

PUBLIC DISCLOSURE

December 26, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Sharon & Crescent United Credit Union

Certificate Number: 67836

30 Pond Street
Sharon, Massachusetts 02067

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 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.

Sharon and Crescent United Credit Union's (SCUCU) "Satisfactory" 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 performance under Intermediate Small Institution Standards.

The Lending Test is rated Satisfactory.

- The loan-to-share ratio (LTS) is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The credit union made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels.
- The credit union did not receive any CRA-related complaints since the previous evaluation; the credit union has a reasonable record relative to its fair lending policies and procedures.

The Community Development Test is rated Satisfactory.

- The credit union demonstrated adequate responsiveness to the assessment area's community development needs through qualified loans, investments, and community development services. 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

SCUCU is a community credit union chartered in 1956 by the State of Massachusetts. The credit union's membership is open to persons who live, work, attend school, college, or university, or have a usual place of business in:

- Barnstable, Bristol, Dukes, Middlesex, Nantucket, Norfolk, Plymouth, and Suffolk counties in Massachusetts
- Bristol, Providence, and Newport counties of Rhode Island
- Blackstone, Hopedale, Mendon, Milford, Millville, Northbridge, Southborough, Upton, Uxbridge and Westborough in Worcester County, Massachusetts.
- Any family members of eligible persons, regardless of location.

The Massachusetts Division of Banks assigned a Satisfactory rating at its previous Performance Evaluation, dated October 25, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

The credit union operates 12 full-service branches and two standalone ATM machines. Four branch locations are in Brockton, two branches in Taunton as well as branches in East Walpole, Foxboro, Mansfield, North Attleboro, Norwell, and Sharon. The credit union maintains two standalone ATM machines in Taunton and West Bridgewater, as well as one ATM at each of its branches. Of the credit union's 12 branches, one branch is in a low-income census tract and two are in moderate-income census tracts in the City of Brockton.

SCUCU is a full-service financial institution that offers a wide range of products and services to retail and business customers. Deposit products include a variety of checking, savings, time deposit, and retirement accounts. Retail lending products include home mortgages, home equity lines of credit, consumer loans and credit cards. Business lending includes commercial real estate and term loans, secured lines of credit and commercial vehicle loans. SCUCU also offers a variety of alternative banking services which include online banking and bill pay, mobile banking, business online banking and bill pay, business mobile banking, and automated teller machines (ATMs).

Ability and Capacity

As of the September 30th, 2023, quarterly call report, assets totaled approximately \$1.2 billion, and shares totaled \$1.0 billion. Total loans were \$873 million, representing approximately 72.7 percent of total assets. The following table illustrates residential lending accounts for the largest concentration of loans at 64.2 percent of the lending portfolio. Followed by new and used vehicle loans comprising 14.4 percent of the portfolio. This product mix remains similar in concentration to the last evaluation.

Loan Portfolio Distribution as of 9/30/2023		
Loan Type	Dollar Amount (\$000)	Percent of Total Loans
Unsecured Credit Card Loans	4,157	0.5
Non-Federally Guaranteed Student Loans	2,016	0.2
All Other Unsecured Loans/LOCs	14,189	1.6
New Vehicle Loans	18,171	2.1
Used Vehicle Loans	107,444	12.3
All Other Secured Non-Real Estate Loans/LOCs	21,882	2.5
Total Loans/LOCs Secured by 1 st Lien 1-4 Family Residential Properties	561,009	64.2
Total Loans/LOCs Secured by Junior Lien 1-4 Family Residential Properties	85,554	9.8
All Other Non-Commercial Real Estate Loans/Lines of Credit	100	0.1
Commercial Loans/Lines of Credit Real Estate Secured	56,995	6.5
Commercial Loans/Lines of Credit Non-Real Estate Secured	2,339	0.2
Total Loans	873,856	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the credit union’s ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas in which examiners will evaluate the institution’s CRA performance. SCUCU designated a single assessment area which meets the technical requirements of the CRA regulation. The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

The assessment area includes 176 census tracts that make up the following towns: Abington, Attleboro, Avon, Berkley, Bridgewater, Brockton, Canton, Cohasset, Dighton, Dover, East Bridgewater, Easton, Foxboro, Halifax, Hanover, Hanson, Hingham, Holbrook, Lakeville, Mansfield, Marshfield, Medfield, Middleborough, Norfolk, North Attleboro, Norton, Norwell, Norwood, Pembroke, Plainville, Raynham, Rehoboth, Rockland, Scituate, Sharon, Stoughton, Taunton, Walpole, West Bridgewater, Westwood, Whitman, and Wrentham. The census tracts reflect the following income designations according to the 2020 American Community Surve (ACS) data.

