

PUBLIC DISCLOSURE

February 13, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**COMMONWEALTH UTILITIES EMPLOYEES CREDIT UNION
Certificate Number 67846**

**312 WAREHAM ROAD
MARION, MA 02738**

**DIVISION OF BANKS
1000 WASHINGTON STREET
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 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 assessment area.

This document is an evaluation of the CRA performance of **Commonwealth Utilities Employees Credit Union (Credit Union)**, prepared by the Division, the institution's supervisory agency. According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted.

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 members, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership, providing loans to individuals of various incomes, including low- to moderate-income members, response to CRA complaints, and the Credit Union's fair lending performance.

- The Credit Union's average net loan-to-share (LTS) ratio for the period was 32.0 percent.
- The distribution of loans to members of different income levels is considered satisfactory and is representative of its membership.
- The institution did not receive any CRA-related complaints during the evaluation period.

PERFORMANCE CONTEXT

Description of Institution

Commonwealth Utilities Employees Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts on May 14, 1926.

The Credit Union has one office located at 312 Wareham Road in Marion, MA, an upper-income census tract. Office hours are Monday through Friday, 8:30 a.m. to 4:30 p.m. and Saturday 9:00 a.m. to noon. The Credit Union does not offer first mortgage loans, however, members seeking first mortgage loans are referred to Members Mortgage. During the examination period, the Credit Union purchased four first home mortgages, totaling \$742,000 from Members Mortgages, with servicing rights retained. The Credit Union offers products and services including share accounts, certificates of deposits, money market accounts, home equity loans, second mortgages, new and used vehicle loans, share pledged loans and unsecured loans. Other services include online banking and free bill pay, 24 hour telephone banking, mobile banking/smart phone app, text banking, and e-Statements. Although the Credit Union does not have automated teller machines (ATMs), members can access ATMs displaying the SUM logos. ATMs that are connected to the SUM network have no transaction fees. If transaction fees are charged by financial institutions to members for using their ATM card, the Credit Union will reimburse them up to \$6.00 at the end of each month. The Credit Union's website, www.cuecu.org, provides a home page, loan rates, share rates, products and services, business hours, on-line applications, reorder checks, lost/stolen cards, important dates, and fees.

As of December 31, 2016, the Credit Union's asset size was \$41.6 million with total loans of \$11.4 million or 27.4 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 31.6 percent. As of December 31, 2016, the Credit Union has 1,986 members.

The Credit Union's primary loan base is comprised of total first mortgage loans representing the largest portion of loans with 25.4 percent followed by new vehicles loans at 24.7 percent and all other real estate loans at 19.8 percent. The following table provides additional details regarding the Credit Union's loan portfolio:

Loan Type	Dollar Amount	Percent of Total Loans
Unsecured Credit Card Loans	\$1,213,938	10.6
All Other Unsecured Loans/Lines of Credit	\$841,983	7.4
New Vehicle Loans	\$2,819,436	24.7
Used Vehicle Loans	\$1,069,275	9.4
Total 1 st Mortgage Real Estate Loans/Lines of Credit	\$2,891,833	25.4
Total Other Real Estate Loans/Lines of Credit	\$2,258,853	19.8
Total All Other Loans/Lines of Credit	\$304,807	2.7
Total Loans	\$11,400,125	100.0%

Source: NCUA Call Report

Other than its small asset size and limited resources, there are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its membership.

The Credit Union was last examined for compliance with CRA on October 5, 2007. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have increased from \$32.7 million to \$41.6 million since the previous examination.

