortgage lending data analyzed included full-year data from January 1, 2019 through December 31, 2020. 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.

## Community Development Activity Reviewed

For the Community Development Test, qualified community development donations and outreach activities were considered.

# CONCLUSIONS ON PERFORMANCE CRITERIA

## LENDING TEST

Merrimack Valley Credit Union exhibited reasonable performance under the Lending Test.

### <u>Loan-to-Share Ratio</u>

This performance criterion determines what percentage of the credit union's share base is reinvested in the form of loans. The average net loan-to-share ratio for the last eight quarters is reasonable given the institution's size, financial condition, and AA credit needs.

The credit union's net LTS ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 72.1 percent over the past eight calendar quarters from March 31, 2019 through March 31, 2021. The ratio ranged from a low of 64.6 percent as of March 31, 2021, to a high of 77.4 percent as of March 30, 2019. Over the last 8 quarters, total shares steadily increased by approximately $289,834,202, while loans increased by 73,413,379. The resulting LTS ratio is attributed in part to share growth from the two recent mergers and organic growth in the mortgage, consumer and commercial lending operations.

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

| **Loan-to-Share Ratio Comparison** | | |
|---|---|---|
| Institution | Total Shares | Average Net LTS Ratio (%) |
| Jeanne D'Arc Credit Union | 1,533,032,511 | 93.0 |
| St. Anne's' Credit Union | 1,258,575,979 | 91.2 |
| Merrimack Valley Credit Union | 1,180,192,746 | 72.1 |
| *Source: Reports of Income and Condition 3/31/2019 through 3/31/2021* | | |

### <u>Assessment Area Concentration</u>

The credit union made a substantial majority of home mortgage loans, by number and dollar volume, within its assessment area. The increase in loan volume and overall high concentration of home mortgage loans is attributed to the credit union's improved mortgage application process, staffing, and a strong reputation. The following table details the credit union's home mortgage lending activity inside and outside of the assessment area in 2019 and 2020.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Loan Category** | **Number of Loans** | | | | **Total** | **Dollar Amount of Loans $(000s)** | | | | **Total** |
| | **Inside** | | **Outside** | | | **Inside** | | **Outside** | | |
| | **#** | **%** | **#** | **%** | **#** | **$** | **%** | **$** | **%** | **$(000s)** |
| Home Mortgage | | | | | | | | | | |
| 2019 | 547 | 97.5 | 14 | 2.5 | 561 | 85,931 | 97.0 | 2,635 | 3.0 | 88,565 |
| 2020 | 824 | 98.6 | 12 | 1.4 | 836 | 199,504 | 98.1 | 3,953 | 1.9 | 203,457 |
| **Total** | **1,371** | **98.1** | **26** | **1.9** | **1,397** | **285,435** | **97.7** | **6,588** | **2.3** | **292,022** |
| *Source: Evaluation Period: 1/1/2019 - 12/31/2020 Credit Union Data. Due to rounding, totals may not equal 100.0* | | | | | | | | | | |

## Geographic Distribution

Considering the credit union's AA demographics, aggregate data, and performance context factors, the distribution of home mortgage loans reflects a reasonable distribution in low- and moderate-income geographies.

In 2019, the credit union originated 5.9 percent of home mortgage loans within low-income census tracts, above the aggregate performance of 4.4 percent and above the percentage of owner occupied housing of 3.5 percent. In 2020, the percentage of loans within low-income census tracts decreased to 5.3 percent, yet remained above the percentage of owner occupied housing units.

The credit union originated 12.8 percent of home mortgage loans within moderate-income census tracts in 2018. This number is below the aggregate performance of 14.3 percent and the owner-occupied housing percentage of 13.7 percent within the assessment area. In 2020, home mortgage loans in moderate-income census tracts increased to 15.2 percent. Please refer to the table below for more information.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|---|---|---|---|---|---|
| **Tract Income Level** | **% of Owner-Occupied Housing Units** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | | |
| 2019 | 3.5 | 4.4 | 32 | 5.9 | 4,163 | 4.8 |
| 2020 | 3.5 | -- | 44 | 5.3 | 10,023 | 5.0 |
| Moderate | | | | | | |
| 2019 | 13.7 | 14.3 | 70 | 12.8 | 10,162 | 11.8 |
| 2020 | 13.7 | -- | 125 | 15.2 | 24,794 | 12.4 |
| Middle | | | | | | |
| 2019 | 46.7 | 45.6 | 340 | 62.2 | 51,795 | 60.3 |
| 2020 | 46.7 | -- | 476 | 57.8 | 108,020 | 54.1 |
| Upper | | | | | | |
| 2019 | 36.0 | 35.5 | 105 | 19.2 | 19,810 | 23.1 |
| 2020 | 36.0 | -- | 177 | 21.5 | 56,329 | 28.2 |
| Not Available | | | | | | |
| 2019 | 0.1 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.1 | -- | 2 | 0.2 | 338 | 0.2 |
| **Totals** | | | | | | |
| **2019** | **100.0** | **100.0** | **547** | **100.0** | **85,931** | **100.0** |
| **2020** | **100.0** | **--** | **824** | **100.0** | **199,504** | **100.0** |
| *Source: 2015 ACS; Credit Union Data, 2019 HMDA Aggregate Data, "--" data not available.*<br>*Due to rounding, totals may not equal 100.0%* | | | | | | |

