

PUBLIC DISCLOSURE

JUNE 10, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

POLISH NATIONAL CREDIT UNION

46 MAIN STREET
CHICOPEE, MA 01021

66597

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 **Polish National Credit Union (or the Credit Union)** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

Polish National Credit Union was evaluated on its performance under the CRA utilizing the Intermediate Small Institution CRA Evaluation Procedures specified for institutions with assets under \$1.186 billion but over \$296 million, adjusted annually. A summary of the Credit Union's performance is provided below. The rating of this institution is based upon the results of a review under the Lending and the Community Development Tests, as shown in this public evaluation. Polish National Credit Union received a rating of “Satisfactory” under the Lending Test and “Satisfactory” under the Community Development Test.

Lending Test

- The Credit Union's average net loan-to-share ratio for the previous eight quarters was 50.1 percent and is considered reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area.
- Lending activity within the Credit Union's assessment area is excellent as 96.0 percent of its HMDA reportable originations were within its assessment area.
- The distribution of loans among members of different incomes reflects a reasonable penetration.
- The geographic distribution of the Credit Union's HMDA-reportable loans reflects a reasonable dispersion throughout the assessment area, including low and moderate-income geographies.
- There were no fair lending issues identified and no complaints were received by the Credit Union since the previous examination.

Community Development Test

- The Credit Union's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through its qualified donations and provision of services to local community organizations and non-profit organizations.

SCOPE OF THE EVALUATION

This evaluation considered the Credit Union's performance under the lending and community development tests in accordance with Intermediate Small Institution CRA Evaluation Procedures. The evaluation period considers activities conducted by the Credit Union from October 16, 2008 through June 10, 2013.

Through discussions with management and as reflected in Call Report data, the Credit Union's primary lending focus is residential lending. First mortgage residential lending represents 80.8 percent of the Credit Union's loan portfolio. Therefore, the Credit Union's CRA performance focuses on residential loans originated between January 1, 2011 and December 31, 2012. Analysis of these loans is presented within this evaluation. Consumer and commercial lending were not included in the analysis since they account for only a small portion of the Credit Union's overall lending activity and the Credit Union did not request inclusion of such activity.

Residential lending data was obtained from the Credit Union's 2011 and 2012 Loan Application Registers (LARs) maintained pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home improvement loans, home purchase loans, and refinancings on one- to four-family and multifamily (five or more unit) properties.

Calendar years 2011 and 2012 lending data was analyzed. Aggregate data for 2011 was available during the on site portion of the evaluation and 2012 data became available subsequently. The data presented in this evaluation with respect to the *Geographic Distribution* and *Borrower Characteristics* criteria presents both the Credit Union's 2011 and 2012 lending data. Aggregate lending data is the lending performance of all other financial institutions within the defined assessment area, as reported on their HMDA LARs, for 2011 and 2012. Aggregate lending data is referenced in this evaluation for comparison purposes.

Qualified Community Development activities were reviewed from October 16, 2008 through June 10, 2013. No community development loans were granted during the period and it is recognized that Polish National Credit Union's ability to be involved in community development lending is limited by restrictions imposed by Massachusetts General Laws. As such, no rating was assigned to the Credit Union's community development lending. Although exempted from being rated separately under 209 CMR 46.61, Polish National Credit Union's charitable contributions were reviewed.

PERFORMANCE CONTEXT

Description of Institution

Polish National Credit Union is a community-based credit union incorporated in 1921. Polish National Credit Union's membership is limited to individuals who live, work, or attend school in Hampden, Hampshire, Berkshire, and Franklin counties of Western Massachusetts. As of March 31, 2013, the Credit Union had 22,301 members.

The Credit Union's main office is located at 46 Main Street, Chicopee, Massachusetts, in a moderate-income census tract. The Credit Union also maintains a branch at 244 Exchange Street in Chicopee, in a low-income census tract. The branches located at 34 West State Street in Granby, 32 College Highway in Southampton, 25 East Longmeadow Road in Hampden, and 2002 Boston Road in Wilbraham are all in upper-income census tracts. The branches located at 730 Worcester Street in Springfield and 1 Parkside Avenue in Westfield are in moderate-income census tracts. The Credit Union has ATMs located at all its full service branches. The Credit Union's branch hours are reasonably accessible. Branches are typical open from 9:00 a.m. to 4:00 p.m. during the week, with extended hours on either Thursday or Friday.

