

PUBLIC DISCLOSURE

August 15, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ATHOL CREDI UNION
Certificate Number: 66819

513 Main Street
Athol, MA 01331

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 their authority when examining financial institutions subject to their 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 agencies 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 **Athol Credit Union (Credit Union)** prepared by the Division, the institution's supervisory agency, as of **August 15, 2016**. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00.

Small institution CRA procedures were utilized for the evaluation. This procedure evaluates the performance of the Lending Test which consists of: Loan-to-Share Analysis, Lending Inside and Outside of the Assessment Area, Geographic Distribution, Borrower's Characteristics and Response to CRA Complaints. Home mortgage lending data analyzed included full-year data from January 1, 2014 through December 31, 2015. Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to HMDA. The evaluation emphasized the Credit Union's home mortgage lending performance in 2014 as this is the most recent year for which aggregate lending data is available.

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

An institution in this group has a good 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.

- The average loan-to-share (LTS) ratio was analyzed over the previous 8 quarters and is considered more than reasonable at 100.7 percent given the Credit Union's size, financial condition, and assessment area credit needs.
- A high percentage of the Credit Union's home mortgage loans were within its designated assessment area. During 2014 and 2015, 96 percent of the number of home mortgage loans were inside the assessment area.
- The geographic distribution of home mortgage loans reflects a good dispersion throughout the assessment areas moderate income census tracts.
- The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels (including low- and moderate-income).
- The Credit Union did not receive any CRA-related complaints during the period reviewed.

The Credit Union's performance with respect to the optional review of community development investments and services supports the overall rating.

PERFORMANCE CONTEXT

Description of Institution

Athol Credit Union received a Satisfactory rating at its previous evaluation by the Division of Banks on May 4, 2009. The Credit Union became a low-income designated credit union by the Commissioner of Banks and in accordance with National Credit Union Administration (NCUA) in 2013. Eligibility is based partly on the majority of the Credit Union's membership being low-income. The low-income designation allows credit unions to gain access to capital that non-low income credit unions cannot.

In 2015, the Credit Union became a certified Community Development Financial Institution by the U.S. Department of the Treasury's Community Development Financial Institutions Fund.

To receive this certification, institutions must have a primary mission of promoting community development and provide development services in conjunction with their financing activities. The benefits of certification include access to financial grants from the CDFI Fund, partnership opportunities with banks that are seeking Bank Enterprise Awards, access to New Market Tax Credits, and the enhanced ability to raise funds from foundations, corporations, and state and local governments.

With these designations, the Credit Union has greater access to capital and financing. The Credit Union offers a number of loan products and deposit products designed to meet its membership and community needs while supporting its CDFI certification. For example, the Credit Builder Loan program assists borrowers who have had challenges with obtaining credit due to a poor credit history. Borrowers are educated by the Credit Union's employees who have a specialty certification as Credit Union Councilors. The Credit Union's Purchase and Rehab housing product is another example of a CDFI loan product and is designed to be responsive to community needs in Athol, where the community has faced challenges with abandoned and vacant housing due to the foreclosure crisis. Additionally, the Wheels to Work loan program is also offered and provides affordable auto loan options. As of July 1, 2016, the Credit Union originated 34 CDFI loan products with a dollar volume of \$596,017.

The CDFI deposit products include a fresh start checking account and youth checking account. The fresh start checking account is a valuable product for those looking to re-establish a positive banking history. This product offers an educational component as well. Customers are also advised by the Credit Union's certified credit union councilors. As of July 1, 2016 there are 10 fresh start accounts and 8 student accounts.

The Credit Union offers a variety of conventional loan products to its members. These include fixed- and adjustable-rate mortgage loans, first-time homebuyer loans, home equity loans, home equity lines of credit and commercial loans. Consumer loan products include new and used auto loans, boat and camper loans, motor home loans, and collateral loans. Deposit products offered include various checking and savings accounts for both personal and business accounts, passbook savings, vacation and Christmas accounts, services include online banking with eStatements and bill pay, debit cards, and check imaging.

