

PUBLIC DISCLOSURE

NOVEMBER 2, 2015

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**ST. ANNE CREDIT UNION
CERT #67418**

**93 UNION STREET
NEW BEDFORD, MA 02740**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

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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GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) 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, including low- and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **St. Anne Credit Union (or the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of November 2, 2015. 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 neighborhoods, in a manner consistent with its resources and capabilities.

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$300 million, adjusted annually, St. Anne Credit Union’s overall CRA performance is considered Satisfactory. A summary of the Credit Union’s performance is summarized as shown below.

- The loan-to-share (“LTS”) ratio (63.4 percent) is reasonable given the institution’s size, financial condition, product offerings, and membership credit needs.
- The majority of loans were originated inside the assessment area.
- The distribution of loans to members of different income levels is reasonable.
- The geographic distribution of loans reflects adequate penetration.
- The Review of Complaints and the Fair Lending Section indicated the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

SCOPE OF THE EXAMINATION

Small institution evaluation procedures were used to assess the Credit Union's CRA performance. These procedures evaluated the Credit Union's CRA performance pursuant to the following criteria: loan-to-share (LTS) ratio, assessment area concentration, borrower's profile, geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity since the Credit Union's prior CRA evaluation on February 17, 2004.

This evaluation focused on home mortgage lending activity from January 1, 2014 to YTD 2015 (October, 30 2015). The Credit Union's most recent National Credit Union Administration (NCUA) 5300 Call Report as of June 30, 2015, shows 72.2 percent of the Credit Union's loan portfolio is comprised of real estate loans.

Information related to residential mortgage lending was derived from a review of loan files conducted by examiners at the institution. This data was compared to demographic data from the 2010 US Census. The Credit Union originated 6 residential mortgages in 2014 and 9 in YTD 2015.

While the Lending Test discusses the total dollar amount of loans, conclusions were primarily based on the Credit Union's lending performance by the number of loans originated or purchased. Large or small dollar loans could skew conclusions.

Financial data was derived from the June 30, 2015 NCUA 5300 Call Report.

PERFORMANCE CONTEXT

Description of Institution

Established in 1911, St. Anne Credit Union is a Massachusetts state-chartered community credit union. The Credit Union's main office is located at 93 Union Street in New Bedford, Massachusetts. Hours of operation are reasonable. The Credit Union has a drive-up window that opens at 8:00 a.m. each day and closes when the Credit Union closes. St. Anne's membership consists of those who live in or do business in Bristol or Plymouth County. As of June 30, 2015, the Credit Union has 2,084 members. The Credit Union offers a variety of products and services to its members, including new and used vehicle loans, residential first mortgages, home equity loans and lines of credit, credit consolidation loans, holiday and vacation club accounts, checking accounts, wire transfers, share accounts, ATM/debit cards, online banking, e-statements, and auto insurance.

As of June 30, 2015, the Credit Union's asset size was \$16,548,648, with total loans of \$9,049,817 or 55.0 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 61.0 percent. The Credit Union was last examined for compliance with CRA on February 17, 2004. The examination resulted in a CRA rating of High Satisfactory.

The Credit Union’s primary loan base is comprised of total first mortgage real estate loans/lines of credit at 67.9 percent, followed by used vehicle loans at 16.9 percent; new vehicle loans at 5.4 percent and all other unsecured loans/lines of credit at 5.2 percent. Table 1 provides the loan portfolio distribution as of June 30, 2015.

Table 1 Loan Portfolio Distribution as of June 30, 2015		
Loan Type	Dollar Volume	Percentage of Total Loans
All Other Unsecured Loans/Lines of Credit	\$461,992	5.2%
New Vehicle Loans	\$491,080	5.4%
Used Vehicle Loans	\$1,536,093	16.9%
Total 1 st Mortgage Real Estate Loans/Lines of Credit	\$6,145,923	67.9%
Total Other Real Estate Loans/Lines of Credit	\$380,376	4.2%
Total All Other Loans/Lines of Credit	\$32,713	0.4%
Total	\$9,049,817	100%

Source: 5300 Report, Statement of Financial Condition as of June 30, 2015

There appear to be no apparent financial or legal impediments that would limit the Credit Union’s ability to help meet the credit needs of its membership.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Credit Union’s assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Credit Union has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, unless otherwise permitted by the regulation, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union’s assessment area contains 4 cities and towns located in the Providence-Warwick Metropolitan Statistical Area (MSA). These include New Bedford, Dartmouth, Fairhaven and Acushnet. Refer to Table 2 for pertinent demographic information about the assessment area.