- 8 low-income census tracts,
- 25 moderate-income census tracts,
- 69 middle-income census tracts,
- 72 upper-income census tracts, and
- 2 census tracts with no designation.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	176	4.5	14.2	39.2	40.9	1.1
Population by Geography	863,788	4.3	12.7	38.2	44.3	0.5
Housing Units by Geography	321,256	4.0	13.3	39.3	43.4	0.0
Owner-Occupied Units by Geography	228,104	1.6	9.7	39.6	49.1	0.0
Occupied Rental Units by Geography	77,010	10.4	23.5	37.8	28.2	0.1
Vacant Units by Geography	16,142	6.9	16.4	41.2	35.4	0.1
Businesses by Geography	84,712	3.3	11.9	35.5	49.3	0.0
Farms by Geography	2,179	1.0	9.9	35.3	53.8	0.0
Family Distribution by Income Level	216,393	17.9	15.1	20.4	46.6	0.0
Household Distribution by Income Level	305,114	21.6	13.7	16.2	48.5	0.0
Median Family Income MSA - 14454 Boston, MA		\$112,607	Median Housing Value			\$422,513
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$89,555	Median Gross Rent			\$1,304
			Families Below Poverty Level			4.5%
<i>Source: 2020 ACS, 2022 D&B Data, and FFIEC Estimated Median Family Income;</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2021 and 2022 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA Median Family Income (14454)				
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
2022 (\$129,500)	<\$64,750	\$64,750 to <\$103,600	\$103,600 to <\$155,400	≥\$155,400
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2021 (\$87,500)	<\$43,750	\$43,750 to <\$70,000	\$70,000 to <\$105,000	≥\$105,000
2022 (\$99,600)	<\$49,800	\$49,800 to <\$79,680	\$79,680 to <\$119,520	≥\$119,520
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Within low and moderate-income census tracts of the assessment area, 11.3 percent are owner occupied units. This low owner occupancy level is recognized to be a challenge for

homeowner ownership opportunities as the makeup of these tracts comprises of a large concentration of rental units of 33.3 percent.

The median housing cost of \$422,513 is high within the assessment and there is a notable increase from the 2021 examination of \$352,660. The high cost of housing indicates challenges to low and moderate-income buyers and affordable homeownership.

Competition

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders within SCUCU's assessment area. In 2022, 468 lenders reported 28,682 residential mortgage loans originated or purchased. SCUCU ranked 24th, with a market share of 1.16 percent by number. SCUCU represents the only state-chartered credit union among the top 25 lenders. The three most prominent home mortgage lenders accounted for 15 percent of total market share and consisted of Citizens Bank, NA, Rockland Trust Company, and Rocket Mortgage.

Community Contact

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

Examiners reviewed a recent community contact of a local organization within the credit union's assessment area that promotes affordable housing, community development, as well as economic revitalization, specifically for the benefit of low-and moderate-income households and small businesses.

The organization administers the Federal Community Development Block Grant (CDBG), which provides funding for community development activities that benefit low- and moderate-income individuals and communities. The organization also administers the US Housing and Urban Development (HUD) HOME Investment Partnership Program, which provides funding for creating, buying, and maintaining affordable housing, as well as rental assistance for low-income individuals. The contact noted the area is comprised of a high Cape Verdean population along with other minorities leading to a lack of understanding of financial institutions and the banking system. Additionally noted, language barriers for individuals and small business owners are a significant challenge for those with limited English proficiency (LEP). The contact noted that more outreach from local financial institutions in different languages would be helpful in combatting the language barriers. Regarding economic development, the contact also noted that business owners generally need access to financial counseling and education for their small businesses to succeed. Additionally, credit builder lending products would be beneficial. Regarding housing, the contact noted that affordable housing is a constant concern and issue in the area, particularly with respect to the older age of the local housing stock and prohibitive financial challenges for low- and moderate-income homeowners or renters to reside in de-leaded and well-maintained properties. It was further noted that, for both individuals and small businesses, increased financial literacy, particularly including

budgeting and financial planning would be highly beneficial. Additionally, the contact noted that donations from financial institutions would be helpful.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the credit union, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, financial literacy, for both individuals and small businesses, and increased community organization partnerships are primary community development needs. Additionally, direct charitable donations would provide helpful support.