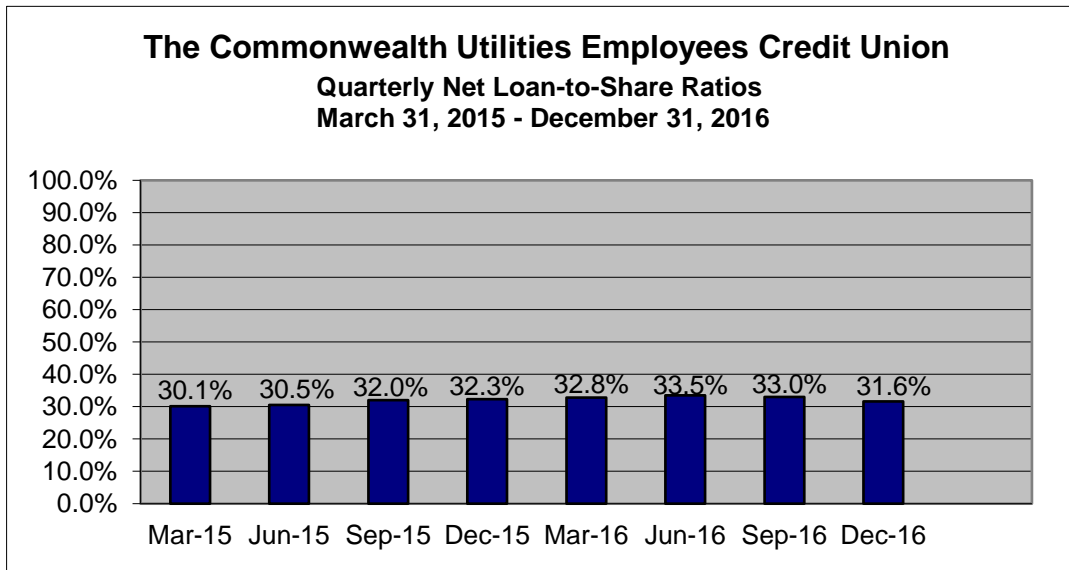
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41(8), the Credit Union defines its assessment area as its membership. According to the Credit Union's bylaws, membership is limited to employees or retired employees of the Commonwealth Energy System and its subsidiaries, employees of the Credit Union and their immediate family. Employees located in Massachusetts and their immediate family of an entity that becomes a successor in interest to any subsidiary by way of merger will also be eligible for membership. Subsidiaries is defined as Cambridge Electric Light Company, Canal Electric Company, Commonwealth Electric Company, Com/Energy Steam Company and Commonwealth Gas Company. Immediate family of a credit union member is defined as: spouse, sons, daughters, mothers, fathers, sisters, brothers, nieces and nephews.

PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

A comparative analysis of Commonwealth Utilities Employees Credit Union's last eight quarterly net loan-to-share (LTS) ratios for the period of March 31, 2015 through December 31, 2016 was conducted during this examination. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. Using the National Credit Union Administration (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 32.0 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 following graph is provided for further analysis.



As shown in the graph above, the Credit Union's net loan-to-share ratio has been consistent with a high of 33.5 percent on June 30, 2016 to a low of 30.1 percent on March 31, 2015. During this time period, net loans have increased 1.7 percent, shares have decreased 3.3 percent and assets have decreased 2.1 percent. Per Credit Union management, the increase in loan volume was due to an automobile refinancing campaign that allowed borrowers to reduce their interest rates from other institutions. The decrease in shares was due to long time members closing their accounts and taking their savings with them.

For comparison purposes, the Credit Union's average net LTS ratio was compared against the average net LTS ratios of two similarly situated industrial institutions (asset size and loan portfolio composition).

Table 2 Peer Group Net Loan-to-Share Comparison		
Credit Union Name	Total Assets as of 12/31/16	Average Net LTS Ratio 3/31/15 – 12/31/16
Commonwealth Utilities Employees Credit Union	\$41,593,305	32.0
Worcester Fire Department Credit Union	\$38,702,272	29.1
Alpha Credit Union	\$29,850,981	31.9

Source: NCUA Call Reports

As shown in Table 2, the other Credit Unions' average quarterly net LTS ratios were 29.1 percent and 31.9 percent. At 32.0 percent, the Credit Union's average LTS is slightly higher than both of the other similarly situated institutions.

