

PUBLIC DISCLOSURE

September 21, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Certificate Number: 67615

Watertown Municipal Credit Union
149 Main Street
Watertown, Massachusetts 02472

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.

INSTITUTION RATING

This document is an evaluation of the CRA performance of **Watertown Municipal Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **September 20, 2021**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION'S CRA RATING: 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 individuals, in a manner consistent with its resources and capabilities. Watertown Municipal Credit Union's performance under this test is summarized below:

- Watertown Municipal Credit Union's average net loan-to-share ratio is reasonable given the institution's size, financial condition, and credit needs of its assessment area.
- The distribution of members reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).
- The credit union has not received any CRA-related complaints since the last CRA evaluation.
- Fair Lending policies and procedures are adequate.

DESCRIPTION OF INSTITUTION

Background

Watertown Municipal Credit Union is a state-chartered credit union established in 1934. The credit union's membership is made up of employees of the Town of Watertown and their families. The credit union has 735 members as of June 30, 2021. The prior CRA Performance Evaluation, conducted by the Division, resulted in a Satisfactory rating.

Operations

The credit union operates one branch location at the Watertown Town Hall, 149 Main Street Watertown, MA. The credit union's hours are Monday to Friday, 9:00 AM to 4:00 PM.

Retail services are offered to members at the branch. Members can open a share savings account, club account and obtain certificates of deposit, personal loans, auto loans, and real estate loans. The credit union's website allows for members to apply for loans online.

Ability and Capacity

As of June 30, 2021, the credit union had total assets of approximately \$11.6 million, total shares and deposits of approximately \$8.3 million, and total loans of approximately \$2.1 million. Unsecured loans and lines of credit and vehicle loans account for 33.6 percent of the credit union's

total loans by dollar amount and loans secured by residential properties account for 66.4 percent of total loans by dollar amount. When evaluating the portfolio by number of loans, the consumer loans represented a majority of the credit union’s business totaling 97 loans, compared to real estate loans which totaled 12 loans. Examiner gave more weight to the number of loans when determining the major product lines. Pursuant to 209 CMR 46.22(1)(a), because consumer lending constitutes a substantial majority of the credit union’s business, examiners samples included motor vehicle loans, and unsecured loans/lines of credit.

The following table illustrates the distribution of the credit union’s loan portfolio.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$	%
Unsecured Loans/Lines of Credit	158,409	7.6
New Vehicle Loans	464,835	22.3
Used Vehicle Loans	77,629	3.7
Total Loans/Lines of Credit Secured by 1 st Lien 1-4 Family Residential Properties	1,380,964	66.1
All Other Real Estate Loan/Lines of Credit	7,229	0.3
Total Loans	2,089,066	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREA

Pursuant to 209 CMR 46.41(8), Watertown Municipal Credit Union delineates its membership as its assessment area. According to CRA regulations, an institution shall delineate one or more assessment areas where the institution will meet the credit needs and by which the Division will evaluate the institution’s CRA performance. Credit union’s whose membership by-laws provisions are not based upon geography are permitted to designate its membership as its assessment area. Since the credit union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within a defined geographic area was not conducted. This evaluation was based on an analysis of the credit union’s loan-to-share ratio, its performance in providing loans to members of various incomes, its response to CRA related complaints, and fair lending performance.

Examiners used the 2020 and 2021 FFIEC estimated median income levels to analyze consumer loans under the Distribution of Credit Among Different Income Levels criterion. The following table presents low-, moderate-, middle-, and upper income categories for the Boston, Massachusetts Metropolitan Division, within which the geographic area of the credit union’s field of membership is located.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2020 (\$109,800)	<\$53,802	\$53,802 to <\$86,742	\$86,742 to <\$131,760	≥\$131,760
2021 (\$113,700)	<\$55,713	\$55,713 to <\$89,823	\$89,823 to <\$136,400	≥\$136,400
<i>Source FFIEC</i>				

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Share Ratio

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

The credit union’s net LTS ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 27.5 percent over the past eight calendar quarters from September 30, 2019 through June 30, 2021. The ratio ranged from a low of 25.2 percent as of June 30, 2021, to a high of 30.3 percent as of September 30, 2019. During the evaluation period, total shares/deposits trended upward and was primarily due to the impact of the pandemic. Lending remained generally stable with slight fluctuations per quarter. While the LTS ratio is low, it is consistent with the last examination performance and also comparable to other institutions of similar asset size and capabilities.

Distribution of Credit Among Different Income Levels

The distribution of loans reflects reasonable penetration to individuals of different income levels.

Consumer Loans

A sample of consumer loans from the credit union’s portfolio was analyzed for 2020 and 2021. Consumer loans represent personal loans and new or used auto loans. Overall, the credit union originated four sampled loans to low-income borrowers and originated three sampled loans to moderate-income borrowers. Please refer to the table below for more information.

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Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level		#	%	\$(000s)	%
Low					
	2020	3	30.0	27,804	24.2
	2021	1	10.0	10,000	6.2
Moderate					
	2020	1	10.0	14,000	12.2
	2021	2	20.0	39,670	24.5
Middle					
	2020	4	40.0	26,747	23.3
	2021	3	30.0	25,500	15.7
Upper					
	2020	2	20.0	46,245	40.3
	2021	4	40.0	86,481	53.6
Totals					
	2020	10	100.0	114,796	100.0
	2021	10	100.0	161,651	100.0
<i>Source: Credit Union records</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. Based on a review of the credit union's public comment file and its performance relative to fair lending policies and procedures, no violations of anti-discrimination laws and regulations were identified.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (149 Main Street Watertown, MA)."

[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.