On July 1, 2012, Polish Credit Union and ValleyStone Credit Union merged under the charter, by-laws and name of Polish National Credit Union. The Springfield and Wilbraham branches were acquired via the merger. The Hampden branch opened on November 9, 2010, and the Chicopee branch opened on March 13, 2012.

The Credit Union offers 24-hour online services, which allows members to check balances, review account history, make bill payments, and transfer funds between accounts. Along with the Credit Union's online services, it offers a bill paying service. In addition, the Credit Union's homepage, www.pncu.com, allows members to apply for consumer loans. The Credit Union also offers 24-hour telephone banking through its 24 Hour Account Manager. This service provides account access 24 hours per day, 7 days a week and allows members to obtain balance information, execute transfers between accounts, make loan payments or calculate a loan payment.

As of March 31, 2013, the Credit Union's assets totaled \$487,913,946 and total loans were \$246,315,041, or 50.5 percent of total assets. The Credit Union's asset size has increased 28.8 percent and the loan portfolio has increased 44.1 percent since the last examination when the Credit Union's assets totaled \$378,893,110 and total loans were \$170,945,250.

The Credit Union is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As noted in Table 1, approximately 80.8 percent of the loans are secured by residential first mortgages, followed by other real estate loans and lines of credit at 9.6 percent.

The following table depicts the Credit Union's loan portfolio as of March 31, 2013.

Loan Type	Amount \$('000's)	Percent
Residential First Mortgages	198,901	80.8
Other Real Estate Loans/Lines of Credit	23,571	9.6
Unsecured Credit Card Loans	384	0.2
Used Vehicle Loans	3,139	1.3
Non-Federally Guaranteed Student Loans	0	0.0
Other Unsecured Loans/Lines of Credit	647	0.3
Total All Other Loans/Lines of Credit	18,832	7.6
New Vehicles Loans	841	0.3
Total Loans	246,315	100.0

Source: 5300 Report, Statement of Financial Condition March 31, 2013

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its assessment area. Based upon the Credit Union's asset size, product offerings, and branch network, its ability to meet the community's credit needs remains strong.

The Credit Union was last examined for compliance for the CRA by the Division on October 16, 2008. The examination resulted in a CRA rating of "Satisfactory."

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The 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 institution 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, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	196	11.7	17.9	43.4	26.0	1.0
Population by Geography	824,161	10.2	19.2	41.9	28.4	0.3
Owner-Occupied Housing by Geography	211,521	2.5	14.5	48.7	34.4	0.0
Family Distribution by Income Level	201,361	19.5	17.5	24.5	38.5	0.0
Distribution of Low and Moderate Income Families throughout AA Geographies	74,531	8.0	19.0	44.0	29.0	0.0
Median Family Income (MFI) HUD Adjusted MFI (Pittsfield MSA) HUD Adjusted MFI (Springfield MSA)		\$70,120 \$69,800 \$70,200		Median Housing Value Unemployment Rate Families Below Poverty Level	\$218,968 5.4% 14.5%	

Source: 2010 US Census Data, 2012 HUD updated MFI, 2013 Bureau of Labor Statistics

The Credit Union's assessment area is comprised of Berkshire, Franklin, Hampden, and Hampshire counties. The following table provides information about the assessment area.

Based on 2000 U.S. Census data, the Credit Union assessment area was comprised of 181 census tracts, of which 18 or 9.9 percent were designated as low-income; 31 or 17.1 percent as moderate-income; 90 or 49.7 percent as middle-income; 41 or 22.7 percent as upper-income; and 1 or 0.6 percent NA.

New data based on upon the 2010 Census revealed change to the number and distribution of census tracts within the Credit Union's assessment area. The 196 census tracts are distributed as follows: 23 or 11.7 percent are low-income census tracts, 35 or 17.9 percent are moderate-income census-tracts, 85 or 43.4 percent are middle-income census tracts, 51 or 26.0 percent are upper-income census tracts, and 2 or 1.0 percent are NA. The two NA tracts represent the campuses of Hampshire and Amherst College. As it contains nominal residential property, income data is not available for this tract. Unless otherwise noted, the description of the assessment area will refer to the most updated 2010 Census data.

