

PUBLIC DISCLOSURE

July 1, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Watertown Municipal Credit Union
Certificate Number: 67615

149 Main Street
Watertown, MA 02472

Division of Banks
One Federal Street, Suite 710
Boston, Massachusetts 02110-2012

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

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This document is an evaluation of the CRA performance of **Watertown Municipal Credit Union (credit union)** prepared by the Massachusetts Division of Banks (Division), the institution's supervisory agency as of **July 1, 2025**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **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. The credit union's performance under the Lending Test is summarized below:

- The credit union average net loan-to-share ratio is reasonable given the institution's size, financial condition, and the credit needs of its assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers.
- The credit union has not received any CRA-related complaints since the last CRA evaluation and its fair lending policies and procedures are considered adequate.

SCOPE OF EVALUATION

General Information

The Community Reinvestment Act (CRA) requires the Division of Banks to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area consistent with the safe and sound operation of the institution. Upon the conclusion of such examinations, 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 September 21, 2021, to the current evaluation dated July 1, 2025. Small Institution CRA procedures were used for the examination. The evaluation references demographic and economic information from the 2020 U.S. Census. Credit union financial data reflects the March 31, 2025 NCUA 5300 Quarterly Call Report.

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 individuals of various incomes, its response to CRA-related complaints, and fair lending performance.

DESCRIPTION OF INSTITUTION

Background

Established as a state-chartered credit union in 1934, Watertown Municipal Credit Union serves the employees of the City of Watertown and their families. The credit union has 684 members as of March 31, 2025. The prior CRA Performance Evaluation conducted by the Division of Banks on September 21, 2021, resulted in a Satisfactory rating.

Operations

The credit union operates its single branch location at the Watertown City Hall located at 149 Main Street in Watertown, MA. The credit union opens each day at 9:00 AM, and remains open until 4:00 PM on Mondays and Wednesdays, until 5:00 PM on Tuesdays and Thursdays, and until 12:30 PM on Fridays. The credit union has no ATMs.

The credit union offers deposit accounts and loans to its members. Deposit accounts include share savings accounts, club accounts, and Certificates of Deposit. Lending products offered include personal loans, holiday and vacation loans, new and used auto loans, secured home mortgage loans, and unsecured home improvement loans. Mortgage products are offered in partnership with Allanach Mortgage Group.

Ability and Capacity

As of March 31, 2025, the credit union had total assets of approximately \$10.1 million, total shares of \$6.6 million, and total loans of approximately \$3.3 million. Since the last exam, assets have decreased by approximately \$1.6 million, total shares decreased by \$1.7 million, and total loans increased by \$1.2 million. By dollar volume, loans secured by residential properties account for 55.3 percent of the portfolio, while new and used vehicle loans account for 32.5 percent. When evaluating the portfolio by number of loans, 136 consumer loans represent a substantial majority of the credit union's loans, compared to 12 residential loans. Pursuant to 209 CMR 46.00, examiners evaluated these consumer loans as a major product line and sampled 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 03/31/2025		
Loan Category	\$	%
Unsecured Loans/Lines of Credit	366,059	11.3
New Vehicle Loans	728,178	22.3
Used Vehicle Loans	334,144	10.2
Secured Non-Real Estate Loans/Lines of Credit	17,093	0.5
Loans/Lines of Credit Secured by a 1 st Lien on 1-4 Family Residential Property	1,802,281	55.3
All Other Real Estate Loans/Lines of Credit	12,744	0.4
Total Loans	3,260,499	100.00
<i>Source: NCUA Call Report Form 5300 as of March 31, 2025</i>		

DESCRIPTION OF ASSESSMENT AREA

Since the credit union's focus of service is on its membership and not a specific geographic area, the credit union has delineated its membership as its assessment area. This is in accordance with regulation 209 CMR 46.41(8), which states that a credit union whose membership by-law provisions are not based upon geography is permitted to designate its membership as its assessment area. Therefore, an evaluation of credit extended in a defined geographic area was not conducted.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze consumer loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories for the Cambridge-Newton-Framingham, MA Metropolitan Division, within which the credit union 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 Median Family Income (15764)				
2023 (\$146,200)	<\$73,100	\$73,100 to <\$116,960	\$116,960 to <\$175,440	≥\$175,440
2024 (\$146,600)	<\$73,300	\$73,300 to <\$117,280	\$117,280 to <\$175,920	≥\$175,920
Source: FFIEC				

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST: Satisfactory

Loan-to-Share Ratio

The Loan-to-Share (LTS) performance criterion examines 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 was calculated from the NCUA 5300 Quarterly Call Report data and averaged 49.1 percent over the past eight calendar quarters from June 30, 2023 to March 31, 2025. The ratio was steady during the examination period and ranged from a low of 45.7 percent as of June 30, 2023, to a high of 51.5 percent as of December 31, 2023. The ratio increased significantly since the last exam.

Borrower Profile

The distribution of loans reflects reasonable penetration among individuals of different income levels, particularly among low- and moderate-income borrowers. Examiners analyzed a random sample of consumer loans originated in both 2023 and 2024. The sample consisted of unsecured personal loans and new and used auto loans. In 2023, thirty percent of the sampled loans were to

low-income borrowers while twenty percent were to moderate-income borrowers. In the 2024 sample, this increased to fifty percent for low-income borrowers while forty percent was to moderate-income borrowers.

The following table demonstrates the distribution of consumer loans by borrower income.

Distribution of Consumer Loans by Borrower Income Level				
Borrower Income Level	#	%	\$	%
Low				
2023	3	30.0	37,500	25.7
2024	5	50.0	94,031	54.1
Moderate				
2023	2	20.0	20,000	13.7
2024	4	40.0	76,670	44.1
Middle				
2023	4	40.0	78,633	53.8
2024	1	10.0	3,000	1.8
Upper				
2023	1	10.0	10,000	6.8
2024	0	0.0	0	0.0
Totals				
2023	10	100.0	146,133	100.0
2024	10	100.0	173,701	100.0
<i>Source: Credit Union Data</i>				

Response to Complaints

The credit union did not receive any CRA-related complaints during the evaluation period, so this criterion did not affect the CRA rating.

Fair Lending Policies and Procedures

The Division provides comments regarding the institution's fair lending policies and practices pursuant to Regulatory Bulletin 1.3-106. Examiners reviewed the credit union's loan policies and conducted interviews with staff to review the credit union's adherence to the Equal Credit Opportunity Act. Examiners determined the credit union's record relative to fair lending policies and practices is adequate.

SMALL INSTITUTION PERFORMANCE CRITERIA

Lending Test

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

- 1) The institution'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 institution'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 institution'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).

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 02472)

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by the Massachusetts Division of Banks, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the 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.

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.

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.

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.

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 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.

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.