

**PUBLIC DISCLOSURE**

**AUGUST 11, 2014**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**LOWELL FIREFIGHTERS CREDIT UNION  
CERT #67767**

**642 CHELMSFORD STREET  
LOWELL, MA 01851**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

NOTE: 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.

## 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 **LOWELL FIREFIGHTERS CREDIT UNION (or the Credit Union)**, prepared by the Division, the institution's supervisory agency as of August 11, 2014. 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."**

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$300 million, Lowell Firefighters 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.

- The loan-to-share (LTS) ratio is adequate given the institution's size, financial condition, secondary market activity, and assessment area credit needs. The Credit Union's average net LTS ratio over the past 8 quarters was 47.7 percent.
- The distribution of borrowers reflects adequate penetration, given the demographics of the assessment area, among individuals of different income levels (including low- and moderate-income).
- The Credit Union did not receive any CRA-related complaints during the evaluation period.

## SCOPE OF THE EXAMINATION

Small institution evaluation procedures were used to assess the Credit Union's CRA performance. Additionally, as its membership is not based on geographic boundaries, the Credit Union has designated its membership as its assessment area. Therefore, these procedures evaluated the Credit Union's CRA performance pursuant to the following criteria: loan-to-share (LTS) ratio, the borrower's profile, and the response to CRA complaints. The CRA evaluation considered activity since the Credit Union's prior CRA evaluation on August 11, 2014.

This evaluation focused on consumer lending activity from January 1, 2013 to June 30, 2014. The Credit Union's most recent NCUA 5300 Call Report as of June 30, 2014, shows 27 percent of the Credit Union's loan portfolio is comprised of new auto loans, followed by unsecured loans at 23 percent.

Consumer lending data was analyzed. The Credit Union's consumer loan data was derived from a sample of loans originated from January 1, 2013 through July 31, 2014. A sample of 20 loans was selected from 2013 and 2014, and was compared to demographic data from the 2010 U.S. Census. Financial data was derived from the June 30, 2014 NCUA Call Report.

## PERFORMANCE CONTEXT

### Description of the Institution

Lowell Firefighters Credit Union is a full service non-profit financial institution for Massachusetts-based employees of the Fire Department of the City of Lowell and the Fire Departments of Chelmsford, Westford and Dracut. The Credit Union was established in 1936 as a state-chartered Credit Union. The Credit Union has one office located at 642 Chelmsford Street Lowell, Massachusetts. As of June 30, 2014 the Credit Union had 1,517 members and total assets of approximately \$ 17,016,867 with loans comprising 41 percent of all assets. The Credit Union's loan portfolio is mainly comprised of unsecured loans, and new and used vehicles. The following chart illustrates the composition of the loan portfolio.

<b>Table 1 - Loan Portfolio Distribution as of June 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount (\$)</b>	<b>Percent of Total Loans (%)</b>
Total 1st Mortgage Real Estate Loans/Lines of Credit	865,485	12.0
Total Other Real Estate Loans/Lines of Credit	1,130,392	16.0
Used Vehicle Loans	1,113,079	16.0
All Other Unsecured Loans/Lines of Credit	1,646,310	23.0
New Vehicle Loans	1,926,678	27.0
Total All Other Loans/Lines of Credit	417,813	6.0
<b>Total</b>	<b>7,039,757</b>	<b>100.0</b>

*Source: June 30, 2014 Call Report; \*difference due to rounding*

The Credit Union maintains one full-service office with operating hours of Monday-Friday from 9am-3pm.

The Division last examined the Credit Union for compliance with the CRA on February 1, 2010. That examination resulted in a CRA rating of "Satisfactory."

### Description of Assessment Area

Lowell Firefighters Credit Union defines its assessment area as its membership, in accordance with the Division's CRA regulation 209 CMR 46.41(8), which states: "Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area." The Credit Union has elected to identify its assessment area in this manner.

According to the Credit Union's bylaws the Credit Union's membership is open to all employees of the Fire Department of the City of Lowell and the Fire Departments of Chelmsford, Westford and Dracut, which are contiguous towns, as well as former employees of these entities, and the immediate families of these qualified members. Persons not eligible for membership may have joint accounts with members of the Credit Union for purposes of deposits and withdrawals only. Additional members include, with the approval of the Credit Union's Board of Directors, the Lowell Fireman's Fund and the Lowell Firefighters Union.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Overall, the Credit Union's performance is adequate. This rating indicates that the Credit Union's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

### **Loan-to-Shares Analysis**

This performance criterion evaluates the proportion of the Credit Union's share base is reinvested in the forms of loans. The analysis was performed using NCUA's quarterly call report data for the period ending September 30, 2012 through June 30, 2014. The analysis was conducted to determine the extent of Credit Union lending compared to deposits received from its customers.

Lowell Firefighters Credit Union's average net LTS ratio for the time period was calculated at 47.7 percent and is considered adequate given the Credit Union's size, financial condition, and the member's credit needs. Over the past eight quarters, the net LTS ratio was at a low of 43.7 percent in March 2013, and at a high of 50.1 percent in December of 2013. Overall, the penetration remained consistent, with increases attributed to seasonal loan specials.

The Credit Union's average net LTS ratio was compared to the average net LTS ratios of two other locally-based, similarly situated depository institutions. The Credit Union's net LTS ratio exceeded that of its comparable institutions, as shown in Table 2 below.

<b>Credit Union Name</b>	<b>Total Assets \$(000) as of 06/30/2014</b>	<b>Average Net LTS Ratio 09/30/2012 – 06/30/2014</b>
Lowell Firefighters	17,016	47.7 %
Lynn Police	12,073	29.7 %
Malden City Employees	13,125	44.5 %

### **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. The consumer loan conclusions are based primarily on the Credit Union's lending activity to low- and moderate-income borrowers as compared to demographics of the assessment area.

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels (including low- and moderate-income individuals).

Borrower income for consumer loans was compared to the median family income (MFI) for the Metropolitan District (MD) that comprises the Credit Union's assessment area. In 2013 the FFIEC updated median family income was \$101,000 for Cambridge-Newton-Framingham MD, as the Credit Union is located in Middlesex County. In 2014, the FFIEC median family income was \$93,300.

The Credit Union sometimes relies upon the income of only one borrower when making a credit decision on used auto loans. Therefore, comparing one member's income with the median family income of the MD potentially inflates the levels of lending to low- and moderate-income borrowers as median family income typically includes the income of two individuals.

<b>Table 3 Distribution of Used Auto Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>Families by Income Level</b>	<b>2013</b>		<b>2014</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	3.6	3	15.0	5	25.0
<b>Moderate</b>	20.4	11	55.0	8	40.0
<b>Middle</b>	46.3	5	25.0	4	20.0
<b>Upper</b>	29.7	1	5.0	3	15.0
<b>Total</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

*Source: Credit Union consumer loan sample; 2010 U.S. Census Data*

In 2013, the Credit Union originated 15.0 percent of the consumer loan sample to low-income borrowers. In 2014 the Credit Union increased the proportion of the loan sample going to low-income borrowers at 25.0 percent.

The Credit Union originated 55.0 percent of consumer loan sample to moderate-income borrowers in 2013. In 2014, the Credit Union slightly decreased the proportion of loan sample going to moderate-income borrowers to 40.0 percent.

### **Review of Complaints/ Fair Lending Policies and Practices**

The Credit Union did not receive any CRA-related complaints during the evaluation period.

## **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 642 Chelmsford Street, Lowell, MA

- 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.