According to 2010 Census data, the assessment area contains 201,361 total families. The HUD adjusted Median Family Income (MFI) for the assessment area is \$70,120. The breakout of families by income level is as follows: 19.5 percent are low-income, 17.5 percent are moderate-income, 24.5 percent are middle-income, and 38.5 percent are upper-income. Approximately 10.6 percent of families are below the poverty level.

The assessment area consists of 355,827 total housing units, of which 211,521 or 59.4 percent are owner-occupied, 110,886 or 31.2 percent are rental units and 33,420 or 9.4 percent are vacant units. Of the 211,521 owner-occupied housing units, 5,288 or 2.5 percent are in low-income census tracts and 30,671 or 14.5 percent are in moderate-income census tracts. The median housing value in 2010 for the assessment area was 218,968, and the median age of the housing stock was 56 years.

Regardless of the census tract category in which they are located, low- and moderate-income families represent approximately 19.5 percent and 17.5 percent, respectively, of all families within the Credit Union's assessment area. A closer look at the households in the assessment area reveals 14.5 percent have income levels below the poverty level and 3.8 percent of households receive some form of public assistance. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution's ability to penetrate these markets through residential loan products.

According to the 2010 Census data, the unemployment rate in the assessment area was 5.4 percent. More recent data obtained from the Bureau of Labor Statistics' Department of Workforce Development shows the national unemployment rate was 7.6 percent as of May 2013, 8.2 percent as of May 2012, and 9.0 percent as of May 2011. The unemployment rate in Massachusetts was 6.6 in May 2013, 6.0 percent in May 2012, and 7.6 percent in May 2011.

The Credit Union operates in a highly competitive environment and faces competition from many commercial banks, savings banks, credit unions, and mortgage companies operating in the area. According to the 2011 Market Share Data (based upon 2000 Census Data), 354 institutions originated or purchased a residential loan in the assessment area in 2011. The top ranked lenders in the assessment area were Bank of America with 6.8 percent; Wells Fargo with 6.5 percent; Easthampton Savings Bank with 4.4 percent; and Greylock Federal Credit Union with 3.5

percent. The Credit Union considers its primary competition Bank of America, Chicopee Savings Bank, Peoples Bank, and Freedom Credit Union.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to these needs, and what credit and community development opportunities, if any, are available.

A community contact was conducted with a non-profit community organization that seeks to provide quality housing programs and projects to directly support Chicopee residents and to promote stable neighborhoods. The contacted stated that there are a number of unmet needs in the community. The contact noted that there are many ways in which local financial institutions could improve their outreach and services to better help those who are in need of affordable housing. Financial literacy, especially among senior citizens, is another area where local institutions have an opportunity to offer technical assistance to educate the community. Finally, while there has been some progress in recent years in revitalizing downtown Chicopee, there are opportunities for local financial institutions to provide funding to accelerate and improve the process.

Overall, the response of local financial institutions to the needs of the community has been reasonable. However, the contact noted that there are many more ways in which institutions can take initiative in starting programs that address the needs noted above. While grant money is appreciated, forms of outreach through long-term homeowner education and support, as well as credit-building and technical assistance are all activities that would be advantageous to the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