SCOPE OF EVALUATION

General Information

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks ("Division") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This evaluation covers the period from the prior evaluation dated October 25, 2021, to the current evaluation dated December 26, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate SCUCU's CRA performance. These procedures include two tests: the CRA Lending Test and the Community Development Test.

The Lending test was based on home mortgage loans originated by the credit union within its assessment area in 2021 and 2022. Examiners used aggregate data and the 2020 American Community Survey (ACS) demographic data to analyze performance under the Lending Test. The Community Development Test considered the credit union's qualified community development activities since the prior examination.

Loan Products Reviewed

Examiners determined 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.

The evaluation considered all home mortgage loans reported on the credit union's 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. In 2021, the credit union originated 767 loans totaling \$177.2 million and in 2022, the credit union originated 431 loans totaling \$82.4 million.

Examiners reviewed the number and dollar volume of home mortgage loans. While the number and

dollar volume of loans are presented, examiners emphasized performance by the number of loans because the number of loans is a better indicator of the number of individuals served.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services from October 25, 2021 through December 26, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SCUCU demonstrated reasonable performance under the Lending Test. Loan-to-Share Ratio, Assessment Area Concentration, and Geographic Distribution, and Borrower Profile performance primarily support this conclusion.

Loan-to-Share Ratio

This performance criterion determines what percentage of the credit union’s share base is reinvested in the form of loans and evaluates its appropriateness.

The credit union’s average net LTS ratio for the last eight reported quarters is adequate given the institution’s size, financial condition, and assessment area credit needs. The credit union’s net LTS ratio, calculated from the NCUA 5300 Quarterly Call Report data, averaged 76.0 percent over the last eight calendar quarters from December 31, 2021, through September 30, 2023. This ratio ranged from a high of 86.4 percent as of September 30, 2023, to a low of 72.0 percent as of March 31, 2022, and beginning with first quarter 2022, the ratio showed an increasing trend during the evaluation period. The credit union’s average LTS ratio was compared to that of three similarly situated institutions. The institution selection is based on asset size, geographic location, and lending focus. SCUCU’s average LTS ratio is higher than two of those institutions.

Loan-to-Share (LTS) Ratio Comparison		
Credit Union	Total Assets as of 9/30/2023 (\$000s)	Average Net LTS Ratio (%)
Sharon & Crescent United Credit Union	1,225,424,606	78.8
Liberty Bay Credit Union	771,915,879	96.0
St. Anne’s of Fall River Credit Union	1,141,456,294	74.3
Quincy Credit Union	709,624,283	60.8
<i>Source: Reports of Condition and Income 12/31/2021 - 9/30/2023</i>		

Assessment Area Concentration

The credit union made a majority of their home mortgage loans, by number and dollar volume within its assessment area. Overall lending volume decreased from 2021 to 2022. This change is attributed to changes in market conditions and competition. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	597	77.8	170	22.2	767	132,678	74.9	44,528	25.1	177,206
2022	324	75.2	107	24.8	431	53,845	65.3	28,639	34.7	82,484
Total	921	76.9	277	23.1	1,198	186,523	71.8	73,167	28.2	259,690

Source: Credit Union Data

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. Examiners focused on lending to low- and moderate-income census tracts and the percentage of home mortgage loans by number and considered the credit union’s assessment area demographics, aggregate data, and performance context factors.

In 2021, SCUCU performed below both aggregate and demographic data in lending to low-income tracts. In 2022, while the overall volume of lending decreased, the performance increased in lending to low-income census tracts. The credit union performed slightly above aggregate data and demographics. In lending to moderate-income census tracts, the credit union performed below aggregate and demographic data in 2021 and 2022.

