

**PUBLIC DISCLOSURE**

**March 14, 2011**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Everett Credit Union**

**Cert # 67559**

**650 BROADWAY  
EVERETT, MASSACHUSETTS 02149-1539**

**DIVISION OF BANKS**

**ONE SOUTH STATION**

**BOSTON, MA 02110**

<p><b>NOTE:</b> 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.</p>
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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 neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This document is an evaluation of the CRA performance of **EVERETT CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million, adjusted annually, Everett Credit Union's overall CRA performance is considered satisfactory. The rating of this institution is established upon a review of the Performance Criteria as shown below in the public evaluation.

The Credit Union's net loan-to-share ratio for the previous eight quarters is reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area.

A majority of the Credit Union's lending activity was within the assessment area.

The Credit Union demonstrates a reasonable level of lending to members of different income levels.

The geographic distribution of the Credit Union's loans reportable pursuant to the Home Mortgage Disclosure Act ("HMDA") reflects a reasonable dispersion throughout the assessment area.

Fair lending policies and practices are considered satisfactory. No weight was given to complaints, as none have been received by the Credit Union since the prior examination.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Everett Credit Union is a community credit union founded in 1926 as a Massachusetts state-chartered credit union. The purpose of the Credit Union is to promote thrift among its members by the accumulation of their savings and the loaning of such accumulation to its members for provident purposes at a moderate rate of interest. According to the Credit Union's bylaws: "membership in this corporation is limited to: persons who live, work, or worship in Essex, Middlesex, Norfolk, and Suffolk Counties in Massachusetts." As of December 31, 2010, the Credit Union had 4,618 members.

The main office is located at 650 Broadway in Everett, Massachusetts, a moderate-income Census tract. Business hours are from 8:30 a.m. to 4:00 p.m. Monday through Wednesday, with extended hours on Thursdays until 6:00 p.m., and Fridays until 5:00 p.m. The main office has drive-up services, and offers extended business hours from 7:30 a.m. to close. The Credit Union is also open Saturdays 9:00 a.m. to noon. The Credit Union offers automated teller machines (ATM) and is a member of the SUM network.

Some of the services and products the Credit Union offers are: savings accounts, checking accounts, ATM/debit cards, money market accounts, certificates of deposit, IRA accounts, auto loans, personal loans, mortgages, online banking, home equity lines of credit, home equity loans, student loans and personal lines of credit.

The Credit Union was last examined for compliance with the CRA on June 7, 2000. The examination resulted in a CRA rating of "Satisfactory."

The Credit Union's asset size has increased from \$34.0 million to \$48.4 million since the previous examination. As of December 31, 2010, the Credit Union's asset size was \$48,405,447 with total gross loans of \$22,717,706 or 46.9 percent, of total assets. The Credit Union's net loan-to-share ratio, as of the same date, was 54.8 percent. First mortgage loans and lines of credit represent the largest portion of loans, at 49.6 percent, followed by used vehicle loans, at 23.3 percent, followed by all other real estate loans with 18.6 percent.

The following table provides additional details regarding the Credit Union's loan portfolio:

<b>Everett Credit Union Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar Volume</b>	<b>% of Total Loans</b>
Total First Mortgage Real Estate Loans/Lines of Credit	15,487,438	67.8
Total Other Real Estate/Lines of Credit	4,143,722	18.2
All Other Unsecured Loans/Lines of Credit	933,397	4.1
Used Vehicle Loans	786,909	3.4
Total All Other Loans/Lines of Credit	587,630	2.6
Unsecured Credit Card Loans	544,109	2.4
New Vehicle Loans	344,181	1.5
<b>Total</b>	<b>\$22,827,386</b>	<b>100.0</b>

*Source: 5300 Report, Statement of Financial Condition as of December 31, 2010.*

## Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The Credit Union's assessment area contains the cities and towns of Chelsea, Everett, Malden, Medford, Revere, and Somerville.

The assessment area contains 55 census tracts. Of those tracts, 2, or 3.6 percent, are low-income; 37, or 67.3 percent, are moderate-income; and 16, or 29.1 percent, are middle-income. There are no upper-income census tracts.