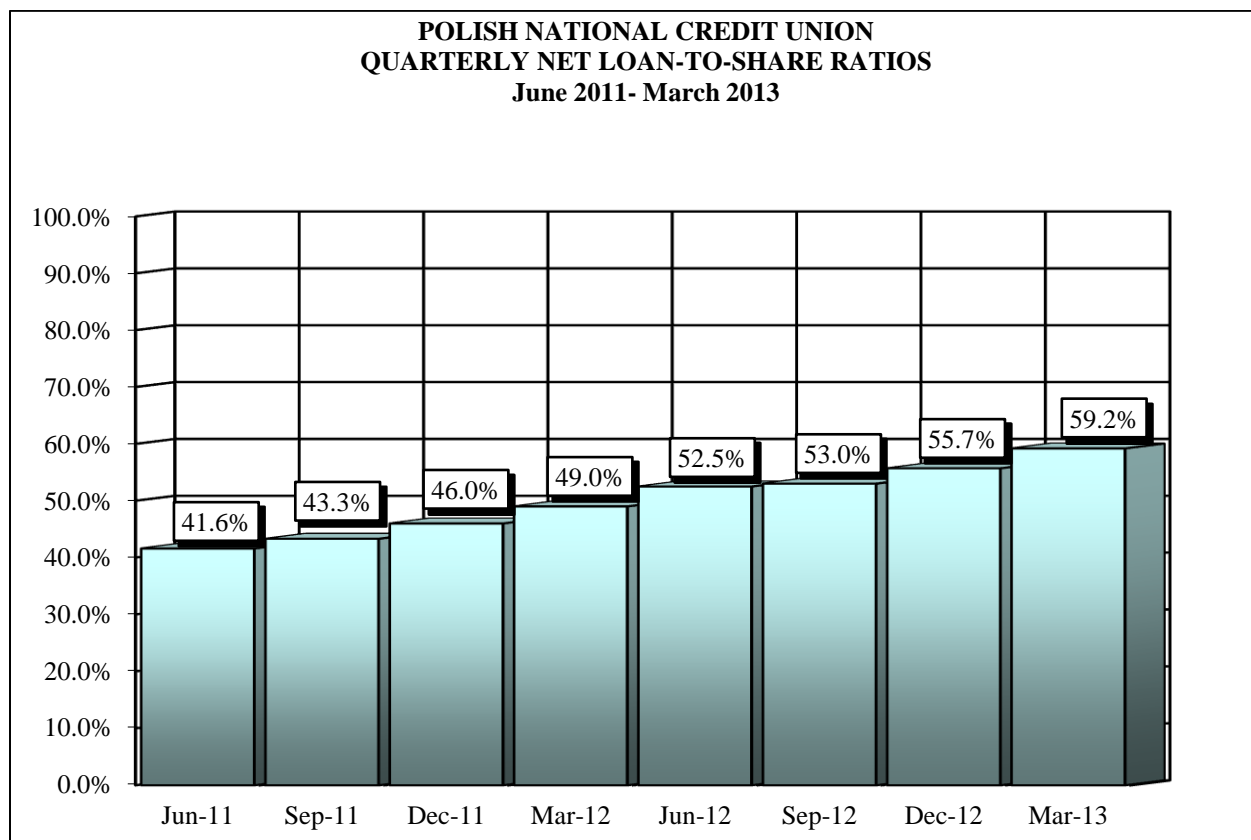
LENDING TEST

The Lending Test considers the institution's home mortgage lending pursuant to the following criteria: LTS ratio; lending inside/outside the assessment area; lending to borrowers of different incomes; geographic distribution, and the record of taking action in response to CRA complaints.

1. LOAN TO SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans. The appropriateness of the Credit Union's loan-to-share ratio (LTS) was evaluated. A comparative analysis of the Credit Union's quarterly net LTS ratios for the period of June 30, 2011 through March 31, 2013, was conducted during this examination. These ratios are based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total shares.

The average net LTS ratio for the evaluation period was 50.1 percent. The Credit Union's net LTS ratios gradually increased during the evaluation period, from a low of 41.6 percent in June 2011 to a high of 59.2 percent in March 2013. The Credit Union's net loans increased from \$146,027,156 as of June 30, 2011, to \$245,350,759 as of March 31, 2013, representing an overall increase of approximately 68.0 percent, while shares increased from \$351,076,113 to \$414,104,539 or 18.0 percent. As indicated, the increase in the ratios reflects the Credit Union's loan growth outpacing growth in shares.



For comparison purposes, the Credit Union’s average net LTS ratio was compared against the average net LTS ratios of four similarly situated institutions (similar asset size and loan portfolio composition). Refer to the Table 3 for further information.

