

PUBLIC DISCLOSURE

NOVEMBER 24, 2014

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**ALLCOM CREDIT UNION
67599**

**36 PARK AVENUE
WORCESTER, MA 01609**

**DIVISION OF BANKS
1000 WASHINGTON STREET, 10TH FLOOR
BOSTON, MASSACHUSETTS 02118**

<p>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.</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 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 **AllCom Credit Union (or the Credit Union)**, prepared by the Division, the institution's supervisory agency as of **November 24, 2014**. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00 et seq.

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, AllCom 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 is reasonable 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 eight quarters was 47.1 percent.
- A majority of the Credit Union's home mortgage loans were originated inside the institution's assessment area. During 2013 and through September 30, 2014 (YTD 2014), 55.7 percent of all home mortgage loans were originated inside the assessment area.
- The distribution of originations by borrower income reflects, given the demographics of the assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income).
- Overall, the geographic distribution of loans reflects adequate dispersion throughout the assessment area.
- 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. These procedures evaluated the Credit Union's CRA performance pursuant to the following criteria: loan-to-share (LTS) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and the response to CRA complaints. The CRA evaluation considered activity since the Credit Union's prior CRA evaluation on July 1, 2008.

This evaluation focused on home mortgage lending activity from January 1, 2013 to YTD 2014. The Credit Union's most recent National Credit Union Administration (NCUA) 5300 Call Report as of September 30, 2014, shows 71.3 percent of the Credit Union's loan portfolio is comprised of real estate loans.

Information related to residential mortgage lending was derived from the Loan Application Registers (LAR) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LAR contains data about home purchase and home improvement loans, including refinancing, of one to four-family and multifamily properties. The evaluation emphasized the Credit Union's home mortgage lending in 2013, as this is the most recent year for which aggregate lending data is available. The Credit Union's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Credit Union's designated assessment area. The Credit Union reported 28 loans on its 2013 LAR and 11 loans on its YTD 2014 LAR.

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

Financial data was derived from the September 30, 2014 NCUA Call Report.

PERFORMANCE CONTEXT

Description of the Institution

AllCom Credit Union was incorporated in 1922 as the Central Massachusetts Telephone Workers Credit Union. The institution changed its name to AllCom Credit Union in 2001. In January 2002, the Credit Union merged with Commonwealth Gas Employees Credit Union. In March 2013, the Credit Union merged with Worcester Postal Credit Union. The Credit Union primarily serves Worcester County employees and retirees of American Telephone & Telegraph (AT&T) and its divested companies, the divested Bell Companies, Verizon Communications, and NSTAR. In July 2006, the Credit Union received approval from the Division to expand its field of membership to include all cities and towns in Worcester County and twenty-three cities and towns located in Middlesex County. As of September 30, 2014, the Credit Union had 5,288 members.

The Credit Union's main office is located at 36 Park Avenue Worcester, Massachusetts. The Credit Union operates one branch located at 4 East Main Street Worcester, Massachusetts, accessible only to US Postal Employees as it is located inside the main postal facility. The Credit Union closed its Southborough branch located at 157 Cordaville Road in the last quarter of 2008.

Office hours at the main office are Monday, Tuesday and Wednesday, 8:30 a.m. to 4:30 p.m.; Thursdays 8:30 a.m. to 6:00 p.m.; Fridays, 8:30 a.m. to 4:30 p.m.; and Saturdays, 9:00 a.m. to 12:00 p.m. The Credit Union's main office offers a drive-up facility and maintains a drive-up ATM. AllCom offers the *Visa* debit card, which is an enhanced credit union ATM card that can be used for payment on purchases anywhere Visa is accepted, with the funds deducted from the member's designated checking account. There are no fees when purchases are made using the *Visa* card.

In addition to maintaining a drive-up ATM, AllCom has taken measures to help its members get access to their funds at little or no cost. The Credit Union allows for five free withdrawals per month from a foreign ATM network. In addition, the Credit Union is a member of the NYCE and SUM networks which allow for free ATM withdrawals. The Credit Union is also a member of the Co-Op Shared Branching Network. Shared Branching is a shared financial delivery channel created by credit unions to provide members with convenient hours and locations. Shared Branching allows members within its network to access and do limited transactions through a network of participating credit unions worldwide. Examples of such transactions include but are not limited to balance inquiries, share to share transfers, deposits, withdrawals, check cashing, statement printouts, and purchasing of monetary instruments such as bank checks, money orders and traveler checks.

