

PUBLIC DISCLOSURE

December 19, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Polish National Credit Union

Certificate Number: 66597

46 Main Street
Chicopee, Massachusetts 01020

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Polish National Credit Union's Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the Credit Union's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-share (LTS) ratio is more than reasonable given the institution's size, financial condition, and assessment area needs.
- The Credit Union made a substantial majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The distribution of borrowers reflects an adequate penetration of loans among individuals of different income levels.
- The Credit Union did not receive any CRA-related complaints since the previous evaluation; therefore, this did not affect the Credit Union's Lending Test rating.

The Community Development Test is rated High Satisfactory.

- The Credit Union demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Polish National Credit Union is a Massachusetts state-chartered institution first established in 1921 as a community credit union. Membership is available to individuals who live, work, or attend school in the Hampden, Hampshire, Berkshire, or Franklin counties of Massachusetts or Hartford, Litchfield, and Tolland counties of Connecticut. As of June 30th, 2022, the Credit Union has 29, 232 members.

The Credit Union is a designated low-income credit union by the Commissioner of Banks and the National Credit Union Administration (NCUA), indicating that 50% or more of its membership earn 80% or less than the median family income for the metropolitan area where they live, or the national metropolitan area, whichever is greater.

At its previous examination, the Division of Banks assigned Polish National Credit Union a “Satisfactory” rating, published April 1st, 2019.

Operations

The Credit Union’s main office is located at 46 Main Street, Chicopee, Massachusetts, in a moderate-income census tract. Since the previous exam, the Credit Union has closed a branch located in Chicopee and opened a branch in East Longmeadow. In addition to the main office, branches are located in Chicopee (2), Wilbraham, Granby, Westfield, Southampton, Hampden, East Longmeadow, and operates an additional ATM in Chicopee. PNCU operates a commercial loan center in Westfield and provides PNCU insurance services in Holyoke. Polish National Credit Union merged with Premier Source Federal Credit Union in June of 2022.

The Credit Union offers a variety of banking products and services, including personal and business checking, savings, money market, and certificate accounts; mortgage, home equity, construction, and vehicle lending; insurance and investment services; and online and mobile banking services, including mobile check deposit, card management, and bill pay capabilities. Additionally, PNCU is a part of the SUM® Network, allowing members access to their accounts, free of surcharges, from any ATM within the network.

Ability and Capacity

As of the June 30th, 2022, quarterly call report, the Credit Union’s assets totaled approximately \$818.9 million, including total loans of approximately \$668.4 million. Total loans have increased by approximately 30.9 percent and total assets have increased by 32.1 percent.

As noted in the table below, loans and lines of credit secured by first mortgages represent approximately 58.3 percent of the Credit Union’s loan portfolio, with commercial loans and lines of credit unsecured by real estate making up the second largest category with approximately 20.0 percent of the Credit Union’s total loan portfolio. The following table details the Credit Union’s loan portfolio as of June 30th, 2022.

Loan Portfolio Distribution as of June 30, 2022		
Loan Type	Dollar Amount (\$000s)	Percent of Total Loans
Unsecured Cred. Card Loans	1,240	0.2
All Other Unsecured Loans/LOC	4,420	0.7
New Vehicle Loans	10,234	1.5
Used Vehicle Loans	22,898	3.4
All Other Secured Non-Real Estate Loans/LOC	287	0.0
Secured by 1st Lien 1-4 Family Residential Properties	389,172	58.3
Total Loans/LOC 2 nd Junior Lien	54,279	8.1
Commercial Loan/LOC Real Estate Secured	52,165	7.8
Commercial Loan/LOC Not Real Estate Secured	133,780	20.0
Total Loans & Leases	668,475	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act requires each financial institution to define one or more assessments areas within which examiners will evaluate the institutions CRA performance. Polish National Credit Union designated its assessment areas 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 includes 139 census tracts in Hampden and Hampshire counties and includes the following tract income designations according to the 2015 American Community Survey (ACS) data:

- 24 low-income census tracts
- 22 moderate-income census tracts
- 41 middle-income census tracts
- 48 upper-income census tracts
- 4 census tracts with no income designation

The low-income census tracts are located in Holyoke (8) and Springfield (16). The moderate-income census tracts are located in Chicopee (6), Ludlow (1), Springfield (12), Ware (1). West Springfield (1), and Westfield (1).