Table 3		
Net Loan-to-Share Ratios		
Institution	Averaged net LTS Ratio (6/30/11 – 3/31/13)	Assets as of March 31, 2013
Central One Credit Union	83.0%	\$380,820,882
Webster First Credit Union	80.1%	\$655,482,036
Freedom Credit Union	63.0%	\$523,466,146
GFA Credit Union	53.2%	\$421,003,303
Polish National Credit Union	50.1%	\$487,913,946

Source: 5300 Report, Statement of Financial Condition

As indicated in the table above, at 50.1 percent, Polish National Credit Union’s average net LTS is lower than the four similarly situated institutions. There are additional factors taken into consideration along with this comparison. As described above, the Credit Union has made large improvements in its overall LTS ratio for the evaluation period, through consistent loan growth every quarter. In the previous 12 months, Polish National Credit Union was ranked in the top 50 credit unions for loan growth. Additionally, the acquisition of Valleystone Credit Union in July 2012 accounted for 91.3 percent of total share growth, as opposed to 21.0 percent of loan growth. Finally, the average member share accounts total around \$19,000, an amount which substantially impacts the overall ratio, even as the Credit Union continues to dispense loans. The consistently increasing loan-to-share ratio in spite of such factors further highlights the efforts of the Credit Union to redistribute shares in the form of loans.

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

2. 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 members and evaluates the adequacy of such lending.

The Credit Union’s 2011 and 2012 HMDA LARs were reviewed to determine the number of loans as well as the amount of credit extended within the Credit Union’s assessment area. During this period, the Credit Union originated a total of 821 loans totaling approximately \$127.9 million. Of these loans, 788 or 96.0 percent by number and \$121,310,000 or 94.9 percent by dollar amount were originated inside the Credit Union’s assessment area.

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

Year	Number of Loans					Dollars in Loans ('000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Lending										
2011	253	95.5	12	4.5	265	36,530	92.5	2,961	7.5	39,491
2012	535	96.2	21	3.8	556	84,780	95.9	3,590	4.1	88,370
Total	788	96.0	33	4.0	821	121,310	94.9	6,551	5.1	127,861

Source: 2011 and 2012 HMDA LARs

As indicated in the table above, a substantial majority of the Credit Union's loans originated during the examination period were inside the Credit Union's assessment area. The number and dollar amount of loans increased within the assessment area from 2011 to 2012, and had a correlative increase in the number of loans distributed within the assessment area (95.5 percent to 96.2 percent).

Based on the above information, a substantial majority of the Credit Union's home mortgage loans originated during the examination period were inside the Credit Union's assessment area.

3. 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 the Springfield MSA and the Pittsfield MSA for 2011 and 2012. The income figures are based on median family income derived from data collected during the census for the respective MSAs.

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.

The following table shows, by number, HMDA reportable loans to low-, moderate-, middle-, and upper-income borrowers compared to aggregate lending data and the percentage of total families within the assessment area in each respective income group. Family demographics reference both 2000 and 2012 census data for 2011 and 2012 respectively.

Borrower Income Level	% of Families by Income Category (2011)	2011 Aggregate Lending Data (%)	2011		% of Families by Income Category (2012)	2012 Aggregate Lending Data (%)	2012	
			#	%			#	%
Low	20.9	7.8	12	4.8	19.5	7.8	37	4.1
Moderate	17.8	22.1	59	23.3	17.5	21.4	114	17.9
Middle	22.4	27.3	75	29.6	24.5	26.5	173	26.5
Upper	38.9	42.8	107	42.3	38.5	44.3	253	51.4
Total	100.0	100.0	253	100.0	100.0	100.0	577	100.0

Source: 2011 and 2012 HMDA Data and 2000 and 2010 U.S. Census

In 2011, the Credit Union originated 12 HMDA reportable loans to low-income borrowers, representing 6.4 percent of total originations and 59 loans to moderate-income borrowers, representing 23.3 percent. The Credit Union's percentage of lending to low-income borrowers was below the aggregate's lending performance in 2011, at 7.8 percent. In 2012, the Credit Union's lending to low-income borrowers was comparable to 2011 performance from a percentage standpoint, accounting for 4.1 percent of total originations; however, originations to low-income borrowers tripled. Performance levels for 2011 and 2012 were below the demographic proportion of low-income families within the assessment areas for the respective years. However, as more than half of low income families (10.6 percent) fall beneath the poverty line, they may not qualify for a home loan in the assessment area. As a result, it is not expected that an institution will meet the low-income demographic.

With respect to moderate-income borrowers, the Credit Union's 2011 performance exceeded that of aggregate lenders, 23.3 and 22.1 percent, respectively. However, in 2012, there was a decrease in the proportion of loans distributed to moderate-income borrowers, at 17.9 percent, but a significant increase in the number of loans originated. However, in both 2011 and 2012, Credit Union performance exceeded the demographic proportion of moderate-income families based on Census data.