Based on the foregoing information, the Credit Union's asset size, resources and the credit needs of its members, the Credit Union's net loan-to-share ratio is adequate.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union's residential and consumer loan data from January 1, 2015 through December 31, 2016, was analyzed in order to determine the distribution of credit based upon the income level of borrowers. This examination compares the borrower income to the median family income for the Metropolitan Statistical Area (MSA) in which the borrower resides. The borrower income analysis was based on the median family incomes for the Boston MSA/MD for Plymouth and Norfolk Counties for 2015 and 2016 of \$90,000 and \$90,800, respectively; for Barnstable MSA/MD, Barnstable County for 2015 and 2016 of \$80,300 and \$77,100, respectively; and MSA/MD Providence-Warwick for Bristol County for 2015 and 2016 of \$74,400 and \$73,100, respectively.

As defined by the U.S. Department of Housing and Urban Development (HUD) low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income, while upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income as illustrated in the following table.

Table 3 –Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Plymouth County Median Family Income (\$00,000)				
2015 (\$90,000)	<\$44,999	\$45,000 to <\$71,999	\$72,000 to <\$107,999	≥\$108,000
2016 (\$90,800)	<\$45,399	\$45,400 to <\$72,639	\$72,640 to <\$108,959	≥\$108,960

Source: FFIEC

Table 4 –Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Barnstable County Median Family Income (\$00,000)				
2015 (\$80,300)	<\$40,149	\$40,150 to <\$64,239	\$64,240 to <\$96,359	≥\$96,360
2016 (\$77,100)	<\$38,549	\$38,550 to <\$61,679	\$61,680 to <\$95,519	≥\$95,520
<i>Source: FFIEC</i>				

Table 5 –Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Bristol County Median Family Income (\$00,000)				
2015 (\$74,400)	<\$37,199	\$37,200 to <\$59,519	\$59,520 to <\$89,279	≥\$89,280
2016 (\$73,100)	<\$36,549	\$36,550 to <\$58,479	\$58,480 to <\$87,719	≥\$87,720
<i>Source: FFIEC</i>				

Home Mortgage Loans

A review of 18 loans for 2015 and 15 loans for 2016 was conducted to determine the borrower's income level. Refer to Table 6 for the distribution of loans by borrower income.

Table 6 Distribution of Mortgage Loans by Borrower Income				
Median Family Income Level	2015 Credit Union		2016 Credit Union	
	#	%	#	%
Low	1	5.6	0	0.0
Moderate	5	27.8	2	13.3
Middle	1	5.6	4	26.7
Upper	11	61.0	9	60.0
Total	18	100.0	15	100.0

Source: Credit Union's 2015 and 2016 Internal Records

Consumer Loans

Examiners also reviewed a sample of the Credit Union's consumer loans which consisted of unsecured loans, new and used automobile loans. It should be noted that the majority of consumer loans was granted to single applicants. However, the income index used to evaluate these loans is based on median family income and can skew these percentages. Nevertheless, it appears that the Credit Union's lending is well distributed among various income levels, including low- and moderate-income members.

Table 7				
Distribution of Consumer Loans by Borrower Income				
Median Family Income Level	2015 Credit Union		2016 Credit Union	
	#	%	#	%
Low	3	15.0	2	10.0
Moderate	4	20.0	5	25.0
Middle	7	35.0	8	40.0
Upper	6	30.0	5	25.0
Total	20	100.0	20	100.0

Source: Credit Union's 2015 and 2016 Internal Records

For both years reviewed, the balanced distribution of lending across all levels of income reflects the Credit Union's willingness and ability to service its entire membership.

Based upon the analysis of borrower income, the Credit Union demonstrates a satisfactory level of performance in providing loans to borrowers of different incomes.

RESPONSE TO CRA COMPLAINTS AND FAIR LENDING POLICES 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 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 evidence of disparate treatment was noted.

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 312 Wareham Road, Marion, MA 02738.

- 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.