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	17.3	15.8	29.5	34.5	2.9
Population by Geography	628,800	14.3	15.3	31.0	36.5	2.9
Housing Units by Geography	254,960	14.1	16.0	33.7	36.0	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	35.2	47.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.0	18.3	0.3
Vacant Units by Geography	19,429	20.9	20.7	30.6	27.4	0.4
Businesses by Geography	40,837	13.9	15.2	28.8	41.2	0.8
Farms by Geography	1,268	3.2	5.7	32.6	58.5	0.0
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Household Distribution by Income Level	235,531	27.1	14.5	15.5	42.9	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,203	Median Housing Value			\$209,221
Families Below Poverty Level		12.0%	Median Gross Rent			\$856
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The 2020 FFIEC-updated median family income level is used to analyze home mortgage loans under borrower criterion. The low-, moderate, middle, and upper-income categories are presented below in the following table. These categories are based on the FFIEC-updated median family income of \$76,900 in 2020 in the Springfield, MA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2020 (\$76,900)	<\$38,450	\$38,450 to <\$61,520	\$61,520 to <\$92,280	≥\$92,280
2021 (\$81,300)	<\$40,650	\$40,650 to <\$65,040	\$65,040 to <\$97,560	≥\$97,560
<i>Source: FFIEC</i>				

The assessment area consists of 254,960 housing units with a median value of \$209,221. Of the total housing units, 57.9 percent of units are owner occupied, 34.4 percent of units are rental units and 7.7 percent of units are vacant.

Competition

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, there were 405 lenders that reported

24,658 home mortgage loans that were either originated or purchased in the assessment area. Polish National Credit Union ranked 3rd with 3.5 percent of all originations which equals 853 home mortgage loans originated or purchased in 2021.

Community Contact

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

Examiners contacted a representative of a community development organization that serves Western Massachusetts. During the interview, the contact noted that there is a lack of financial literacy programs and services available to residents in the assessment area. The contact noted that a lack of understanding of credit is a concern and financial institutions could do more to provide financial literacy programs. The contact also discussed the lack of alternative credit products that are made available by financial institutions in the assessment area.

Credit and Community Needs and Opportunities

Examiners considered information gathered from the community contact, the Credit Union, and available economic data to identify the primary credit needs of the assessment area. Based on this information, examiners determined that the community's primary credit needs are services for low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

The Community Reinvestment Act (CRA) instructs that the Massachusetts Division of Banks ("Division") must evaluate the extent that state-chartered institutions are meeting the needs of their assessment areas, including low-and-moderate-income neighborhoods. For the purposes of this evaluation, the Division has referenced economic and demographic information from the 2015 American Community Survey (ACS) and the most recent financial data from the institution's Call Report, dated June 30th, 2022.

The scope of this evaluation spans from the previous exam, dated April 1st, 2019, to December 19th, 2022. 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 number and dollar amount of community development loans, community development services, and qualified investments and donations.
- The responsiveness of the Credit Union's activities and the extent to which the institution is meeting the needs of the community.

Loan Products Reviewed

In reviewing the loan portfolio of Polish National Credit Union, examiners determined the institution is best represented by its residential mortgage loan portfolio. This conclusion considered the Credit Union's business strategy and the volume and dollar amount of loans originated during the evaluation period. Home mortgage data reviewed included full-year data from January 1st, 2020, to December 31st, 2021. Information related to home mortgage lending was derived from Loan Application Registers (LARs) maintained by the Credit Union, pursuant to HMDA. The HMDA data was compared to aggregate lender data inside the assessment area as well as pertinent demographics. In 2020, the Credit Union reported 717 originations within the assessment area, totaling approximately \$128.3 million. In 2021, the Credit Union reported 920 mortgage originations within the assessment area, totaling approximately \$178.2 million. While the number and volume of loans are noted, examiners emphasize the number of loans presented as it is a better indicator of the number of individuals served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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 the credit needs of its assessment area. The average LTS ratio is calculated from credit union Call Report data over the last 13 calendar quarters from June 30, 2019, to June 30, 2022. The average ratio for the evaluation period is 103.4, which reached a low of 99.4 on June 30, 2020, and a high of 106.1 percent on December 31, 2019. During the evaluation period, the Credit Union's LTS ratio was consistently over 101.0 percent for 11 of the 13 quarters. Examiners selected comparable 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 06/30/2022 (\$000s)	Average Net LTD Ratio (%)
Polish National Credit Union	818,933	103.4
St. Mary's Credit Union	984,214	95.3
Leominster Credit Union	799,063	94.0
<i>Source: Reports of Condition and Income</i>		