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).

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The Credit Union's lending activity in the assessment area was reviewed in order to determine the distribution of lending among the various census tracts. An analysis of the distribution of HMDA loans by census tract income determined the Credit Union has an adequate dispersion of loans in the assessment area.

The following table presents the Credit Union's HMDA reportable lending performance as well as the 2011 aggregate data (exclusive of Polish National Credit Union) within the assessment area. The table also reflects the percentage of owner-occupied housing units in each of the census tract income categories for the 2000 and 2010 Census records.

Census Tract	% of Owner Occupied Housing (2011)	2011 Aggregate Lending Data (%)	2011		% of Owner Occupied Housing (2012)	2012 Aggregate Lending Data (%)	2012	
			#	%			#	%
Low	2.0	1.2	1	0.4	2.4	1.3	4	0.8
Moderate	11.2	8.6	19	7.5	14.5	10.4	50	9.3
Middle	59.2	56.3	136	53.8	48.7	47.4	204	38.1
Upper	27.6	33.9	97	38.3	34.4	40.9	277	51.8
Total	100.0	100.0	253	100.0	100.0	100.0	535	100.0

Source: 2011 and 2012 HMDA Data and 2000 and 2010 U.S. Census

During the period reviewed, the Credit Union originated five HMDA reportable loans in low-income census tracts and 69 loans in moderate-income census tracts. As shown above, the percentage of the Credit Union's 2011 lending activity in low-income tracts is slightly below, yet consistent with, 2011 aggregate data. The Credit Union originated 0.4 percent of its loans in low-income census tracts while the aggregate originated 1.2 percent. The Credit Union's

performance in 2012 increased in both proportion and volume, to four loans and 0.8 percent of originations. Compared to demographics for 2011 and 2012, the Credit Union was below the proportion of owner-occupied housing within low-income census tracts at 2.0 and 2.4 percent, respectively.

The Credit Union's moderate-income census tract lending levels in 2011 is again consistent, if below, with aggregate data at 7.5 and 8.6 percent. In 2012, the proportion of loans originated in moderate-income tracts increased to 9.3 percent. For both 2011 and 2012, the Credit Union's proportion of loans originated within moderate-income areas was below the demographic proportion of owner-occupied housing in the same areas.

The consistently higher proportion of owner-occupied housing in low-income areas compared to the Credit Union and aggregate lending trends suggest an overall decrease in origination volume in these areas. This is commensurate with apparent nationwide tightening supply of homes available for sale, as residents may not currently have the equity to refinance or sell their home.

Based on the information above, the geographic distribution of loans represents reasonable dispersion throughout the assessment area.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

A thorough review of the public comment file revealed that the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination.

The Credit Union's fair lending performance was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 1.3 106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. Additionally, based upon a review of the compliance report, no violations impacted the overall CRA rating.

The Credit Union's Loan Policy includes a written fair lending policy statement which the Board of Directors reviews and approves annually. The loan policy prohibits discrimination against all the prohibited classes listed under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). The Credit Union has a second review procedure in place whereby all denied applications are reviewed. During 2011 and 2012, the Credit Union conducted a fair lending audit comparison of denied and approved loans to ensure consistent underwriting. All exceptions to policy are reviewed and ratified by the Loan Committee. Languages spoken at the Credit Union include Polish, French, Portuguese, Russian, Farsi and Vietnamese.

Polish National Credit Union uses online resources as well as classroom training to Credit Union officers and staff regarding compliance with HMDA, ECOA and other fair lending laws and regulations. Online training is administered annually to all lending staff, branch managers and agents of the collections department.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable applications the Credit Union received from minority applicants. In 2011 and 2012, the Credit Union received 1,077 residential loan applications from within its assessment area. During this period, 25 applications were received from racial minorities and 25 applications were from individuals of Hispanic or Latino ethnic backgrounds, representative of 2.3 percent of all applications. Of the 25 applications received from minorities, 17 or 68.0 percent were originated. Of the 25 applications received from Hispanic or Latino applicants, 18, or 72 percent were originated while 4 or 16.0 percent were denied.

Refer to the following table for further details.

