

PUBLIC DISCLOSURE

September 8, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Polish National Credit Union
Certificate Number: 66597**

46 Main Street
Chicopee, Massachusetts 01020

Division of Banks
One Federal Street
Boston, Massachusetts 02110

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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This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Polish National Credit Union** (PNCU or credit union) prepared by the Massachusetts Division of Banks (Division), the institution's supervisory agency as of **September 8, 2025**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **High Satisfactory**.

An institution in this group has a good 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 Lending Test is rated High Satisfactory.

- The credit union's Loan-to-Share Ratio is more than reasonable given the credit union's size, financial condition and credit needs of the assessment area.
- The credit union originated a substantial majority of its home mortgage loans in the assessment area.
- The geographic distribution reflects an adequate penetration in low- and moderate-income census tracts.
- The borrower distribution reflects more than reasonable penetration to low- and moderate-income borrowers.
- The credit union did not receive any CRA related complaints since the last evaluation; therefore, this did not affect the credit union's Lending Test rating.

The Community Development Test is rated Satisfactory.

- The credit union demonstrates reasonable responsiveness to the assessment area's community development needs through qualified community development services, qualified donations, and community development loans.

DESCRIPTION OF INSTITUTION

Background

PNCU is a Massachusetts state-chartered community credit union established in 1921. The credit union's membership is open to individuals who live, work, worship or attend school in Hampden, Hampshire, Berkshire, and Franklin counties in Massachusetts and Hartford, Litchfield, and Tolland counties in Connecticut.

PNCU is designated as a low-income credit union by the Commissioner of Banks and the National Credit Union Administration (NCUA), indicating that 50% or more of the credit union's

membership earns 80 percent or less than the median family income for the metropolitan area where they live, or the national metropolitan area, whichever is greater.

The Division assigned PNCU a “Satisfactory” rating at its previous examination dated December 19, 2022.

Operations

PNCU’s executive office is located at 46 Main Street, Chicopee, Massachusetts, which is located in moderate-income census tract. The credit union operates seven full-service branches and one commercial loan center located in Chicopee, East Longmeadow, Granby, Hampden, Southampton, Westfield, and Wilbraham. The credit union also offers insurance services in Holyoke, Massachusetts.

The credit union offers both consumer and commercial banking products and services. The credit union offers checking accounts, savings accounts, certificates of deposits, mortgages, home equity loans, vehicle loans and credit cards. Services provided include online and mobile banking, ATM and debit card services, cash management for commercial customers and investment services. The credit union is also a member of the SUM network and MoneyPass which gives its members access to surcharge-free ATMs across the country.

Ability and Capacity

As of the, June 30, 2025, quarterly call report, the credit union’s assets totaled approximately \$757.1 million, which includes total loans of approximately \$615.7 million. As noted in the table below, loans and lines of credit secured by a first liens represent 59.0 percent of the credit union’s loan portfolio, followed by commercial loans and lines of credit not real estate secured at approximately 21.4 percent. The following table details the credit union’s loan portfolio as of June 30, 2025.

Loan Portfolio Distribution as of 6/30/2025		
Loan Category	\$(000s)	%
Unsecured Credit Card Loans	6,102	0.0
All Other Unsecured Loans/Lines of Credit	1,537,867	0.2
New Vehicle Loans	3,426,924	0.6
Used Vehicle Loans	8,167,779	1.3
All Other Secured Non-Real Estate Loans/Lines of Credit	468,146	0.1
Loans/Lines of Credit Secured by a First Lien	362,980,897	59.0
Loans and Lines/of Credit Secured by Junior Lien	55,933,489	9.1
Commercial Loans/Lines of Credit Real Estate Secured	51,441,338	8.4
Commercial Loans/Lines of Credit Not Real Estate Secured	131,773,753	21.4
Total Loans and Leases	615,736,295	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREAS

The Cvestment Act requires each financial institution to define one of more assessment areas within which examiners will evaluate the institution’s CRA performance. PNCU designated its assessment

area to include the Massachusetts counties of Hampden and Hampshire. The assessment area has not changed since the previous examination.

Economic and Demographic Data

The assessment area consists of 139 census tracts in Hampden and Hampshire counties and includes the following tract designations according to the 2020 American Community Survey (ACS) data:

- 16 low-income census tracts
- 27 moderate-income census tracts
- 56 middle-income census tracts
- 35 upper-income census tracts
- 5 census tracts with no income designation

The low-income census tracts are located in Holyoke (5), Springfield (10), and Ware. The moderate-income census tracts are located in Chicopee (6), Easthampton (2), Holyoke (2), Northampton, Palmer, Springfield (13), and West Springfield (2).