All of the Credit Union's operations are headquartered in its main office located at 513 Main Street in Athol, MA. The main office is in a moderate-income designated area. The Credit Union does not have any branch offices or subsidiaries.

The Credit Union's business hours are readily accessible to all of its depositors, with extended hours on Thursday in both the lobby and drive up window. In addition, Friday's hours are extended at the drive up window by 2 hours. The Credit Union operates an automated teller machine (ATM) at its main office.

Assets totaled approximately \$98.8 million as of June 30, 2016, including total loans of approximately \$60.9 million. The loan portfolio is illustrated in the following table.

Loan Category	\$(000s)	%
Unsecured Credit Card Loans	0	0.0
All Other Unsecured Loans/Lines of Credit	322,353	0.5
Non-Federally Guaranteed Student Loans	0	0.0
New Vehicle Loans	2,572,099	4.3
Used Vehicle Loans	7,798,658	12.8
1 st Mortgage Real Estate Loans/Lines of Credit	37,251,811	61.1
Other Real Estate Loans/Lines of Credit	12,636,700	20.7
All other Loans/Lines of Credit	342,057	0.6
Total Loans and Leases	60,923,678	100.0

Examiners did not identify any financial, legal, or other impediments that affect the Credit Union's ability to meet assessment area credit needs

Description of Assessment Area

The CRA requires each financial institution to designate one or more assessment area(s) within which it will focus its lending efforts, and its CRA performance will be evaluated. For purposes of this evaluation, the designated assessment area includes all of Franklin and Hampshire County and twenty five municipalities in Worcester County. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The Credit Union's assessment area includes 87 census tracts. As of the date of the evaluation, the assessment area contains 1 low-income, 12 moderate-income, 46 middle-income, and 26 upper-income census tracts and 2 census tracts are designated as N/A and consist of the U Mass Amherst campus . The following table illustrates select demographic characteristics of the overall assessment area.

**Table 2
Demographic Information of the Assessment Area**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	87	1.1	13.8	52.9	29.9	2.3
Population by Geography	380,092	3.2	11.6	51.9	32.6	0.8
Housing Units by Geography	157,127	3.0	12.0	53.0	30.0	2.0
Owner-Occupied Units by Geography	104,483	0.1	9.6	54.9	35.3	0.0
Occupied Rental Units by Geography	40,795	0.1	23.0	52.2	24.6	0.1
Vacant Units by Geography	11,849	0.1	19.3	59.7	20.9	0.0
Businesses by Geography	20,598	0.0	15.2	54.5	30.2	0.1
Family Distribution by Income Level	93,037	17.7	16.5	22.5	43.3	0/0
Household Distribution by Income Level	145,278	4.1	11.9	53.0	29.0	2.0
Median Family Income (2010 U.S. Census) FFIEC-Estimated Median Family Income for 2015 Worcester MSA (49340) Springfield MSA (44140)		\$77,624 \$81,500 \$67,300	Median Housing Value Median Gross Rent Unemployment Rate Families Below Poverty Level			\$252,688 \$820 8.9% 10.1%

Source: 2010 U.S. Census, and FFIEC-Estimated Median Family Income; () The NA category consists of geographies that have not been assigned an income classification.*

The 2014 and 2015 FFIEC-updated median family income levels are used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table. These categories are based on the 2014 and 2015 FFIEC updated median family income.

**Table 3
Median Family Income Ranges**

Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Worcester MSA Median Family Income (\$00,000)				
2014 (\$77,900)	<\$38,950	\$38,950 <\$62,320	\$62,320 to <\$93,480	≥\$93,480
2015 (\$81,500)	<\$40,750	\$40,750 <\$65,200	\$ 65,000to <\$97,800	≥\$97,800
Springfield MSA Median Family Income (\$00,00)				
2014 (\$66,000)	<\$33,000	\$33,000 to <\$52,800	\$52,800 to <\$79,200	≥\$79,200
2015 (\$67,300)	<\$33,650	\$33,650 to <\$53,840	\$53,840 to <\$80,760	≥\$80,760

Source: FFIEC

According to the 2010 U.S. Census, the median housing value for the assessment area was \$252,688. Despite the median housing value being relatively low compared to other higher priced areas in the Commonwealth, affordable housing to low-income families is still a barrier that exists within the assessment area.