MINORITY APPLICATION FLOW						
RACE	Credit Union 2011		Aggregate Data 2011	Credit Union 2012		Aggregate Data 2012
	#	%	%	%	%	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.2	1	0.1	0.2
<i>Asian</i>	2	0.6	1.4	6	0.8	1.8
<i>Black/ African American</i>	3	0.9	2.2	4	0.6	1.3
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.2	0	0	0.1
<i>2 or more Minority</i>	0	0.0	0.0	0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.3	1.0	8	1.1	1.3
Total Minority	6	1.8	5.0	19	2.6	4.7
<i>White</i>	298	89.5	78.4	626	84.1	84.1
<i>Race Not Available</i>	29	8.7	16.6	99	13.3	11.2
Total	333	100.0	100.0	744	100.0	100.0
ETHNICITY						
<i>Hispanic or Latino</i>	1	0.3	3.4	11	1.5	2.5
<i>Not Hispanic or Latino</i>	293	88.0	79.2	622	83.6	85.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	7	2.1	0.9	7	0.9	1.0
<i>Ethnicity Not Available</i>	32	9.6	16.5	104	14.0	11.4
Total	333	100.0	100.0	744	100.0	100.0

Source: 2011, 2012 HMDA/ LAR, 2011 HMDA Aggregate Data

In order to derive reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants, the Credit Union's minority application flow in each year was compared with the racial and ethnic composition of the assessment area (for 2000 and 2010 US Census Data) and the 2011 and 2012 aggregate data for all other HMDA reporters within the assessment area.

According to 2000 Census Data, the Credit Union's 2011 assessment area contained a total population of 814,967 individuals, 17.7 percent of which is representative of various racial and ethnic minorities. The breakout of the assessment area's minority population is as follows: 9.6 percent Hispanic, 1.4 percent "other race," 1.6 percent Asian, 4.9 percent Black and 0.2 percent American Indian/Alaska Native/Native Hawaiian/Other Pacific Islander.

Following Census changes in 2010, the total population expanded to 824,161 individuals, and around 22.95% minority. The breakout of the assessment area's minority population is as follows: 13.5 percent Hispanic, 1.8 percent "other race," 2.3 percent Asian, 5.2 percent Black and 0.2 percent American Indian/ Alaska Native/Native Hawaiian/Other Pacific Islander.

In 2011, the Credit Union received approximately 1.8 percent of all applications from minority individuals; well below the 2011 aggregate data at 5.0 percent. The Credit Union's percentage of applications from ethnic minority applicants was also below the aggregate in 2011, 2.4 percent and 4.3 percent respectively. In 2012, the racial minority application flow increased to 2.6 percent, while the ethnic minority application flow stayed constant at 2.4 percent. Aggregate performance showed a decrease in both groups.

The low minority application flow in comparison to both aggregate and demographic data does suggest room for improvement for the Credit Union in this area. Anecdotally, according to the community contact, a large number of minority first-time home buyers have been choosing to apply with mortgage companies and large national banks as opposed to local institutions. Discussions with management regarding minority application flow did yield the possibility that area minority residents may not be aware of their qualification for membership with the Credit Union. A review of the advertisements displayed a diverse representation of possible Credit Union members. However, picture advertisements are not distributed in either Pittsfield or Springfield, which are areas largely representative of the ethnic and racial demographics. The Credit Union is encouraged to refine its efforts to reach out to all applicants, through both community aid as well as a reexamination of its advertisement strategies.

COMMUNITY DEVELOPMENT TEST

Polish National Credit Union's community development test demonstrates an adequate performance related to the community development needs of its assessment area. The Credit Union has helped meet community development needs within the assessment area through qualified grants and community development services.

Community Development Investments

A qualified investment for purposes of this CRA evaluation is a lawful investment, donation, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives.

During the examination period, the Credit Union's qualified CRA investments totaled \$67,393. Donations were made to agencies that promote youth programs and human services for individuals in need. Refer to the following for a sample of organizations that received donations.

Lorraine's Kitchen: The mission of Lorraine's Soup Kitchen and Pantry is to feed and nurture those in need throughout the Chicopee community. The Credit Union provided sponsorship for fundraising events, as well as an independent donation at year end 2008.

Chicopee Boys and Girls Club: The mission of this organization is committed to the physical, educational, emotional, social, and vocational development of youth. Based on the demographics of the area, the Chicopee Boys and Girls Club is particularly accessible to disadvantaged, or at-risk adolescents. The Credit Union has supported this organization through multiple financial sponsorships for fundraising events.