There are several factors that explain and support reasonable performance. According to demographic data of the institution’s assessment area, the percentage of owner-occupied housing units in low- and moderate-income census tracts at 11.3 percent is low and limits the lending opportunities to those geographies. This factor combined with the high level of competition creates further challenges in lending to low and moderate-income areas in the assessment area.

Additionally, Brockton represents the largest concentration of the assessment areas low- and moderate-income areas and competition remains high. Despite these constraints, the credit union maintains a branch presence in 3 low- or moderate-income census tracts in Brockton making these locations and credit union services accessible to residents and in those tracts and nearby.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	1.0	1.3	4	0.7	2,048	1.5
2022	1.6	2.1	7	2.2	2,973	5.5
Moderate						
2021	7.6	7.9	40	6.7	6,726	5.1
2022	9.7	10.6	25	7.7	5,350	9.9
Middle						
2021	32.9	30.9	147	24.6	31,795	24.0
2022	39.6	39.0	125	38.6	18,792	34.9
Upper						
2021	58.4	59.8	406	68.0	92,109	69.4
2022	49.1	48.3	167	51.5	26,730	49.6
Not Available						
2021	0.0	0.1	0	0	0	0.0
2022	0.0	0.0	0	0	0	0.0
Total						
2021	100.0	100.0	597	100.0	132,678	100.0
2022	100.0	100.0	324	100.0	53,845	100.0
<i>Source: 2015 ACS; Credit Union Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available.</i>						

Borrower Profile

The distribution of home mortgage loans by borrower income level is reasonable. Examiners focused on lending to low- and moderate-income borrowers and the percentage of home mortgage loans by number and considered the credit union's assessment area demographics, aggregate data, and performance context factors.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	17.4	5.5	36	6.0	4,052	3.1
2022	17.9	7.0	30	9.3	3,251	6.0
Moderate						
2021	15.1	18.9	107	17.9	16,764	12.6
2022	15.1	20.4	58	17.9	8,025	14.9
Middle						
2021	19.8	26.4	159	26.6	30,708	23.1
2022	20.4	27.0	92	28.4	12,650	23.5
Upper						
2021	47.8	44.2	286	47.9	74,267	56.0
2022	46.6	42.8	131	40.4	23,511	43.7
Not Available						
2021	0.0	5.0	9	1.5	6,887	5.2
2022	0.0	2.9	13	4.0	6,408	11.9
Total						
2021	100.0	100.0	597	100.0	132,678	100.0
2022	100.0	100.0	324	100.0	53,845	100.0

Source: 2015 ACS; Credit Union Data, 2021 and 2022 HMDA Aggregate Data, "--" data not available.

In 2021, the credit union originated 6.0 percent of home mortgage loans to low-income borrowers, performing above aggregate data, but below demographics. In 2022, the credit union improved its lending to low-income borrowers, originating 9.3 percent of all home mortgage loans to low-income borrowers and performing 2.3 percentage points above aggregate.

The credit union made 17.9 percent of home mortgage loans to moderate-income borrowers in 2021 and 2022, performing 1.0 percentage point below aggregate in 2021 and 2.5 percentage points below aggregate in 2022. However, while the credit union performed slightly below aggregate, examiners noted that performance exceeded demographic data by 2.8 percentage points.

Market analysis indicates a highly competitive lending market and further supports reasonable performance and demonstrates the credit union's efforts and willingness to lend. In 2022, the credit

union ranked 14th in lending to low-income borrowers and 25th in lending to moderate-income borrowers. Within the competitive market of the assessment area, SCUCU was the only state-chartered credit union to originate to low and moderate-income borrowers among other larger banks and mortgage companies.

Response to Complaints

The credit union did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

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. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) 12 Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify any evidence of disparate treatment.

Minority Application Flow

The credit union's HMDA LARs for 2021 and 2022 were reviewed to determine if the application flow from different racial and ethnic groups reflected the assessment area's demographics.

According to 2020 ACS U.S Census data, the credit union's assessment area contained a total population of 863,788 individuals of which 19.8 percent are minorities. The assessment area's minority and ethnic population is 9.6 percent Hispanic or Latino, 3.9 percent Black/African American, 4.2 percent Asian, 0.1 percent American Indian, and 2.0 percent other.