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 8.9 percent. Recent data obtained from the U.S. Bureau of Labor and Statistics Data obtained from

August 2016 unemployment rate for Worcester County was 4.1 percent, Hampshire County and Franklin County was 3.6 percent.

Community Contact

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation.

An interview was conducted with a community contact that serves the Credit Union's assessment area. This organization is dedicated to helping low- and moderate-income people improve the quality of their lives and achieve self-sufficiency. The programs offered by this organization include: adult education and workforce development, head start, affordable housing, housing counseling, housing stabilization, and financial literacy.

The contact indicated the biggest need in the community is addressing the abandoned and vacant housing issue throughout Athol. Overall, the contact indicated there is a presence of support from institutions in the area.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the Credit Union, and available economic data to determine the primary credit needs of the assessment area. The Credit Union and the community contact indicated generally unstable economic conditions within the assessment area; while a need for affordable housing was identified. Economic data for the assessment area supports this assessment of credit and community development needs in this region.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Share (LTS) Analysis

The LTS ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The Credit Union's LTS ratio, calculated from Call Report data, averaged 100.7 percent over the past 8 calendar quarters from September 30, 2014 to June 30 2016. The ratio remained generally stable over the time period.

As a low-income designated credit union, the Credit Union can receive non-member deposits which support the Credit Union's net worth. As of June 30, 2016, there were approximately 17 accounts totaling 7.0 million.

Assessment Area Concentration

The Credit Union originated a high percentage of loans by both number and dollar volume of its home mortgage loans within the assessment area during the evaluation period. The following table details the Credit Union's lending activity inside and outside of the assessment area in 2014 and 2015.

Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home										
2014	29	96.7	1	3.3	30	3,591	96.1	145	3.8	3,736
2015	41	95.4	2	4.7	43	5,972	95.8	260	4.2	6,232
Total	70	95.8	3	4.2	73	9,563	95.9	405	4.1	9,968

Source: 2014 and 3 quarters of 2015 HMDA and CRA Reported Data

Borrower Profile

In 2014, the Credit Union originated 5 loans or 17. 2 percent of loans to low-income borrowers, exceeding the aggregate and demographics. Lending to moderate-income borrowers also exceeded the aggregate in 2014. Lending to low- and moderate income borrowers increased to 9 and 12 loans respectively in 2015.

These figures indicate a good performance, taking into account the high cost of housing in the assessment area, and the median family income of borrower designated as low-income. As a low-income designated credit union and certified community development financial institution, the Credit Union offers products to address the needs of its membership.

Table 5 Borrower Distribution of Home Mortgage Loans Assessment Area: Athol CU						
Tract Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	17.7	7.1	5	17.2	641	17.8
2015	17.7		9	21.9	866	14.5
Moderate						
2014	16.5	19.5	9	31.0	941	26.2
2015	16.5		12	29.3	1,292	21.6
Middle						
2014	22.5	25.3	7	24.1	955	26.6
2015	22.5		8	19.5	1,170	19.6
Upper						
2014	43.3	35.2	8	27.6	1,054	29.4
2015	43.3		12	29.3	2,644	44.3
Not Available						
2014	0.0	12.9	0	0	0	0
2015	0.0		0	0	0	0
Totals						
2014	100.0	100.0	29	100.0	3,591	100.0
2015	100.0		41	100.0	5,972	100.0

Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.