Assessment Area Concentration

The Credit Union made a substantial majority of home mortgage loans by number and dollar volume, within its assessment area. The following tables illustrates the Credit Union's lending inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	668	93.2	49	6.8	717	119,740	92.6	9,585	7.4	129,325
2021	853	92.7	67	7.3	920	158,605	88.3	20,975	11.7	179,580
Total	1,521	92.9	116	7.1	1,637	278,345	90.1	30,560	9.9	308,905
<i>Source: HMDA Reported Data; Credit Union Data</i>										

Geographic Distribution

Considering the Credit Union's assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage loans reflects an adequate penetration in the low- and moderate-income geographies.

In 2020, the Credit Union's lending at 2.1 percent was below the aggregate at 5.1 percent and below the percentage of owner-occupied housing at 4.7 percent within low-income census tracts. In 2021, the Credit Union increased the percentage of loans in low-income census tracts to 2.9 percent.

The Credit Union originated 11.9 percent of its HMDA reportable loans within moderate-income census tracts in 2020. This number is below the aggregate lending at 12.2 percent and the owner-occupied housing percentage at 12.4 percent within the assessment area. In 2021, The Credit union maintained its level of lending of HMDA reportable loans at 11.6 percent.

Although the Credit Union's level of lending in moderate-income census tracts was below the aggregate and the percentage of owner-occupied housing units, the Credit Union ranked 10th in market share to borrowers in moderate-income census tracts in 2020. The Credit Union increased its market share in moderate-income census tracts for 2021 and ranked 7th out of 191 lenders in the assessment area. The Credit Union's rank in market share in moderate-income census tracts further

supports the Credit Union’s reasonable performance in lending to census tracts of different income levels.

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						
2020	4.7	5.1	14	2.1	2,190	2.0
2021	4.7	6.1	25	2.9	4,445	2.8
Moderate						
2020	12.4	12.2	72	11.9	8,570	8.0
2021	12.4	13.6	99	11.6	12,755	8.0
Middle						
2020	35.2	34.1	210	31.4	34,770	29.0
2021	35.2	34.4	272	31.9	48,390	30.5
Upper						
2020	47.7	48.6	372	55.6	74,210	61.9
2021	47.7	45.9	457	53.6	93,015	58.7
Totals						
2020	100.0	100.0	668	100.0	119,740	100.0
2021	100.0	100.0	853	100.0	158,605	100.0
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

Borrower Profile

The distribution of home mortgage loans reflects an adequate penetration to individuals of different income levels. Examiners focused on the comparison to aggregate data.

In 2020, the Credit Union originated 3.6 percent of HMDA reportable loans to low-income borrowers which was below the aggregate at 5.9 percent. For the same year, the Credit Union originated 15.6 percent of HMDA reportable loans to moderate-income borrowers, which was below the aggregate performance, but was in line with the percentage of low-income families at 15.7 percent.

In 2021, the Credit Union increased its originations of HMDA reportable loans to low-income borrowers to 4.7 percent. In lending to moderate-income families and individuals, the Credit Union increased its percentage of loans to 18.7 percent which was below the aggregate and above the percentage of moderate-income families.

In 2020, the Credit Union ranked 15th out of 137 lenders in market share for lending to low-income borrowers and increased its market share and ranked 10th out of 141 lenders in 2021. In lending to moderate-income borrowers, the Credit Union ranked 10th out of 188 lenders in market share for 2020 and increased market share to 7th out of 218 lenders in 2021. The Credit Union’s market share

rankings further support the reasonable penetration of the Credit Union in lending to low- and moderate-income borrowers.

Please refer to the table below for more information.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	24.7	5.9	24	3.6	1,8600	1.6
2021	24.7	7.5	40	4.7	3,480	2.2
Moderate						
2020	15.7	20.7	104	15.6	12,800	10.7
2021	15.7	24.5	160	18.7	23,490	14.8
Middle						
2020	17.9	26.0	192	28.7	30,630	25.6
2021	17.9	25.5	226	26.5	38,010	23.9
Upper						
2020	41.8	38.2	338	50.6	71,060	59.4
2021	41.8	34.6	393	46.1	85,275	53.8
Income Not Available						
2020	0.0	9.2	10	1.5	3,390	2.8
2021	0.0	7.9	34	4.0	8,350	5.3
Total						
2020	100.0	100.0	668	100.0	119,740	100.0
2021	100.0	100.0	853	100.0	158,605	100.0
<i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; "--" data not available</i>						

Response to Complaints

The Credit Union did not receive any CRA-related complaints during the evaluation period.