The following data provides demographic information pertaining to the Credit Union's assessment area. According to 2000 US Census data, the assessment area contains 127,224 housing units, of which 52,144, or 41.0 percent, are owner-occupied; 71,273, or 56.0 percent, are occupied rental units; and 3,807, or 3.0 percent, are vacant units. Of the total housing units, 3.1 percent are located in low-income census tracts, 70.7 percent are located in moderate-income census tracts, and 26.2 percent are located in middle-income census tracts.

Based on 2000 Census data, the assessment area has a total population of 309,983 individuals, of which 71,332 are households that are families. Of the total population, 3.3 percent reside in the assessment area's low-income census tracts, 69.7 percent in the moderate-income census tracts, and 29.3 percent in the middle-income census tracts.

Of the total households, 71,332 are families and of these families, 32.7 percent are low-income, 23.2 percent are moderate-income, 22.7 percent are middle-income and 21.5 percent are upper-income families.

Refer to the following table for more information:

Selected Housing Statistics by Income Category of the Geography*						
Census Tract	Total Housing Units	Total Households	Rental Units %	Owner Occupied %	Vacant Units %	Median Housing Value
<b>Low</b>	3,088	2,945	3.1	1.4	3.9	\$152,056
<b>Moderate</b>	89,153	89,153	74.1	64.7	68.3	\$191,179
<b>Middle</b>	34,983	17,659	22.8	33.9	27.8	\$221,536
<b>Total/Median</b>	<b>127,224</b>	<b>123,407</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>\$203,365</b>