The Credit Union offers savings, checking, certificate of deposit, retirement, and money market accounts. The Credit Union also offers a variety of online banking services including online bill pay and e-statements. From the lending perspective, the Credit Union offers real estate loans, new and used auto loans, new and used recreational vehicle loans, stock/share secured loans, and unsecured personal loans.

The Credit Union was rated "Satisfactory" by the Division at its previous evaluation, dated July 1, 2008.

As of September 30, 2014, the Credit Union had assets of \$66,336,385 and total shares and deposits of \$55,885,895. Total loans were \$29,218,883 and represented 44.1 percent of total assets. The Credit Union's net loan-to-share ratio, as of the same date, was 51.9 percent. Since the prior CRA evaluation, the Credit Union's assets have increased 30.6 percent, total shares and deposits increased 30.3 percent, and net loans increased 2.8 percent.

Table 1 depicts the composition of the Credit Union's loan portfolio based on the NCUA's 5300 Call Report as of September 30, 2014.

Table 1 Loan Portfolio Distribution as of September 30, 2014		
Loan Type	Dollar Volume (\$'000s)	Percent of Total Loans (%)
Total 1st Mortgage Real Estate Loans/Lines of Credit	17,522	60.0
Total Other Real Estate Loans/Lines of Credit	3,306	11.3
Used Vehicle Loans	4,192	14.3
New Vehicle Loans	1,158	4.0
Unsecured Credit Card Loans	1,603	5.5
All Other Unsecured Loans/Lines of Credit	968	3.3
Total All Other Loans/Lines of Credit	470	1.6
Total	29,219	100.0

Source: September 30, 2014 Call Report

As reflected in Table 1, the Credit Union is primarily a real estate lender. Total first mortgage real estate loans/lines of credit and total other real estate loans/lines of credit account for 71.3 percent of the loan portfolio. Used vehicle loans account for the second largest portion of the loan portfolio at 14.3 percent.

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.

Description of Assessment Area

CRA requires financial institutions define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Credit Union has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Credit Union originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union's assessment area for this Public Evaluation includes the following cities and towns located in the Worcester MA-CT MSA: Worcester, Auburn, Boylston, Grafton, Holden, Leicester, Millbury, Paxton, Shrewsbury and West Boylston. Due to the closing of the Southborough branch, the Credit Union's assessment area has changed since the previous CRA examination.

To assess the Credit Union’s lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	71	16.9	19.7	38.0	22.6	2.8
Population by Geography	309,013	16.5	17.0	36.8	28.6	1.1
Owner-Occupied Housing by Geography	70,578	5.1	12.7	45.8	36.4	0.0
Distribution of Families by Income Level	74,130	24.7	16.9	20.5	37.9	0.0
MD# 49340 FFIEC Updated MFI 2013		\$81,300	Median Housing Value Unemployment Rate	\$293,037 7.7%		
MD# 49340 FFIEC Updated MFI 2014		\$77,900				
Families Below Poverty Level		9.2%				

Source: 2010 U.S. Census Data; 2013&2014 FFIEC Data

Median Family Income Levels

According to 2010 U.S. Census data, the assessment area contains 117,291 households, of which 74,130 are considered families. From 2013 to 2014, the Median Family Income (MFI) decreased from \$81,300 to \$77,900. It should be noted the 2010 U.S. Census also indicates that 9.2 percent of the families in the assessment area 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 be incapable of granting 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 120 percent of MFI
- Upper-Income: 120 percent or greater of MFI

Housing Characteristics

Housing units within the assessment area totaled 128,185, of which 70,578 or 55.1 percent were owner-occupied, 46,713 or 36.4 percent were rental-occupied, and 10,894 or 8.5 percent are vacant. Of the owner-occupied units within the assessment area, 5.1 percent are in low-income tracts, 12.7 are in moderate-income tracts, 45.8 are in middle-income tracts, and 36.4 are in upper-income tracts. The median housing value in the assessment area was \$293,037 as of 2010.

Competition

The Credit Union faces significant competition within the assessment area as the City of Worcester has only a small number of locally-owned financial institutions. In light of this, many large regional and national banks along with regional credit unions, savings banks and commercial banks have opened offices in very close proximity to AllCom Credit Union.

Unemployment Data

The unemployment rate for the assessment area as per the 2010 U.S. Census was 7.7 percent. As of October 2014, the unemployment rate for Worcester County was 6.7 percent and for the State of Massachusetts was 6.0 percent.

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 the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was previously conducted with an organization that provides affordable housing and housing rehabilitation services in the City of Worcester. The contact stated the community needs credit for home improvement and repairs as the city's housing stock ages, and for homeowners struggling with their mortgages. The contact envisions the best method to disburse this credit would be through the creation of a community loan fund so as to mitigate the risk to the financial institutions.