Fair Lending Policies and Procedures

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

Division of Bank examiners reviewed the Credit Union’s 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the Credit Union’s assessment area reflected the assessment area’s demographics.

According to the 2015 ACS Census Data, the Credit Union’s assessment area contained a total population of 628,800 individuals of which 29.6 percent are minorities. The minority population

represented is 6.5 percent Black/African American, 2.9 percent Asian, 0.1 percent American Indian, 18.2 percent Hispanic or Latino, and 1.9 percent other.

Examiners compared the Credit Union’s application activity with that of the 2020 and 2021 aggregate 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. 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	2020		2020 Aggregate Data	2021		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	5	0.5	0.4	3	0.3	0.5
Asian	13	1.4	2.2	10	1.0	2.5
Black/ African American	11	1.2	4.2	10	1.0	5.5
Hawaiian/Pacific Islander	2	0.2	0.1	1	0.1	0.2
2 or more Minority	0	0	0.1	2	0.2	0.1
Joint Race (White/Minority)	9	0.9	1.2	16	1.4	1.2
Total Racial Minority	40	4.2	8.2	42	4.0	10.0
White	804	83.7	68.8	931	82.0	64.9
Race Not Available	116	12.1	23.0	159	14.0	25.1
Total	960	100.0	100.0	1,132	100.0	100.0
ETHNICITY						
Hispanic or Latino	33	3.4	10.1	35	3.1	11.1
Joint (Hisp/Lat /Not Hisp/Lat)	11	1.2	1.4	17	1.5	1.4
Total Ethnic Minority	44	4.6	11.5	52	4.6	12.5
Not Hispanic or Latino	792	82.5	65.9	910	80.3	63.9
Ethnicity Not Available	124	12.9	22.6	170	15.1	23.6
Total	960	100.0	100.0	1,132	100.0	100.0
<i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i>						

In 2020, the Credit Union received 960 home mortgage loan applications from within its assessment area. Of these applications 40, or 4.2 percent, were received from racial minority applicants, of which 21, or 52.5 percent, resulted in originations. The aggregate received 8.2 percent of its applications from minority applicants, of which 56.7 percent were originated. For the same period, the Credit Union also received 44 applications, or 4.6 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 23 or 54.5 percent were originated, compared with an aggregate application rate of 11.5 percent with a 59.0 percent origination rate.

In 2021, the Credit Union received 1,132 home mortgage loan applications from within its assessment area. Of these applications, 42 or 4.0 percent were received from racial minority applicants, of which 33 or 78.6 percent, resulted in originations. The aggregate received 8.2 percent of its applications from minority consumers, of which 58.7 percent were originated. For the same period, the Credit Union also received 52 applications, or 4.6 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 38 or 73.0 percent, were originated, compared with an aggregate application rate of 12.5 percent with a 61.8 percent origination rate.

Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, and the Credit Union's origination rates to racial and ethnic minorities, the Credit Union's minority application flow is considered adequate.

COMMUNITY DEVELOPMENT TEST

Community Development Services

During the evaluation period, the Credit Union employees provided 76 instances of financial expertise or technical assistance to 17 different community development organizations within its assessment area. The community development services show a significant commitment by the Credit Union to meet the needs of the assessment area.

The following are examples of community development services provided by the Credit Union and its staff.

- ***Multicultural Community Services of the Pioneer Valley, Inc. (MCS)*** – MCS is a private non-profit organization supporting individuals with developmental disabilities and their families. MCS provides services such as adult foster care, in-home nursing, and family support, among other services. An employee of the Credit Union serves as board member.
- ***Chicopee Senior Center*** – Chicopee Senior Center provides services to Chicopee's senior residents with access to support groups, social and recreational activities, health insurance assistance, transportation services, medical equipment loan programs, and health programs. A senior vice president of the Credit Union serves as Treasurer.
- ***Mental Health Association, Inc. (MHA)*** – MHA is a non-profit organization focused on providing resources to and aiding those struggling with mental health and wellness, substance use recovery, developmental disabilities, acquired brain injuries, and homelessness. A vice president of the Credit Union serves as a board member.