Demographic information for the assessment area is displayed in the chart below.

Demographic Information of the Assessment Area						
Assessment Area: Polish National Credit Union						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	11.5	19.4	40.3	25.2	3.6
Population by Geography	628,133	8.5	19.7	40.5	28.3	3.0
Housing Units by Geography	257,827	8.6	20.5	42.7	27.9	0.3
Owner-Occupied Units by Geography	151,712	2.2	14.3	46.1	37.4	0.0
Occupied Rental Units by Geography	88,387	18.6	30.5	37.3	12.9	0.7
Vacant Units by Geography	17,728	13.9	23.6	40.3	21.2	1.1
Businesses by Geography	51,917	9.5	18.9	40.8	29.8	1.0
Farms by Geography	1,563	2.0	9.5	47.1	41.1	0.3
Family Distribution by Income Level	151,099	23.7	16.3	18.7	41.3	0.0
Household Distribution by Income Level	240,099	26.2	15.2	16.1	42.5	0.0
Median Family Income MSA - 11200 Amherst Town-Northampton, MA MSA		\$97,581	Median Housing Value			\$229,947
Median Family Income MSA - 44140 Springfield, MA MSA		\$74,547	Median Gross Rent			\$943
			Families Below Poverty Level			10.1%
Source: 2020 ACS, 2024 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

The FFIEC-updated median family income level is used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented below in the following tables. These categories are based on the FFIEC-updated median family income of \$119,700 in the Amherst Town-Northampton MA, MSA and \$89,100 in the Springfield, MA MSA in 2024.

Table B – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Amherst Town-Northampton, MA MSA Median Family Income (11200)				
2024 (\$119,700)	<\$59,850	\$59,850 to <\$95,760	\$95,760 to <\$143,640	≥\$143,640
Springfield, MA MSA Median Family Income (44140)				
2022 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
2023 (\$94,600)	<\$47,300	\$47,300 to <\$75,680	\$75,680 to <\$113,520	≥\$113,520
2024 (\$89,100)	<\$44,550	\$44,550 to <\$71,280	\$71,280 to <\$106,920	≥\$106,920
<i>Source: FFIEC</i>				

The assessment area consists of 257,827 housing units with a median value of \$229,947. Of the total housing units, 58.8 percent of units are owner-occupied, 34.3 percent of units are rental units and 6.9 percent of units are vacant. Of the 257,827 housing units, 8.6 percent of housing units are located in low-income census tracts, and 20.5 percent are in moderate-income census tracts.

Competition

The credit union operates in a highly competitive market for home mortgage loans among banks, credit unions and non-depository institutions. In 2024, there were 385 lenders operating in the assessment area which originated 18,914 home mortgage loans. PNCU ranked 11th out of all lenders in the assessment area and was ranked 3rd amongst state-chartered institutions. The institutions that ranked higher than PNCU were all non-depository institutions and larger financial institutions.

Community Contact

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

Credit and Community Development Needs and Opportunities

Examiners contacted a representative of a community development financial institution (CDFI) serving un-banked and under-banked individuals and families in Hampshire County. The organization contact expressed that affordable housing is a concern for the assessment area. Available housing stock is limited, expensive, and often in need of significant repair. The contact stated that

rents are increasing, making a borrower's ability to save towards the purchase of a residence extremely difficult. Additionally, the contact expressed that large down payments, high interest rates, and expensive closing costs are all barriers to low- and moderate-income borrowers. The contact also noted that there is a significant need for first-time homebuyer education, down payment assistance for low- and moderate-income borrowers, and relaxed credit requirements for potential low- and moderate-income borrowers.

SCOPE OF EVALUATION

General Information

The CRA instructs the Division to evaluate the extent that state-chartered institutions are meeting the needs of their assessment areas, including low- and moderate-income individuals and neighborhoods. For the purposes of this evaluation, the Division has referenced economic and demographic data from the 2020 American Community Survey (ACS) and the most recent financial data from the institution's Call Report dated June 30, 2025.

The scope of this evaluation spans from the previous evaluation dated December 19, 2022, to September 8, 2025. Examiners followed the FFIEC Intermediate Small Institution (ISI) examination procedures in the evaluation of Polish National Credit Union's performance. The Division evaluates the institution with two performance tests: the Lending Test and the Community Development test.