The credit union's level of applications was compared with that of the 2021 and 2022 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.

In 2021, the credit union received 679 home mortgage loan applications from within its assessment area. Of these applications 70, or 10.3 percent, were received from racial minority applicants, of which 42, or 60.0 percent, resulted in originations. The aggregate received 14.6 percent of its applications from minority consumers, of which 59.0 percent were originated. For the same period, the credit union also received 31 applications, or 4.6 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 24 or 77.7 percent were originated, compared with an aggregate application rate of 4.9 percent with a 61.0 percent origination rate.

In 2022, the credit union received 460 home mortgage loan applications from within its assessment area. Of these applications, 70 or 15.2 percent were received from racial minority applicants, of which 41 or 58.5 percent, resulted in originations. The aggregate received 16.5 percent of its applications from minority consumers, of which 53.0 percent were originated. For the same period,

the credit union also received 24 applications, or 5.2 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 18 or 75 percent, were originated, compared with an aggregate application rate of 5.8 percent with a 60.9 percent origination rate.

MINORITY APPLICATION FLOW						
RACE	2021		2021 Aggregate Data	2022		2022 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	4	0.6	0.2	3	0.6	0.2
Asian	16	2.4	3.6	13	2.8	3.6
Black/ African American	34	5.0	9.2	49	10.6	10.8
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.2
2 or more Minority	2	0.3	0.2	1	0.3	0.2
Joint Race (White/Minority)	14	2.0	1.3	4	1.1	1.5
Total Racial Minority	70	10.3	14.6	70	15.2	16.5
White	480	70.7	59.6	318	69.1	59.8
Race Not Available	129	19.0	25.8	72	15.7	23.7
Total	679	100.0	100.0	460	100.0	100.0
ETHNICITY						
Hispanic or Latino	20	3.0	3.7	16	3.5	4.4
Joint (Hisp/Lat /Not Hisp/Lat)	11	1.6	1.2	8	1.7	1.4
Total Ethnic Minority	31	4.6	4.9	24	5.2	5.8
Not Hispanic or Latino	456	67.1	68.6	348	75.7	70.1
Ethnicity Not Available	192	28.3	26.5	88	19.1	24.1
Total	679	100.0	100.0	460	100.0	100.0

Source: ACS Census 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022

Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2021 and 2022, the credit union’s minority application flow is adequate. The credit union should remain cognizant of its community outreach strategies to reach all groups within the assessment area.

COMMUNITY DEVELOPMENT TEST

SCUCU demonstrated an adequate responsiveness to the assessment area’s community development needs through qualified community development services, qualified investments, and community development loans. The credit union opted to provide its record of community development loans and investments for CRA consideration. Examiners also considered the credit union’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Services

SCUCU provides community development services in the form of employee involvement and other services. SCUCU employees provided 28 instances of financial education or technical assistance to 10 different community development-related organizations in the assessment area. The credit union

continues its commitment to some of the same organizations over previous examination cycles. The following are examples of organizations that benefited from credit union employee involvement.

- **Brockton Venture Loan Fund** – The Brockton Venture Loan Fund is a \$1 million Small Business Fund to grow and expand businesses in the City of Brockton. It was created by SCUCU and 4 other state-chartered banks: HarborOne Bank, Eastern Bank, Rockland Trust, and North Easton Savings Bank. The fund allows small business loans up to \$50,000 for business in Brockton. While there have been no current advances to this fund, the SCUCU contributes technical expertise with their collaboration with the fund. A Senior Vice President of the credit union serves on the loan committee review for small business loans.
- **HESSCO Elder Services** – HESSCO Elder Services provides elder and disabled care and a variety of services related to healthcare, housing, finances, and nutrition. HESSCO programs range from free to all, voluntary contributions, and payments based on a percentage of an individual’s monthly income so that no one is excluded from their services regardless of income. The credit union’s Chief Risk Officer serves on the organization’s board and finance committee.
- **Southeastern Economic Development Corporation (SEED)** – SEED is a regional nonprofit economic development corporation focused on empowering entrepreneurs, strengthening local economies, and creating jobs by financing all types of small businesses in Massachusetts and Rhode Island. The organization provides small business loan programs ranging from small microloans to SBA 504 loans. A Senior Vice President serves on the organization’s board and its microloan committee. In addition to involvement on the board and loan committee, the credit union hosted two entrepreneurial business workshops in collaboration with Southeastern Economic Development Corporation in 2023. The virtual workshops taught fundamentals of business planning and financing a small business.