## Borrower Profile

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-and moderate-income borrowers above aggregate data in 2019.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|---|---|---|---|---|---|
| **Borrower Income Level** | **% of Families** | **Aggregate Performance % of #** | **#** | **%** | **$(000s)** | **%** |
| Low | | | | | | |
| 2019 | 23.3 | 5.5 | 54 | 9.9 | 4,971 | 5.8 |
| 2020 | 23.3 | -- | 86 | 10.4 | 11,554 | 5.8 |
| Moderate | | | | | | |
| 2019 | 16.6 | 18.6 | 158 | 28.9 | 19,741 | 23.0 |
| 2020 | 16.6 | -- | 228 | 27.7 | 44,117 | 22.1 |
| Middle | | | | | | |
| 2019 | 19.8 | 23.3 | 156 | 28.5 | 23,938 | 27.9 |
| 2020 | 19.8 | -- | 236 | 28.6 | 53,386 | 26.8 |
| Upper | | | | | | |
| 2019 | 40.3 | 39.2 | 166 | 30.3 | 31,010 | 36.1 |
| 2020 | 40.3 | -- | 224 | 27.2 | 58,923 | 29.5 |
| Not Available | | | | | | |
| 2019 | 0.0 | 13.5 | 13 | 2.4 | 6,270 | 7.3 |
| 2020 | 0.0 | -- | 50 | 6.1 | 31,525 | 15.8 |
| **Totals** | | | | | | |
| **2019** | **100.0** | **100.0** | **547** | **100.0** | **85,931** | **100.0** |
| **2020** | **100.0** | **--** | **824** | **100.0** | **199,504** | **100.0** |
| *Source: 2015 ACS; Credit Union Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%* | | | | | | |

## 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 credit union's public comment file indicated the credit union received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

*Minority Application Flow*

Examiners reviewed the credit union's 2019 and 2020 HMDA LARs to determine if the credit union's application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2015 ACS U.S. Census data, the credit union's assessment area contains a population of 6,536,210 individuals, of which 25.4 percent are minorities. The assessment area's minority population is 6.4 percent Black/African American, 6.0 percent Asian, 0.1 percent American Indian, 10.2 percent Hispanic or Latino, and 2.7 percent Other.

In 2019, the credit union received 785 HMDA-reportable loan applications from within its assessment area. Of these applications, the credit union received 26 (3.3 percent) from racial minorities, 17 of which were originated. These figures trail aggregate data, which indicates 11.3 percent of applications received were from racial minorities. For the same period, 79 applications (10.1 percent) were received from Hispanic-only applicants and 11 (1.4 percent) were received from joint Hispanic/non-Hispanic applicants, compared to aggregate data which indicates 5.7 and 1.1 percent of total applications were received from these ethnic groupings in the assessment area, respectively.

In 2020, the credit union received 1,224 HMDA-reportable loan applications from within its assessment area. Of these, the credit union received 41 (3.3 percent) from racial minorities, of which 27 were originated. This trails aggregate data, which indicates that 11.5 percent of applications were received from racial minorities. For the same period, the credit union received 128 applications (10.5 percent) from Hispanic-only applicants, and 23 (1.9 percent) joint Hispanic/non-Hispanic applicants, compared to aggregate data which indicates 4.9 and 1.1 percent of total applications were received from these ethnic groupings in the assessment area, respectively.

The credit union's performance in 2019 and 2020 with respect to applications received from racial minorities was below aggregate performance overall, while the credit union performed above the aggregate with Hispanic or Latino applicants. The high concentration of Hispanic applicants has several contributing factors. The credit union's headquarters is situated in a majority Hispanic area with a number of credit union employees who speak Spanish. These same employees are involved with outreach and financial education within the community. The following table details the credit union's minority application flow and aggregate data in its assessment area.

