

PUBLIC DISCLOSURE

June 1, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Worcester Credit Union
Certificate Number: 64144
520 West Boylston Street
Worcester, Massachusetts 01606

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 **Worcester Credit Union (credit union)** prepared by the Division, the institution's supervisory agency as of **June 1, 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. Worcester Credit Union's performance under this test is summarized below:

- Worcester 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.
- A majority of the credit union's residential loans are inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers 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.

DESCRIPTION OF INSTITUTION

Background

Worcester Credit Union is a state-chartered credit union that was established in 1976. The credit union's membership is made up of anyone who lives, works, and worships or attends any school in the City of Worcester or any of the surrounding towns. Worcester Credit Union has received a low-income designation from the NCUA and the Division of Banks. The credit union has 6,885 members as of March 30, 2021.

Operations

The credit union is headquartered at 520 West Boylston Street Worcester, Massachusetts. The credit union's hours are Monday thru Wednesday 8:30 am to 5:00 pm, Thursday 8:30 am to 6:00 pm, Friday 8:30 am to 5:00 pm and Saturday 9:00 am to 12:00 pm.

The credit union currently offers its members personal checking accounts, savings accounts, money market accounts, Certificates of Deposits, Individual Retirement Accounts, debit cards, online banking, Overdraft Protection, home mortgage loans, and personal loans. The credit union also offers business checking and business savings accounts.

Ability and Capacity

As of March 31, 2021, the credit union had total assets of approximately \$111.9 million, total shares and deposits of approximately \$103.0 million, and total loans of approximately \$55.7 million. The credit union is primarily a residential lender by dollar volume. Loans secured by first and junior liens on 1-4 family residential properties account for 73.1 percent of total loans

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

Loan Portfolio Distribution as of 3/31/2021		
Loan Category	\$	%
Unsecured Credit Card Loans	1,017,074	1.8
Non-Federally Guaranteed Student Loans	1,954,937	3.5
All Other Unsecured Loans/Lines of Credit	4,124,020	7.4
New Vehicle Loans	1,850,074	3.3
Used Vehicle Loans	5,660,519	10.2
Secured Non-Real Estate Loans/Lines of Credit	337,039	0.6
Total Loans/Lines of Credit Secured by 1 st Lien 1-4 Family Residential	27,687,602	49.7
Total Loans/Lines of Credit Secured by Junior Lien 1-4 Family Residential Properties	13,025,761	23.4
Total Loans	55,657,026	100.0
<i>Source: Reports of Income and Condition</i>		

DESCRIPTION OF ASSESSMENT AREA

Pursuant to 209 CMR 46.41(8), Worcester Credit Union delineates its assessment area as the towns of Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury, West Boylston, and The City of Worcester. 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.

Economic and Demographic Data

The Assessment Area includes 79 census tracts. These tracts reflect the following income designations according to the 2015 ACS U.S. Census:

- 17 low-income tracts,
- 17 moderate-income tracts,
- 23 middle-income tracts,
- 19 upper-income tracts
- 3 tracts without an income designation.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Worcester CU						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	71	18.3	18.3	32.4	26.8	4.2
Population by Geography	314,111	17.6	16.3	34.4	30.1	1.5
Housing Units by Geography	125,902	18.7	17.4	34.7	28.0	1.2
Owner-Occupied Units by Geography	66,319	6.2	10.8	42.6	40.3	0.2
Occupied Rental Units by Geography	49,337	34.7	24.4	25.3	13.2	2.4
Vacant Units by Geography	10,246	23.0	26.2	28.5	19.8	2.4
Businesses by Geography	18,745	13.4	16.5	33.1	29.6	7.3
Farms by Geography	371	7.0	9.2	38.5	44.5	0.8
Family Distribution by Income Level	73,210	25.2	17.3	19.1	38.3	0.0
Household Distribution by Income Level	115,656	29.5	15.0	17.0	38.6	0.0
Median Family Income MSA - 49340 Worcester, MA-CT MSA		\$81,137	Median Housing Value			\$238,439
Families Below Poverty Level		10.7%	Median Gross Rent			\$955
<i>Source: 2015 ACS and 2018 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Federal Financial Institutions Examination Council (FFIEC) updated median family income level is used to analyze hoe mortgage loans under the Borrower Profile criterion. The low- moderate-, middle-, and upper-income categories are presented in the following table.

Table B – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester, MA-CT MSA Median Family Income (49340)				
2019 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
2020 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
<i>Source: FFIEC</i>				

Competition

The AA is a highly competitive market for home mortgage lending. There is a strong level of competition for home mortgage lending among credit unions, banks, and non-depository lenders. Large national banks, non-depository lenders, and several state-chartered community banks and credit unions ranked above Worcester Credit Union.

Community Contact

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

The contact identified affordable housing as the primary need of the assessment area. The contact discussed the increase in housing costs in the assessment area which are directly affecting the low- and moderate-income population. The contact noted that financial institutions in the assessment area are generally supportive of the efforts to increase affordable housing.

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 (LTS) ratio for the last eight quarters is reasonable given the institution's size, financial condition, and assessment area credit needs.

The credit union's net LTS ratio, as calculated from the NCUA 5300 Quarterly Call Report data, averaged 68.7 percent over the past eight calendar quarters from June 30, 2019 through March 31, 2021. The ratio ranged from a high of 81.1 percent as of September 30, 2019, to a low of 54.1 percent as of March 31, 2021.