Other Services

- **Massachusetts Interest on Lawyers’ Trust Accounts (IOLTA)** – The credit union 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. As of the examination, the total balance for IOLTA accounts was \$1.4 million and the interest remitted totaled \$55,893.
- **Banzai Financial Literacy** – The credit union sponsored 21 schools through the Banzai Educational program. This program provides teachers and students with financial literacy programs at no cost. Of the 21 schools, 1 school was in a moderate-income area in the town of Norwood and therefore eligible for CRA consideration. Financial literacy topics include saving money, interest rate of return, and savings for a future goal.
- **Business Workshops**
In partnership with NeighborWorks Housing Solutions, credit union employees presented Building A Better Business Bootcamp. The series was held in 2023 at the credit union’s main office and was instructed by 4 credit union employees. Topics covered included starting and expanding businesses, utilizing marketing tools, and working through business concepts. After

completing the course, participants can apply to the Brockton Venture Loan Fund or other small business loan programs. Business workshops are responsive to the assessment area as community contacts identified this as a need.

Community Development Loans

SCUCU originated 5 community development loans totaling approximately \$1.7 million during the evaluation period. The credit union was responsive and promoted economic development by financing startup businesses in low and moderate-income geographies and supported the revitalization and stabilization of those communities. At the previous CRA examination, 25 PPP loans totaling \$1.1 million represented all of the credit union's community development lending. While the number of loans in the current exam is lower, the total dollar volume is higher.

The following are several examples of qualified community development loans.

The credit union originated a \$634,000 loan in 2022 to purchase a multi-family investment property in Taunton in a moderate-income area. All apartments in the multifamily have rents likely to meet the needs of low- and moderate-income individuals. This loan qualifies for community development by supporting revitalization and stabilization in a moderate-income area.

In 2022, The credit union originated a \$695,000 loan to refinance a property with commercial space and 5 retail businesses in a moderate-income area of Quincy. This loan qualifies for community development by supporting economic development through financing small businesses and attracting and retaining employment in a moderate-income area.

In 2023, the credit union originated a \$313,000 loan to a commercial business in a moderate-income area of Brockton. The funds will be used for renovations of the business. The loan qualifies for community development by supporting revitalization and stabilization in a moderate-income area.

Qualified Investments

SCUCU made 48 qualified investments totaling \$218,350. This dollar amount is solely comprised of grants and donations that benefited the assessment area. These investments demonstrate the credit union's responsiveness to the needs of the low-and moderate-income community within the assessment area. Many of the investments are continued commitments over previous exam cycles, making them impactful and responsive to the assessment area.

An example is the credit union's continued commitment to the Boys and Girls Club of Metro South. The credit union continues to support an annual donation to the Boy and Girls Club of Metro South as noted in previous examination cycles. This chapter primarily supports the Brockton and Taunton areas and provides numerous programs and services, including afterschool programs, as well as transportation and healthy meal programs. The contribution benefits a majority of the club's members who receive free or reduced lunch,

SCUCU's contributions to Family and Community Resources, Inc. in Brockton supports housing and supports programs available to individuals and families impacted by trauma at home, school, or in

their community. The organization serves the Brockton area and extends to 52 cities and towns in Southeastern Massachusetts. Programs are funded by state and federal grants and generous financial contributions. SCUCU's contribution assists the organization with its mission and is responsive to the needs of the community.

Father Bill's and MainSpring- Faither Bill's and MainSpring is a nonprofit organization that provides housing and supportive services to individuals and families facing a housing crisis in Southeastern Massachusetts. The credit union's contributions support the assistance to the individuals and families in need.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

- 1) The bank's loan-to-deposit 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 bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank'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 bank'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 bank provides community development services; and
- 4) The bank'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 bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations 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 30 Pond Street Sharon, Massachusetts 02067".

[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.