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

The following table details the credit union's minority application flow and aggregate data in its assessment area.

| MINORITY APPLICATION FLOW | | | | | | |
|---|---|---|---|---|---|---|
| RACE | Credit Union 2019 | | 2019 Aggregate Data | Credit Union 2020 | | 2020 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 0 | 0.0 | 0.2 | 1 | 0.1 | 0.2 |
| Asian | 4 | 0.5 | 5.4 | 13 | 1.1 | 6.1 |
| Black/ African American | 14 | 1.8 | 4.0 | 12 | 1.0 | 3.4 |
| Hawaiian/Pacific Islander | 0 | 0.0 | 0.2 | 0 | 0.0 | 0.1 |
| 2 or more Minority | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 8 | 1.0 | 1.4 | 15 | 1.2 | 1.5 |
| **Total Minority** | **26** | **3.3** | **11.3** | **41** | **3.3** | **11.5** |
| White | 656 | 83.6 | 66.6 | 1,092 | 89.2 | 66.5 |
| Race Not Available | 103 | 13.1 | 22.1 | 91 | 7.4 | 22.0 |
| **Total** | **785** | **100.0** | **100.0** | **1,224** | **100.0** | **100.0** |
| **ETHNICITY** | | | | | | |
| Hispanic or Latino | 79 | 10.1 | 5.7 | 128 | 10.5 | 4.9 |
| Not Hispanic or Latino | 631 | 80.4 | 70.9 | 982 | 80.2 | 71.2 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 11 | 1.4 | 1.1 | 23 | 1.9 | 1.1 |
| Ethnicity Not Available | 64 | 10.7 | 22.3 | 91 | 7.4 | 22.8 |
| **Total** | **785** | **100.0** | **100.0** | **1,224** | **100.0** | **100.0** |
| *Source: 2015 ACS; Credit Union Data, 2019 HMDA Aggregate Data, "--" data not available.* | | | | | | |

## COMMUNITY DEVELOPMENT TEST

Merrimack Valley Credit Union demonstrates adequate responsiveness to the community development needs of its assessment area through qualified donations and community development services. The credit union's responsiveness is noted by its monetary contributions and commitment to financial education for children, adults and businesses. During the evaluation period, the credit union gave $375,478 in charitable contributions, of which $186,797 were considered qualified for CRA.

Additionally, credit union employees also participated on various boards and committees with organizations that focus on affordable housing, community services and economic development, many of which serve the assessment areas low- and moderate-income geographies.

Examiners considered the institution's capacity and the need and availability of such opportunities. Community development activities were evaluated from January 1, 2019 through June 14, 2021, the start date of the current examination. Listed below are notable examples of the credit union's community development activities, many of which carry a financial contribution and outreach component.

In 2019, Merrimack Valley made a financial contribution to support EforAll, an organization that seeks to accelerate economic and social impact through entrepreneurship in small businesses. The contributions benefited the South Coast region, which focuses on Fall River and New Bedford, Massachusetts. Merrimack Valley Credit Union's involvement with EforAll extends beyond the financial support. The credit union's President serves on the Board for EforAll. Also, credit union staff coached businesses in the Business Accelerator program and worked with EforAll and its Spanish program, EparaTodos, in the Lawrence and Lowell region.

In 2020, Merrimack Valley Credit Union made a financial contribution to support the Lawrence Public Library to develop a comprehensive literacy program for all ages. With these funds, the Lawrence Public Library plans to hire a part-time Literacy Coordinator to build on its existing literacy programs and to develop specific classes that meet the community's needs from elementary school through adult education and also fulfill a growing demand for English as a Second Language Courses.

Emmaus Inc. Haverhill- The organization serves those in need with housing and support services in Merrimack Valley, North Shore communities and in Southern New Hampshire. Sr. Vice President of Marketing serves on the Board of Emmaus Inc. Throughout the examination period, the credit union was further responsive with sponsorships and donations to this organization.

Lawrence Partnership- The Partnership is a coalition of leaders from business, education, healthcare, and nonprofits coordinating resources and ideas to invest in people and nurture small business owners by providing training, generating career paths, and catalyzing workforce and economic development to lift residents to a greater prosperity to become more independent for a predominantly low-income area. The credit union President and CEO serves on the Board of the Lawrence Partnership. During the examination period, the credit union was further responsive with financial contributions.

South Eastern Economic Development Corporation (SEED) - SEED is a regional nonprofit economic development corporation with the mission of empowering entrepreneurs, strengthening local economies, and creating jobs by financing all types of small businesses in Massachusetts and Rhode Island. Executive Vice President and Chief Lending Officer serves on the Board of Directors SEED.

# 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 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.

**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.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:

(i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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 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.

**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).

**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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**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 (e.g. 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.

**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 (**also known as **non-MSA):** 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 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, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations requires 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 500 Merrimack Street, Lawrence, MA 01843."

   [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.