The Lending Test considers the credit union's performance according to the following criteria:

- Loan-to-Share ratio
- Assessment Area Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA-related complaints

The Community Development Test considers the credit union's performance according to the following:

- The number and dollar amount of qualified community development services, community development loans, and community development donations and investments.
- The responsiveness of the credit union's activities and the extent to which the institution is meeting the needs of the community.

Activities 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 data reviewed included full year data from January 1, 2023, to December 31 2024. Information related to home mortgage lending was derived from the credit union's Home Mortgage Loan Application Registers (LARs). The credit union's HMDA data was compared to aggregate lender data inside the assessment area as well as demographic data. In 2023, the credit union originated 239 loans for approximately \$24.1

million and in 2024, the credit union originated 333 loans for approximately \$49.0 million in the assessment area. While examiners analyzed the number and dollar volume of loans, examiners emphasized the number of loans as this is a better indicator of the number of individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

PNCU demonstrated more than reasonable performance under the Lending Test. This credit union's performance under the Loan-to-Share Ratio, Assessment Area Concentration and Borrower Profile support this conclusion.

Loan-to -Share Ratio

The credit union's average Loan-to-Share (LTS) ratio is more than reasonable given the credit union's size, financial condition, and credit needs of its assessment area. The average LTS ratio is calculated from credit union Call Report data over the last eight calendar quarters from September 30, 2023, to June 30, 2025. The average ratio for the evaluation period is 102.0 percent, which reached a high of 104.2 percent on September 30, 2023, and a low of 100.3 percent on March 31, 2024. During the evaluation period, the credit union's LTS ratio was consistently over 100.0 percent for the eight quarters. Examiners selected two similarly situated institutions based on asset size, geographic location, and lending focus. The credit union's average net LTS ratio was higher than those similarly situated institutions. Please refer to the table below for more details.

Loan-to-Share (LTS) Ratio Comparison		
Credit Union	Total Assets as of 6/30/2025 (\$000s)	Average Net LTS Ratio (%)
Polish National Credit Union	615,736	102.0
St. Mary's Credit Union	758,820	91.8
All One Credit Union	883,764	95.2
<i>Source: Reports of Condition and Income 9/30/2023 – 6/30/2025</i>		

Assessment Area Concentration

The credit union made a substantial majority of home mortgage loans by number and dollar volume within the assessment area. The following table illustrates the credit union's lending inside and outside the assessment area.

Table D - Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2023	239	94.5	14	5.5	253	24,071,532.00	88.0	3,273,550.00	12.0	27,345,082.00
2024	333	91.0	33	9.0	366	49,004,652.00	86.3	7,811,683.00	13.7	56,816,335.00
Subtotal	572	92.4	47	7.6	619	73,076,184.00	86.8	11,085,233.00	13.2	84,161,417.00
Total	572	92.4	47	7.6	619	73,076,184.00	86.8	11,085,233.00	13.2	84,161,417.00
Source: Credit Union data										

Geographic Distribution

The geographic distribution of home mortgage loans reflects an adequate penetration in low- and moderate-income census tracts.

Table E - Geographic Distribution of Home Mortgage Loans						
Assessment Area: Polish National Credit Union						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2023	2.3	4.5	5	2.1	543	2.3
2024	2.2	4.5	1	0.3	15	0.0
Moderate						
2023	16.0	20.4	43	18.0	3,731	15.5
2024	14.3	18.3	42	12.6	5,157	10.5
Middle						
2023	37.0	36.1	88	36.8	7,064	29.3
2024	46.1	42.9	150	45.0	21,289	43.4
Upper						
2023	44.7	39.0	103	43.1	12,733	52.9
2024	37.4	34.2	140	42.0	22,544	46.0
Not Available						
2023	0.0	0.1	0	0.0	0	0.0
2024	0.0	0.1	0	0.0	0	0.0
Total						
2023	100.0	100.0	239	100.0	24,072	100.0
2024	100.0	100.0	333	100.0	49,005	100.0
Source: 2020 ACS; Credit Union Data, 2023 & 2024 HMDA Aggregate Data						

In 2023, the credit union's lending in low-income census tracts at 2.1 percent was below the aggregate at 4.5 percent and in line with the percentage of owner-occupied housing units. In 2024, the credit union's performance declined to 0.3 percent, which was below the aggregate performance and the demographic data.

In lending in moderate-income census tracts, the credit union's 2023 performance at 18.0 percent was below the aggregate performance of 20.4 percent and above the percentage of owner-occupied housing units. In 2024, the credit union's performance decreased to 12.6 percent, which was below the aggregate performance and slightly below the demographic comparator at 14.3 percent.

Borrower Profile

The distribution of home mortgage loans reflects more than reasonable penetration to individuals of different income levels.