The credit union's average LTS ratio over the previous eight quarters was compared to that of two similarly situated institutions. The institution selection is based on geographic location and lending focus.

Loan-to-Share Ratio Comparison		
Institution	Total Shares	Average LTS Ratio (%)
Worcester Credit Union	102,954,423	68.7
Allcom Credit Union	67,577,819	67.2
Alden Credit Union	164,897,206	77.1
<i>Source: Reports of Income and Condition 06/30/2019 through 3/31/2021</i>		

Assessment Area Concentration

A majority of the credit union's lending activity occurs within its 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										
2019	25	83.3	5	16.7	30	1,504	76.3	468	23.7	1,972
2020	29	65.9	15	34.1	44	3,507	64.8	1,908	35.2	5,415
Total	54	73.0	20	27.0	74	5,011	67.8	2,376	32.2	7,387
<i>Source: Evaluation Period: 1/1/2019 - 12/31/2020 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 reasonable penetration in the low- and moderate-income geographies. 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						
2019	6.2	9.6	2	8.0	160	10.6
2020	6.2	-	1	3.5	100	2.9
Moderate						
2019	10.8	12.8	5	20.0	296	19.7
2020	10.8	-	2	6.9	157	4.5
Middle						
2019	42.6	39.7	15	60.0	658	43.8
2020	42.6	-	19	65.5	1,820	51.9
Upper						
2019	40.3	37.6	3	12.0	390	25.9
2020	40.3	-	7	24.1	1,430	40.7
Not Available						
2019	0.2	0.3	0	0.0	0	0.0
2020	0.2	-	0	0.0	0	0.0
Totals						
2019	100.0	100.0	25	100.0	1,504	100.0
2020	100.0	-	29	100.0	3,507	100.0

Source: 2015 ACS Census; 1/1/2019 - 12/31/2020 credit union Data, 2019 HMDA Aggregate Data, "-" data not available.

Borrower Profile

The distribution of home mortgage loans reflects reasonable penetration to individuals of different income levels. 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						
2019	25.2	10.6	1	4.0	68	4.5
2020	25.2	-	2	6.9	81	2.3
Moderate						
2019	17.3	23.8	4	16.0	127	8.4
2020	17.3	-	6	20.7	358	10.2
Middle						
2019	19.1	23.3	9	36.0	425	28.3
2020	19.1	-	7	24.1	574	16.4
Upper						
2019	38.3	31.1	11	44.0	884	58.8
2020	38.3	-	14	48.3	2,494	71.1
Not Available						
2019	0.0	11.2	0	0.0	0	0.0
2020	0.0	-	0	0.0	0	0.0
Totals						
2019	100.0	100.0	25	100.0	1,504	100.0
2020	100.0	-	29	100.0	3,507	100.0
<i>Source: 2015 ACS Census; 1/1/2019 - 12/31/2020 credit union Data, 2019 HMDA Aggregate Data, "-" data not available.</i>						

Response to Complaints

The credit union did not receive any CRA-related complaints during the evaluation period.

Discriminatory or Other Illegal Credit Practices Review

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the credit union's overall 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. 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

According to the 2015 ACS Census Data, the credit union’s assessment area contained a total population of 314,111 individuals of which 30.8 percent are minorities. The assessment area’s minority and ethnic population is 7.7 percent Black/African American, 6.9 percent Asian/Pacific Islander, 0.2 percent American Indian, 13.7 percent Hispanic or Latino and 2.3 percent Other.

The credit union’s level of lending was compared with that of the aggregate’s lending performance level for the most recent year that data was available, the year 2019. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority residential loan applicants.

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

Minority Application Flow					
RACE	2019 Credit Union Data		2019 Aggregate Data	2020 Credit Union Data	
	#	%	%	#	%
American Indian/ Alaska Native	0	0	0.3	0	0
Asian	2	5.3	8.5	2	4.0
Black/ African American	2	5.3	6.2	7	14.0
Hawaiian/Pacific Islander	0	0.0	0.3	1	2.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	1.2	1	2.0
Total Minority	4	10.6	16.6	11	22.0
White	33	86.8	60.7	36	72.0
Race Not Available	1	2.6	22.7	3	6.0
Total	38	100.0	100.0	50	100.0
ETHNICITY					
Hispanic or Latino	3	7.9	7.9	5	10.0
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.2	1	2.0
Total Ethnicity	3	7.9	9.1	6	12.0
Not Hispanic or Latino	34	89.5	68.44	41	82.0
Ethnicity Not Available	1	1.6	22.46	3	6.0
Total	38	100.0	100.0	50	100.0

*Source: 2019 & 2020 HMDA Data *Due to rounding, totals may not equal 100.0 percent.*

In 2020, the credit union received 50 HMDA reportable loan applications from within its assessment area. Of these applications, 22.0 percent were received from minority applicants, of

which 45.0 percent resulted in originations. For the same time period, the credit union received 12.0 percent of applications from Hispanic/Latino applicants, of which 66.7 percent resulted in originations.

Considering the demographic composition of the assessment area and comparisons to aggregate data, the credit union's minority application flow is reasonable.

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 (52 West Boylston Street Worcester, MA 01606)."

- 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.