The contact would also like to see financial institutions partner with MassHousing to offer programs such as Get the Lead Out to help qualified homeowners. Overall, the contact was pleased with local financial institutions' involvement in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

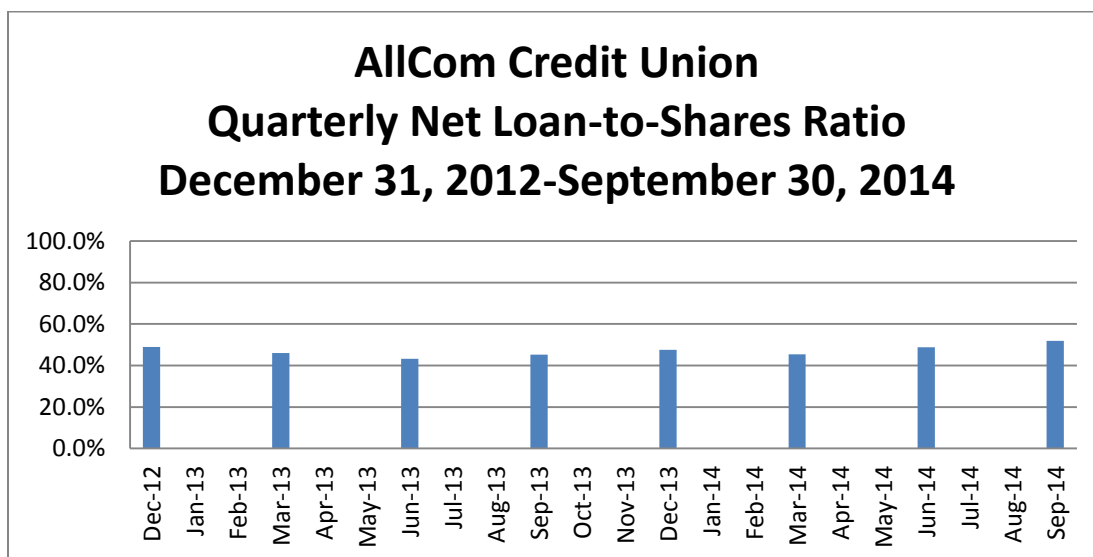
The Lending Test considers the institution's performance pursuant to the following criteria: LTS Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Credit Union's performance under the Lending Test is "Satisfactory." This Credit Union's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

Loan-to-Share Analysis

This performance criterion evaluates the proportion of the Credit Union's share base is reinvested in the form of loans. The analysis was performed using NCUA's quarterly call report data for the period ending December 31, 2012 through September 30, 2014. The analysis was conducted to determine the extent of the Credit Union's lending compared to deposits received from its customers.

AllCom Credit Union's average net LTS ratio for the time period was calculated at 47.1 percent and is considered reasonable given the Credit Union's size, financial condition, and the assessment area credit needs.

As shown in the graph below, the net LTS ratio was at a low of 43.2 percent in June 30, 2013, and at a high of 51.8 percent in September 30, 2014. It should be noted, loan growth for the period under review (21.0%) has outpaced deposit growth (14.2%). The recent spike in the LTS ratio coincides with merger of the AllCom Credit Union with the Worcester Postal Credit Union in March of 2013. The Worcester Postal Credit Union did not offer mortgage loan products to its members and now these members can access these loan products. Further, the Credit Union offers mortgage loan products for periods of 10 years and in some instances shorter periods thus enabling the Credit Union to retain these loans on their books.



The Credit Union sold 11 loans totaling \$1.8 million over the last eight quarters, further affecting the LTS ratio. The Credit Union primarily sells its loans through the Federal Home Loan Bank's Mortgage Partnership Finance Program.

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 as shown in the Table 3.

Table 3 Net Loan-to-Deposit Comparison		
Credit Union Name	Total Assets \$(‘000s) as of 09/30/2014	Average Net LTS Ratio 12/31/2012 – 09/30/2014
AllCom Credit Union	66,336	47.1%
Worcester Credit Union	77,577	63.3%
Alden Credit Union	136,286	87.7%

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 (55.7 percent) of all home mortgage loans inside the assessment area.

Table 4 Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (‘000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2013 Total	28	65.2	15	34.8	43	3,612	58.8	2,527	41.2	6,139
YTD 2014 Total	11	40.7	16	59.3	27	1,490	37.8	2,448	62.2	3,938
TOTAL	39	55.7	31	44.3	70	5,102	50.6	4,975	49.4	10,077

Source: 2013 & YTD 2014 HMDA data

In 2013, the Credit Union originated 65.2 percent of home mortgage loans in the assessment area by number. For YTD 2014, the Credit Union originated 40.7 percent of home mortgage loans inside the assessment area by number.