Table 2 Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	44	22.7	34.1	31.8	11.4
Population by Geography	155,280	16.2	30.9	36.1	16.8
Owner-Occupied Housing by Geography	34,942	6.3	26.2	47.6	19.9
Family Distribution by Income Level	39,256	30.7	18.4	21.2	29.7
Median Family Income	\$59,169	Households Below Poverty Level			17.2%
MFI Providence-Warwick MSA 2014	\$72,200	Median Housing Value			\$294,987
MFI Providence-Warwick MSA 2015	\$74,400	Unemployment Rate			8.7%
Families Below Poverty Level	13.3%	(2010 US Census)			

Source: 2010 US Census Data, 2014 & 2015 HUD updated MFI

Median Family Income Levels

According to 2010 US Census data, the assessment area contains 61,044 owner-occupied households, of which 39,256 are considered families. From 2014 to 2015, the Median Family Income (MFI) for Bristol County MSA increased from \$72,200 to \$74,400. It should be noted that the 2010 US Census also indicates that 13.3 percent of the families in the assessment are below the poverty level. The proportion of families below the poverty level indicates a portion of the low-income family demographic to which the institution may face challenges in extending credit.

Each census tract is assigned an income level based on the MFI of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low- Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent, but less than 80 percent of MFI

Middle-Income: At least 80 percent, but less than 210 percent of MFI

Upper-Income: 120 percent or greater of the MFI.

Housing Characteristics

Housing units within the assessment area totaled 67,458, of which 34,942 or 51.8 percent were owner-occupied, 26,102 or 38.7 percent were renter-occupied and 6,414 or 9.5 percent were vacant. Of the owner-occupied units within the assessment area, 6.3 percent were in low-income tracts, 26.2 percent were in moderate-income tracts, 47.6 percent were in middle-income tracts and 19.9 percent were in upper-income tracts. The median housing value in the assessment area was \$294,987.

Competition

The Credit Union faces significant competition within the assessment area, as the city of New Bedford is headquarters for multiple financial institutions. The Credit Union is located in close proximity to large national banks and several other small credit unions in the area.

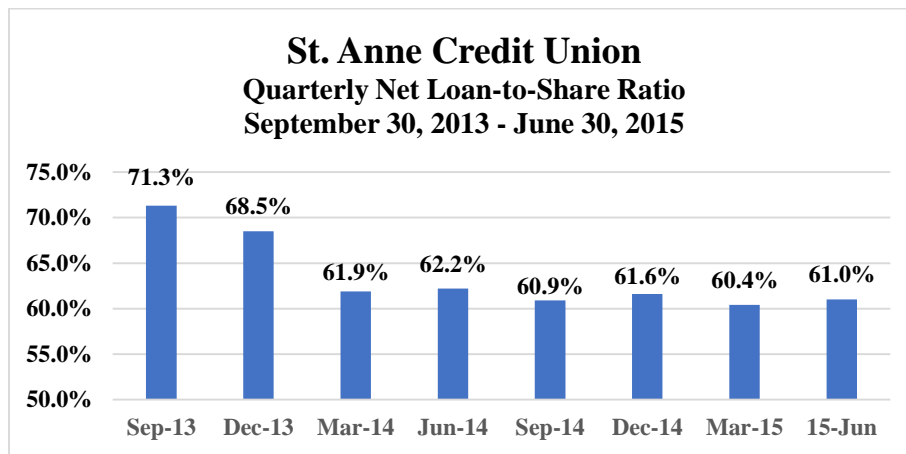
Unemployment Data

The unemployment rate of the assessment area was 8.7 percent according to the 2010 US Census. As of September 2015, the unemployment rate for New Bedford was 6.5 percent and for Bristol County was 5.5 percent, according to the US Bureau of Labor Statistics.

PERFORMANCE CRITERIA

LOAN-TO-SHARE (LTS) ANALYSIS

A comparative analysis of the Credit Union's last eight quarterly net loan-to-share ratios for the period of September 30, 2013 through June 30, 2015 was conducted during the examination. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. Using the NCUA quarterly Call Reports, the average net loan-to-share ratio for this period was 63.4 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The LTS ratio is reasonable. The following chart is provided for further analysis.



Source: NCUA 5300 Quarterly Call Reports

As shown in the chart above, the Credit Union's net loan-to-share ratio decreased over the review period, ranging from 71.3 percent as of September 30, 2013 to 61.0 percent as of June 30, 2015. During this period, net loans have decreased \$1,162,199 or 11.4 percent, while shares remained stable, increasing \$355,612 or 2.2 percent.

ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Credit Union is meeting the credit needs within its assessment area. As shown in the table below, the Credit Union originated a majority (78.6 percent) of all home mortgage loans inside the assessment area. The Credit Union originated the majority of its loans inside the assessment area during the review period.