Table I - Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Polish National Credit Union						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2023	24.1	6.9	16	6.7	812	3.4
2024	23.7	5.1	24	7.2	1,151	2.3
Moderate						
2023	16.2	23.0	62	25.9	3,831	15.9
2024	16.3	19.8	63	18.9	6,562	13.4
Middle						
2023	18.2	26.3	77	32.2	7,011	29.1
2024	18.7	27.5	96	28.8	11,486	23.4
Upper						
2023	41.5	30.4	81	33.9	11,985	49.8
2024	41.3	31.8	145	43.5	28,786	58.7
Not Available						
2023	0.0	13.5	3	1.3	433	1.8
2024	0.0	15.9	5	1.5	1,020	2.1
Total						
2023	100.0	100.0	239	100.0	24,072	100.0
2024	100.0	100.0	333	100.0	49,005	100.0
<i>Source: 2020 ACS; Bank Data, 2023 & 2024 HMDA Aggregate Data,</i>						

In 2023, the credit union originated 6.7 percent of home mortgage loans to low-income borrowers. The credit union's performance was in line with the aggregate performance of 6.9 percent. In 2024,

the credit union increased its performance in lending to low-income borrowers to 7.2 percent, which was above the aggregate performance of 5.1 percent.

In 2023, the credit union originated 25.9 percent of its home mortgage loans to moderate-income borrowers. The credit union's performance was above the aggregate performance at 23.0 percent as well as above the percentage of families at 16.2 percent. In 2024, the credit union's performance decreased to 18.9 percent, which was slightly below the aggregate performance at 19.8 percent.

Response to Complaints

Since the previous evaluation, the credit union has not received any CRA related complaints; therefore, this criterion did not affect the Lending Test rating.

Fair Lending Policies and Procedures

The Division provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the credit union's public comment file indicated the credit union received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

Minority Application Flow

The credit union's HMDA LARs for 2023 and 2024 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, comparisons to aggregate data in 2023 and 2024, and the credit union's lending trends, the credit union's minority application flow is considered adequate.

According to the 2020 US Census Data, the credit union's assessment area contained a total population of 628,133 individuals of which 35.4 percent are minorities. The minority population represented is 8.2 percent Black/African American, 4.6 percent Asian, 0.2 percent American Indian, 21.2 percent Hispanic or Latino, and 5.0 percent other.

In 2023, the credit union received 357 HMDA reportable loan applications within its assessment area. Of these applications, 30 or 8.4 percent were received from minority applicants. The aggregate received 12.2 percent of its applications from minority consumers. For the same period, the credit union received 26 or 7.3 percent of all applications from ethnic groups of Hispanic origin within its assessment area. This was compared to an aggregate ethnic minority application rate of 15.4 percent.

In 2024, the credit union received 441 HMDA reportable loan applications within its assessment area. Of these applications, 24 or 5.5 percent were received from minority applicants. The aggregate received 13.5 percent of its applications from minority consumers. For the same period, the credit union received 38 or 8.6 percent of all applications from ethnic groups of Hispanic origin

within its assessment area. This was compared to an aggregate ethnic minority application rate of 15.9 percent.

Refer to the table below for information on the credit union's minority application flow as well as the aggregate lenders in the credit union's assessment area.

MINORITY APPLICATION FLOW						
RACE	Credit Union 2023 HMDA		2023 Aggregate Data	Credit Union 2024 HMDA		2023 Aggregate Data
	#	%	%	%	%	%
American Indian/ Alaska Native	1	0.3	0.7	1	0.2	0.8
Asian	3	0.8	2.8	4	0.9	3.1
Black/ African American	20	5.6	6.6	14	3.2	7.5
Hawaiian/Pacific Islander	0	0.0	0.3	1	0.2	0.3
2 or more Minority	0	0.0	0.3	2	0.5	0.3
Joint Race (White/Minority)	6	1.7	1.5	2	0.5	1.5
Total Racial Minority	30	8.4	12.2	24	5.5	13.5
White	289	81.0	62.4	388	88.0	62.2
Race Not Available	38	10.6	25.4	29	6.5	24.3
Total	357	100.0	100.0	441	100.0	100.0
ETHNICITY						
Hispanic or Latino	21	5.9	13.6	33	7.5	14.0
Joint (Hisp/Lat /Not Hisp/Lat)	5	1.4	1.8	5	1.1	1.9
Total Ethnic Minority	26	7.3	15.4	38	8.6	15.9
Not Hispanic or Latino	297	83.2	61.5	378	85.7	62.0
Ethnicity Not Available	34	9.5	23.1	25	5.7	22.1
Total	357	100.0	100	441	100.0	100.0
<i>Source: 2020 US Census Data, HMDA Aggregate Data 2023 and 2024, HMDA LAR Data 2023 and 2024</i>						

The credit union's level of lending in 2023 and 2024 was compared with that of the 2023 and 2024 aggregate's lending performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority home mortgage loan applicants.