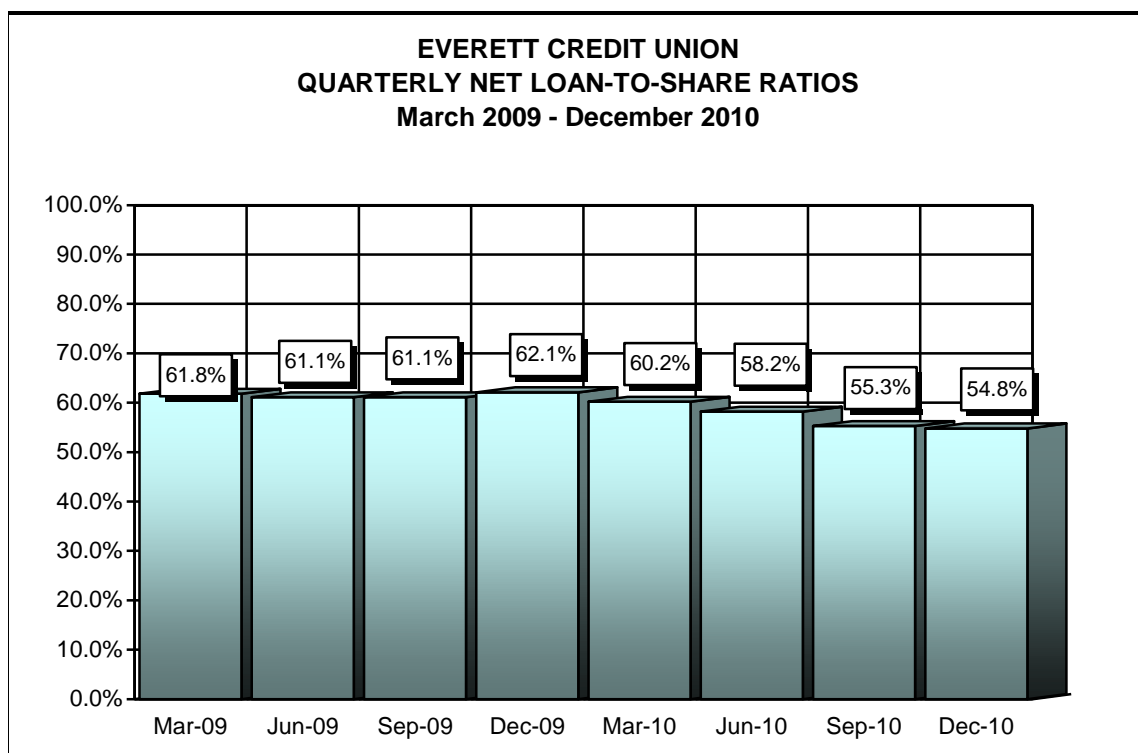
\*Source: 2000 US Census

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LOAN-TO-SHARES ANALYSIS

A comparative analysis of Everett Credit Union's quarterly net loan-to-share ratios for the period of March 31, 2009 through December 31, 2010, was conducted during this examination. Using the Credit Union's last eight quarterly National Credit Union Administration (NCUA) 5300 Call Reports, the average net loan-to-share ratio for this period was 59.1 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.

As shown in the graph below, the Credit Union's net loan-to-share ratio has fluctuated from a high of 62.1 percent in December 2009 to a low of 54.8 percent in December 2010. Loans have increased 11.4 percent while shares have increased by 25.5 percent during this time period.



The following table illustrates the average net loan-to-share ratio that was compared against the net average loan-to-share ratio of four similarly situated institutions as of December 31, 2010. Everett Credit Union had the lowest LTS ratio of the group.

Net Loans-to-Shares Ratios			
Credit Union	Net Loans	Shares	% LTS
Seaport Credit Union	33,836,357	34,846,451	97.1
Winthrop Credit Union	25,511,011	32,010,853	79.7
Saugus Credit Union	42,906,893	56,465,961	76.0
Tewksbury Credit Union	30,181,620	44,628,409	67.6
<b>Everett Credit Union</b>	<b>22,717,706</b>	<b>41,442,910</b>	<b>54.8</b>

*\*Source: NCUA 5300 Report, Statement of Financial Condition as of December 31, 2010.*

## LOAN-TO-SHARES ANALYSIS (CONTINUED)

Based on the Credit Union's asset size, resources and credit needs of its members, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

## COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion measures the percentage of the Credit Union's lending that benefits the assessment area's residents and evaluates the adequacy of such lending. The following table shows the distribution of the Credit Union's lending inside and outside of its assessment area.

The Credit Union's 2009 and 2010 Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the Credit Union's assessment area. During this period, the Credit Union originated 68 HMDA-reportable loans, totaling approximately \$12.0 million. Of these loans, 36, or 52.9 percent, were originated inside the Credit Union's assessment area, totaling \$5.4 million, or 45.0 percent.

Refer to the following table for additional information regarding the Credit Union's HMDA-reportable lending, by both number and dollar volume.

Distribution of HMDA Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2009	18	54.5	15	45.5	33	2,849	55.0	2,331	45.0	5,180
2010	18	51.4	17	49.6	35	2,570	48.5	4,289	62.5	6,859
Total	36	52.9	32	47.1	68	5,419	45.0	6,620	55.0	12,039

Source: PCI Corporation CRA Wiz, Data Source 2000 U.S. Census

As indicated in the table above, a majority of the Credit Union's loans originated during the examination period were inside the Credit Union's assessment area thus meeting the standards for satisfactory performance.

## DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's HMDA-reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers reported incomes were compared to the median family incomes for Middlesex, Suffolk, Norfolk, and Essex Counties. The income figures are based on 2000 U.S. Census data information. The median family income for the Cambridge-Newton-Framingham MSA in 2009 and 2010 were \$97,100 and \$98,700, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

## DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS (CONTINUED)

The following table shows, by number, HMDA reportable loans to low, moderate, middle and upper-income borrowers in comparison to the aggregate and the percentage of total families within the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income								
Median Family Income Level	% Families	Credit Union 2009		Aggregate Lending Data (% of #)	Credit Union 2010		Credit Union Total	
		#	%		#	%	#	%
<b>Low</b>	32.7	4	22.2	9.3	3	16.7	7	19.4
<b>Moderate</b>	23.2	7	38.9	26.5	8	44.4	15	41.7
<b>Middle</b>	22.7	4	22.2	27.4	6	33.3	10	27.8
<b>Upper</b>	21.4	3	16.7	20.8	1	5.6	4	11.1
<b>N/A</b>	0.0	0	0.0	16.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>