Table 3 Distribution of Loans Inside and Outside of Assessment Area										
Loan Category of Type	Number Loans					Dollar Volume				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2014										
Home Purchase	0	0	0	0	0	0	0	0	0	0
Refinance	4	66.7	0	0	4	282,000	74.5	0	0	282,000
Home Improvement	2	33.3	0	0	2	96,250	25.5	0	0	96,250
Total	6	100	0	0	6	378,250	100	0	0	378,250
YTD 2015										
Home Purchase	1	11.1	1	11.1	2	65,500	9.3	165,000	23.4	230,500
Refinance	2	22.2	1	11.1	3	275,000	39.0	20,000	2.8	295,000
Home Improvement	3	33.3	1	11.1	4	99,400	14.1	80,000	11.3	179,400
YTD Total	6	66.6	3	33.3	9	439,900	62.5	265,000	37.5	704,900
Grand Total	12	80.0	3	20.0	15	818,150	75.5	265,000	24.5	1,083,150

Source: 2014 and 2015 Credit Union Data

In 2014, the Credit Union originated all 6 of its home mortgage loans in the assessment area. In YTD 2015, the Credit Union originated 66.6 percent of its 9 loans inside the assessment area by number. The Credit Union originated \$439,900 or 62.5 percent of loans by dollar volume inside the assessment area in YTD 2015.

BORROWER CHARACTERISTICS

The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area’s residents, particularly those of low- or moderate-income. Residential mortgage loan conclusions are based primarily on the Credit Union’s performance of lending to low- and moderate-income borrowers compared to assessment area demographics.

The distribution of originations by borrower income reflects, given the product lines offered by the institution, adequate penetration among members of different income levels (including low- and moderate-income individuals).

Table 4					
Distribution of Loans by Borrower Income					
Median Family Income Level	2014 Credit Union		YTD 2015 Credit Union		% of Families
	#	%	#	%	
Low	3	50.0	1	16.7	30.7
Moderate	1	16.7	0	0.0	18.4
Middle	0	0.0	2	33.3	21.2
Upper	2	33.3	3	50.0	29.7
Total	6	100.0	6	100.0	100.0

Source: Credit Union’s 2014 and 2015 Internal Records, 2010 US Census Data

The Credit Union made 3 or 50.0 percent of loans to low-income borrowers in 2014, which is greater than the percentage of families benchmark of 30.7 percent. In YTD 2015, the Credit Union made 1 or 16.7 percent of loans to low-income borrowers. As illustrated by the high level of families below the poverty line in the assessment area, it is challenging for low- and moderate-income borrowers to qualify for real estate loans. The Credit Union was awarded the Low-Income Designation for its consumer lending by the NCUA in 2015. The Credit Union’s lending to borrowers of different income is reasonable.

GEOGRAPHIC DISTRIBUTION

This criterion evaluates the distribution of the Credit Union's loans within the assessment area by census tract income level, including lending in low- and moderate-income census tracts. The Credit Union's assessment area is comprised of 44 census tracts, of which 10 are low-income, 15 are moderate-income, 14 are middle-income and 5 are upper-income. The overall geographic distribution of loans reflects an adequate penetration throughout the assessment area.

Table 5					
Distribution of Loans by Census Tract Income Level					
Census Tract Income Level	% of Total Owner Occupied Housing Units	2014 Credit Union Data		YTD 2015 Credit Union Data	
		#	%	#	%
Low	18.2	1	16.7	0	0.0
Moderate	42.1	2	33.3	3	50.0
Middle	67.7	2	33.3	3	50.0
Upper	77.6	1	16.7	0	0.0
Total	100.0	6	100.0	6	100.0

Source: Credit Union's 2014 and 2015 Internal Records, 2010 US Census Data

As illustrated in Table 5, the Credit Union originated one loan in a low-income census tract during the review period. However, it should be noted that 36.4 percent of households located in low-income tracts in the Credit Union's assessment area are below the poverty level. The Credit Union originated 2 or 33.3 percent of loans in 2014 and 3 or 50 percent of loans in YTD 2015 to borrowers in moderate-income tracts, which is generally in line with the demographic data.

Response to CRA Complaints and Fair Lending Policies and Practices

The Credit Union's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. A review of the Credit Union's public comment file indicated that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. 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 violations of the anti-discrimination laws and regulations were identified.

The Credit Union has a second review for denied loan applications. The Credit Union did not receive any CRA-related complaints during the evaluation period. There was no indication of discriminatory or other illegal credit practices.

Minority Application Flow

The Credit Union's residential lending was compared with assessment area demographics from the 2010 US Census. 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 Table 6 for information on the Credit Union's minority application flow, as well as a comparison to the demographics within the Credit Union's assessment area.

The Credit Union's assessment area contained a total population of 155,280 individuals, of which 22.5 percent are minorities. The assessment area's minority and ethnic population consists of 3.8 percent Black/African-American, 1.1 percent Asian/Pacific Islander, 0.3 percent American Indian, 11.0 percent Hispanic or Latino, and 6.3 percent Other.

In 2014, the Credit Union received 7 loan applications within its assessment area. The Credit Union received 2 applications from a Black/African-American individuals, including 1 who identified as Hispanic or Latino.

A review of YTD 2015 applications found that the Credit Union did not receive any applications from individuals that identified as a racial minority or as Hispanic or Latino.

The Credit Union offers translation services in Spanish and Portuguese through a multilingual teller in an effort to assist members and other customers with products and services.

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 93 Union Street, New Bedford, MA 02740."

- 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.