COMMUNITY DEVELOPMENT TEST

PNCU demonstrates reasonable responsiveness to the assessment area's community development needs through qualified community development services, qualified donations, and community development loans. Examiners considered the credit union's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Services

During the evaluation period, PNCU provided 95 instances of financial expertise to 25 different community development related organizations in the credit union's assessment area. The following are notable examples of the credit union's community development services:

- ***Multicultural Community Services of Greater Springfield (MCS)*** – MCS is a non-profit organization that supports individuals with developmental disabilities and their families. MCS provides several services which include adult foster care, in-home nursing, and family support. An employee of the credit unions serves on the Board of Directors for this organization.
- ***Boys and Girls Club of West Springfield*** – The Boys and Girls Club of West Springfield is a non-profit organization that provides a safe place for children to learn and grow. The Boys and Girls Club offers before and after school programs as well as enrichment clubs and recreational activities in Springfield. An employee of the credit union serves as a board member for this organization.
- ***Mental Health Association, Inc. (MHA)***– MHA is a non-profit organization that focuses on providing resources to those struggling with mental health and wellness, substance use recovery, acquired brain injuries, homelessness and developmental disabilities. An employee of the credit union serves on the Board of Directors for this organization.

Other Services

- ***Banzai Financial Literacy***– PNCU sponsored 52 schools through the Banzai Educational program. This program provides teachers and students with financial literacy programs at no cost. Financial literacy topics include saving money, interest rate of return, and saving for future goals. Of the 52 schools sponsored by PNCU, 20 schools had a majority of students who are considered low- or moderate-income.
- ***Elder Abuse Financial Literacy Seminars*** – During the evaluation period, PNCU offered multiple elder abuse seminars throughout the credit union’s assessment area. The credit union conducted seminars with local senior centers to provide education to seniors who may be impacted by financial abuse, especially those who are low- and moderate-income.
- ***Massachusetts Interest on Lawyers’ Trust Accounts (IOLTA)*** – PNCU participates in the Massachusetts IOLTA program which provides funds for the improvement to the administration of justice and supports the delivery of legal services to low-income clients. PNCU is considered a leadership institution by the Massachusetts IOLTA committee by going above and beyond the eligibility requirements.

Community Development Investments

During the evaluation period, PNCU made 148 qualified investments and donations totaling \$12.1 million. The credit union purchased two mortgage-backed securities for approximately \$11.9 million and made 146 donations for \$232,567. These qualified investments demonstrate the credit union’s responsiveness to the needs of the low- and moderate-income individuals and geographies within the assessment area. The following are notable examples of the credit union’s investment activity:

- ***Greater Holyoke YMCA***: The Greater Holyoke YMCA is a non-profit organization that promotes community wellness and healthy living through a variety of programming, including

youth mentorship programs, and afterschool care. Programs are made available through financial assistance for low- and moderate-income families in the assessment area.

- ***Providence Ministries:*** Providence Ministries is a non-profit organization providing community services to low- and moderate-income individuals and families living in the greater Holyoke region. Providence Ministries provides a food pantry, soup kitchen, sober-living facility, and clothing center for individuals in need.
- ***OneHolyoke CDC:*** OneHolyoke CDC is a private, nonprofit, certified community development corporation dedicated to the creation and improvement of housing opportunities for low- and moderate-income individuals in the city of Holyoke. OneHolyoke CDC builds new, below-market-rate homes, rehabilitates existing apartments, and provides home improvement grants to existing homeowners.

Community Development Loans

During the evaluation period, the credit union originated 11 community development loans for \$4.0 million. The majority of the community development loans originated by the credit union were for economic development in which five loans financed small businesses in the assessment area. The credit union also originated three affordable housing loans and three community services loans.

INTERMEDIATE SMALL INSTITUTION PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the credit union's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The credit union's loan-to-share ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the credit union's assessment area(s);
- 3) The geographic distribution of the credit union's loans;
- 4) The credit union's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The credit union's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the credit union provides community development services; and
- 4) The credit union's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, require all financial institution to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (46 Main Street Chicopee, Massachusetts 01020)

[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 the Massachusetts Division of Banks, 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.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 credit union 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.