Other Services

- ***Massachusetts Interest on Lawyers' Trust Accounts (IOLTA)*** – PNCU participates in the Massachusetts IOLTA program which provides funds for the improvement to administration of justice and supports the delivery of legal services to low-income clients. PNCU is considered a leadership institution by the Massachusetts IOLTA by going above and beyond the eligibility requirements.
- ***Elder Financial Abuse seminars*** – During the evaluation period, PNCU offered multiple seminars to the elderly citizens of the Credit Union's assessment area. The Credit Union partnered with local senior centers to provide the seminars to those who may be impacted by financial abuse, especially those who are low- or moderate-income. The Credit Union held seminars in both Springfield and Chicopee which were located in low- or moderate-income areas.

- ***Banzai Financial Literacy*** – PNCU sponsored 50 schools through the Banzai Educational program. This program provides teachers and students financial literacy programs at no cost. Of the 50 schools, 11 were located in moderate-income census tracts in the towns of Chicopee, Easthampton, and Holyoke. Financial literacy topics include saving money, interest rate of return, and savings for a future goal.
- ***COVID-19 related service*** - During the Covid-19 Pandemic in 2020 PNCU collected and donated 800 boxes of for various organizations in the Credit Union’s assessment area. Some of the organizations that benefitted from the collected boxes included Open Pantry Community Services, Inc., Southampton Community Cupboard, Margaret’s Pantry, Neighbors Helping Neighbors, and the Pioneer Valley USO.
- ***Internship opportunities***– PNCU offers both Internship opportunities to Chicopee Comprehensive High School and Westfield Technical High School students and graduates. This program provides a learning experience to current students by providing them internship positions in different areas of the Credit Union, including operations, compliance, and teller positions. A majority of students from Chicopee Comprehensive High School qualify for the HUD National School Lunch Program.
- ***Branches***- There are several opportunity zones within the assessment areas. Opportunity zones are federal, and state designated areas identified as areas of economic need, with many opportunity zones having the lowest median family income within MA. The Credit Union operates three branches and a commercial loan center in opportunity zones. These branch locations support the availability of banking services to low- and moderate-income individuals and small businesses.

Qualified Investments

During the evaluation period, Polish National Credit Union made 100 qualified donations for \$273,577 to organizations in the assessment area that primarily benefitted low- and moderate-income individuals and families. This level of donation activity represents an increase since the previous evaluation of 71 donations for \$195,000.

The following are notable examples of qualified donations:

- ***Valley Opportunity Council (VOC)*** – The mission of Valley Opportunity Council is to improve the quality of life and self-sufficiency of low- and moderate-income people within Greater Hampden County. VOC provides a variety of services, including energy assistance programs, affordable housing opportunities, food assistance and nutrition programs, childcare services, as well as both child and adult education programs.
- ***Boys & Girls Club of Greater Westfield*** – The Boys and Girls Club of Greater Westfield seeks to provide space and opportunities for children to have safe and positive experiences. This organization provides a variety of afterschool and summer programs. A substantial majority of the Club’s members come from low-income families. The bank made multiple

donations over the course of the exam period.

- ***Food Bank of Western Massachusetts*** – The Food Bank of Western Massachusetts provides food to several meal sites, food pantries, and homeless shelters in Berkshire, Franklin, Hampden, and Hampshire counties, so that meals may be distributed to people in need. In addition to this service, the Food Bank of Western Massachusetts also operates SNAP outreach and enrollment assistance, nutrition outreach programs, and delivers groceries to eligible populations. The bank made a substantial donation to the Food Bank of Western Massachusetts in 2021.
- ***Holyoke Medical Center*** – The bank donated to Holyoke Medical Center in the year 2021. Holyoke Medical Center is a non-profit community hospital providing its surrounding communities of the Pioneer Valley with both physical and mental care. Holyoke Medical Center provides care to all patients regardless of their ability to pay and accepts a variety of insurance and offers financial assistance to low- and moderate-income patients.

Equity Investments

As part of PNCU's merger with Premier Source Federal Credit Union, PNCU acquired mortgage-backed securities which totaled approximately \$33.2 million. During the evaluation period, PNCU also made an additional 20 new investments for approximately \$75.7 million in mortgage-backed securities for the current evaluation period. PNCU's new investments included mortgage-backed securities from Fannie Mae, Freddie Mac and Ginnie Mae commercial mortgage-backed securities.

Community Development Loans

The Credit Union originated 38 community development loans totaling 8.7 million during the evaluation period. The majority of the loans involved commercial real estate and provided financing to attract and retain business and residences in low-income areas of the assessment area. This is an increase in community development lending since the previous exam, 8 loans totaling \$2.6 million.

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.

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.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

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