**PUBLIC DISCLOSURE**

 June 1, 2021

 **COMMUNITY REINVESTMENT ACT**

 **PERFORMANCE EVALUATION**

Worcester Credit Union

 Certificate Number: 64144

 520 West Boylston Street

 Worcester, Massachusetts 01606

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| --- | --- |
| 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** |
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| **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 1st Lien 1-4 Family Residential Properties | 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** |
| *Source: Reports of Income and Condition* |

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.

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| **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 |
| *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.* |

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.

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| **Table B – Median Family Income Ranges** |
| **Median Family Incomes** | **Low <50%**  | **Moderate50% to <80%** | **Middle80% 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 |
| *Source: FFIEC* |

**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.

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|  **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 |
| ***Source: Reports of Income and Condition 06/30/2019 through 3/31/2021*** |   |   |

**Assessment Area Concentration**

A majority of the credit union’s lending activity occurs within its assessment area.

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| **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** |
| *Source: Evaluation Period: 1/1/2019 - 12/31/2020 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 reasonable penetration in the low- and moderate-income geographies. Please refer to the table below for more information.

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| **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 | 02 | - | 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.

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

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.

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| **Minority Application Flow** |
|   | **2019** | **2019 Aggregate Data** | **2020** |
| **RACE** | **Credit Union** | **Credit Union** |
|   | **Data** | **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.