Chicopee Senior Center: With a mission to meet the needs of the elderly residents of Chicopee, the Senior Center serves one of the most vulnerable groups with education, meals, and wellness programs, primarily free of charge. The Credit Union has supported the Chicopee Senior Center by pledging \$50,000 to the development of their new main site. Built in a moderate-income census tract in need of revitalization since the city took possession of the dilapidated properties in 2009, the Senior Center is the first in a decade-long redevelopment plan. The Credit Union granted the first \$25,000 in 2012.

Food Bank of Western MA: The mission of this organization is to advocate Hunger prevention and development of a support network for families in need. This is achieved through association with food pantries, shelters, and social service programs to address both the immediate and underlying issues around Hunger throughout Western Massachusetts. The Credit Union provided financial support through yearly donations to the Food Bank.

Chicopee Neighborhood Development Corporation: The CNDC is a non-profit community organization geared toward serving the housing needs of Chicopee residents and promoting stable neighborhoods. The Credit Union is one of three local financial institutions which have financially sponsored the first-time homebuyer courses.

Community Development Services

The CRA regulation defines a community development service as an activity having community development as its primary purpose and related to the provision of financial services or technical expertise of the institution. Detailed below are the Bank's qualified community development services.

Involvement in Community Organizations

Chicopee Neighborhood Development Corporation: As mentioned above, the CNDC is a non-profit community housing organization promoting stable neighborhoods. A Credit Union Board member sits on the planning board of the CNDC.

American Red Cross of Pioneer Valley: Headquartered in a low-income census tract in Springfield, the majority of human services provided by this chapter impact low- and moderate-income individuals. The SVP of Marketing uses his technical expertise to assist the American Red Cross in their fundraising efforts, particularly their annual Golf Tournament.

Valley Opportunity Council: This agency's main objective is to eliminate poverty by providing the opportunity for low- and moderate-income residents of Pioneer Valley area to achieve greater independence and a higher quality of life. The organization embarks upon this goal through education, energy, housing and financial management assistance programs. A Credit Union Director is a Board Member for the VOC, and assists the organization with their workplace development and adult education programs.

Educational Seminars/ Financial Literacy

Chicopee Comprehensive High School Branch: As mentioned previously, the Credit Union has established the first high school branch in the city, run by three students from the Chicopee Comprehensive High School. The students, trained in both teller and member service areas are responsible for the day to day operations of the branch. The Credit Union and the High School

have worked in tandem to use the formation of the branch as an educational opportunity. This includes discussions with the marketing students regarding promotion of the new branch, as well as utilizing the students concentrating in Electrical Services in setting up the internet and wiring of the branch. Finally, the three selected interns have also developed their own financial literacy programs, to share their knowledge with 7th and 8th graders of surrounding middle schools. Topics included budgeting, saving, and planning for future expenditures. This training was provided to Bellamy Middle School, comprised of primarily low-income students.

Junior Achievement – Selser Elementary School: The Credit Union volunteered for an entrepreneurial preparation program in concert with Junior Achievement and the Selser Elementary School. With the help and guidance of the volunteers, students created their own mock business, and developed their business by choosing a location, as well as startup needs including equipment, inventory, and legal documents. Each student had the opportunity to present his or her idea before the classroom, as well as provide constructive input on the concepts of their peers. Selser Elementary School is comprised primarily of low- and moderate-income students.

First Time HomeBuyer Seminars: The Credit Union collaborated with several organizations over the evaluation period in providing educational opportunities for first-time homebuyers. Organizations included MassHousing, HapHousing, and the Chicopee Neighborhood Development Corporation. Subjects covered included credit scores, opportunities for inquiry, importance of reserves – assets, debt ratios, and the different loan programs available.

Other Services

Additionally, the Credit Union has utilized its branch network in assisting community organizations with their fundraising or collection efforts. Polish National Credit Union branches have acted as collection facilities for HapHousing, the Massachusetts Coalition for the Homeless, and Lorraine’s Soup Kitchen. The Credit Union’s offering of their offices have assisted in the efforts of the organizations during their food and blanket drives.

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 46 Main Street, Chicopee MA.

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 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.