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 relative to aggregate lending data and compared to assessment area demographics.

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

Table 5				
Distribution of Home Mortgage Loans by Borrower Income Level				
Borrower Income Level	Family Distribution by Income Level	2013 Aggregate Lending Data	2013 Credit Union Lending Data	
			#	%
Low	24.7	6.9	2	7.2
Moderate	16.9	19.8	7	25.0
Middle	20.5	22.3	5	17.9
Upper	37.9	37.6	13	46.4
Income NA	0.0	13.4	1	3.5
Total	100.0	100.0	28	100.0

Source: 2010 U.S. Census Data; 2013 HMDA data

In 2013 the Credit Union made 7.2 percent of its HMDA loans to borrowers designated as low-income. This figure was higher than the aggregate benchmark of 6.9 percent. A review of YTD 2014 found no loans were originates to low-income borrowers during that time. The Credit Union originated 25.0 percent of its HMDA loans to borrowers designated as moderate-income in 2013. This figure exceeds the aggregate and demographic benchmarks of 19.8 and 16.9 percent respectively. In YTD 2014, the Credit Union decreased its lending to moderate-income borrowers to 9.1 percent of total loans.

Geographic Distribution

This criterion evaluates the distribution of the Credit Union’s loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. The Credit Union’s assessment area is comprised of 71 census tracts of which 12 are low-income, 14 are moderate-income, 27 are middle-income, and 16 are upper-income census tracts. There are also two tracts designated NA in which the Credit Union has no opportunity to lend. These NA tracts are located in the Town of Grafton which encompasses Tufts Veterinary School and in the City of Worcester which encompasses Clark University.

The overall geographic distribution of loans reflects an adequate penetration throughout the assessment area.

Table 6				
Distribution of Home Mortgage Loans by Tract Income Level				
Tract Income Level	% of Total Owner-Occupied Housing Units	2013 Aggregate Lending Data	2013 Credit Union Lending Data	
			#	%
Low	5.1	4.2	1	3.6
Moderate	12.7	12.8	3	10.6
Middle	45.8	43.6	12	42.9
Upper	36.4	39.4	12	42.9
Total	100.0	100.0	28	100.0

Source: 2010 U.S. Census Data; 2013 HMDA data

In 2013 the Credit Union originated 3.6 percent of loans secured by property in low-income census tracts. This figure ranks below the aggregate lending and demographic benchmarks. The Credit Union did not originate any loans in low-income census tracts during YTD 2014.

AllCom Credit Union made 10.6 percent of its loans secured by property in moderate-income census tracts during 2013, falling slightly below the aggregate and demographic figures. In YTD 2014, the Credit Union decreased its lending to borrowers residing in moderate-income census tracts. The Credit Union originated 9.1 percent of its loans in moderate-income census tracts, continuing to originate below demographic figures.

Response to CRA Complaints/ Fair Lending Policies and Practices

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

The Credit Union provides fair lending training to employees in lending departments, as well as at the Board level. No indication of discriminatory or other illegal credit practices were identified during the evaluation.

MINORITY APPLICATION FLOW

The Credit Union's residential lending was compared with the 2013 aggregate's lending performance. 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 the following table for information on the Credit Union's minority application flow as well as a comparison to aggregate lending data within the Credit Union's assessment area.

According to the 2010 U.S. Census Data, the Credit Union's assessment area contained a total population of 309,013 individuals, of which 29.0 percent are minorities. The assessment area's minority and ethnic population consists of 6.7 percent Black/ African American, 6.2 percent Asian/Pacific Islander, 0.2 percent American Indian, 13.4 percent Hispanic, and 2.5 percent Other.

In 2013, the Credit Union received 36 HMDA reportable loan applications within its assessment area. The Credit Union did not receive any applications from racial minorities and received 1 application from the Hispanic or Latino ethnic group. A review of YTD 2014 applications found the Credit Union's performance with regard to racial and ethnic minority applicants continued below demographics. The Credit Union did not report any applications from racial minority or Hispanic applicants. It should be noted the Credit Union does perform outreach activities at Plumley Village in Worcester a subsidized housing project run by the Worcester Housing Authority on an on-going basis. Representatives from the Credit Union conduct financial literacy training to help those who are under-banked and also stress the importance of maintaining good credit ratings and budgeting. These outreach activities are also conducted at other key areas within the Credit Union's assessment area.

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 36 Park Avenue, Worcester, Massachusetts 01609."

- 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.