Source: CRA Wiz, Data Source 2000 U.S. Census

During the period reviewed, the Credit Union originated 7 HMDA-reportable loans in the assessment area to low-income borrowers representing 19.4 percent of total originations and 15 loans to moderate-income borrowers representing 41.7 percent. The Credit Union's percentage of lending to low-income borrowers was above the aggregate's lending in 2009. The Credit Union originated 22.2 percent of its loans to low-income borrowers, while the aggregate originated 9.3 percent. The Credit Union's lending to moderate-income borrowers was also above the aggregate data. The Credit Union originated 38.9 percent of its loans to moderate-income borrowers while the aggregate originated 26.5 percent.

The Credit Union's performance in lending to borrower's of different incomes meets the standards for satisfactory performance.

## GEOGRAPHIC DISTRIBUTION OF LOANS

The Credit Union's lending activity within its assessment area was reviewed in order to determine the distribution of lending throughout the various Census tracts. As mentioned previously, the Credit Union's assessment area contains 55 Census tracts, of which 2 are low-income, 37 are moderate-income, and 16 are middle-income.

The following table presents the Credit Union's HMDA reportable lending performance as well as the 2009 aggregate data (exclusive of Everett Credit Union). In addition, the table also reflects the percentage of owner-occupied housing units in each of the Census tract income categories.

Distribution of HMDA Loans by Income Category of the Census Tract								
Census Tract Income Level	% Total Owner-Occupied Housing Units	Credit Union 2009		Aggregate Lending Data (% of #)	Credit Union 2010		Credit Union Total	
		#	%		#	%	#	%
<b>Low</b>	1.4	0	0.0	1.4	0	0.0	0	0.0
<b>Moderate</b>	64.7	15	83.3	63.6	15	83.3	30	83.3
<b>Middle</b>	33.9	3	16.7	35.0	3	16.7	6	16.7
<b>Total</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>100.0</b>	<b>18</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>

Source: PCI Corporation CRA Wiz, 2000 U.S. Census

During the period reviewed, the Credit Union originated no HMDA-reportable loans in the assessment area in low-income Census tracts and 30 loans in moderate-income Census tracts, respectively.

## **GEOGRAPHIC DISTRIBUTION OF LOANS (CONTINUED)**

The Credit Union did not meet the standards for satisfactory performance with regard to geographic distribution. However, the performance is somewhat mitigated by the very low volume of loans, the excellent performance with regard to moderate-income Census tract penetration and the fact that only 2 of the 55 Census tracts in the assessment area are designated as low-income.

## **REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES**

A review was conducted for compliance with fair lending regulations, and no evidence of disparate treatment or impact was revealed.

A review of the Division's records, as well as the Credit Union's Public CRA File did not reveal any complaints relating to the Credit Union's CRA performance since the prior evaluation.

The Credit Union has granted lending authority to the Vice President of Lending and the Credit Union Chief Executive Officer. A second review of denied loan applications is conducted by the Credit Committee which is comprised of three members of the Board of Directors.

## **MINORITY APPLICATION FLOW**

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Credit Union received from minority applicants. For 2009, the Credit Union received a total of 5 HMDA reportable mortgage applications, or 15.6 percent of total applications, from racial minority groups within its assessment area. In 2010, the Credit Union received 3 HMDA-reportable applications (9.7 percent) from racial minority applicants and 1 application (3.2 percent) from an applicant of Hispanic ethnicity.

The Credit Union's minority application flow for this period was compared with the racial and ethnic composition of the assessment area and the 2009 aggregate data for all other HMDA reporters within the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants. According to 2000 Census Data, approximately 18 percent of the total population is representative of various racial minorities and approximately 8 percent ethnic minorities.

The Credit Union's overall performance is considered reasonable, as the Credit Union's percentage in 2009 was in line with the 2009 aggregate of 13 percent. However, it is noted that the Credit Union received no loans from racial or ethnic minorities within the assessment area in 2009.



## 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 650 Broadway, Everett, MA 02149."
- 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.