Geographic Distribution

The geographic distribution of home mortgage loans reflects good dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

The Credit Union originated 13 loans or 44.8 percent of loans in moderate-income geographies in 2014. This figure is above the 2014 aggregate for lending to moderate-income areas. In 2015, Credit Union's performance increased by both number and dollar volume of loans in moderate-income areas. There was no lending in low-income geographies by both the Credit Union and also the aggregate lenders. There is 1 low income area within the assessment area and is located in Amherst, MA which is situated in the vicinity of the University of Massachusetts Amherst campus. Considering the tract is situated near a campus there are very few owner occupied properties and limited lending opportunities.

Table 6						
Geographic Distribution of Home Mortgage Loans						
Assessment Area: Athol CU						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	0.1	0.0	0	0.0	0	0.0
2015	0.1		0	0.0	0	0.0
Moderate						
2014	9.6	8.4	13	44.8	1,306	36.4
2015	9.6		21	48.8	2,639	42.3
Middle						
2014	54.9	54.6	14	48.3	1,980	55.1
2015	54.9		18	41.8	2,891	46.4
Upper						
2014	35.3	36.9	2	6.9	305	8.5
2015	35.3		4	9.3	702	11.3
Not Available						
2014	0.0	0.1	0	0.0	0	0.0
2015	0.0		0	0.0	0	0.0
Totals						
2014	100.0	100.0	29	100.0	3,591	100.0
2015	100.0	0	43	100.0	6,232	100.0

Source: 2010 U.S. Census; 1/1/2014 - 12/31/2015 Bank Data, 2014 HMDA Aggregate Data, "--" data not available.

Response to CRA Complaints and Fair Lending Policies and Practices

The Credit Union's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Division's Regulatory Bulletin 1.3 -106, Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified.

The Credit Union did not receive any CRA-related complaints during the evaluation period; therefore, this criterion did not affect the Lending Test rating.

Minority Application Flow

The Credit Union's HMDA LARs for 2014 and 2015 were reviewed to determine if the application flow from different minority groups within the Credit Union's assessment area was reflective of the assessment area demographics.

The Credit Union's residential lending in 2014 was compared to the 2014 aggregate 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 table below 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.

Table 7 Minority Application Flow					
RACE	Credit Union 2014		2014 Aggregate Data	Credit Union 2015	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	1	1.5	1.1	0	0.0
Black/ African American	0	0.0	0.8	1	0.9
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	1	1.6	1.2	2	1.8
Total Minority	2	3.1	3.5	3	2.7
White	61	95.3	79.4	96	88.9
Race Not Available	1	1.6	17.1	9	8.4
Total	64	100.0	100.0	108	100.0
ETHNICITY					
Hispanic or Latino	3	4.7	1.6	0	0.0
Not Hispanic or Latino	61	95.3	70.5	98	90.7
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.2	1	1.0
Ethnicity Not Available	0	0.0	17.5	9	8.3
Total	64	100.0	100.0	108	100.0

Source: U.S. Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014

According to the 2010 U.S. Census data, the Credit Union's assessment area has a population of 380,092, of which 9.7 percent are minorities. The assessment area's minority population includes 0.1 percent American Indian, 2.6 percent Asian/Pacific Islander, 1.5 percent Black, 3.8 percent Hispanic, and 1.7 percent other race.

In 2014, the Credit Union received 64 HMDA-reportable loan applications within its assessment area. Of these applications, 2 were received from racial minority applicants. The Credit Union's application flow was in-line with the aggregate performance of 3.5 percent for applications received from minorities. In 2014, the Credit Union received 3 applications representing the Hispanic or Latino ethnic groups performing above the 2014 aggregate performance.

OPTIONAL EVALUATION OF INVESTMENTS AND SERVICES

The CRA regulation for small institutions provides for the review of investments and services at the institution's option. Credit Union management opted for a review of community development, investments and services. The review supports the overall CRA rating. The Credit Union has committed time and resources to partnering with organizations in the community that meet the definition of community development and are qualified for CRA purposes.

Qualified Community Development Investments

A qualified investment for purposes of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. The Credit Union's qualified investments are in the form of donations totaling \$17,175 during the examination period. The majority of the donations went to organization that had a primary purpose of community services to low and moderate-income borrowers or economic development. Highlight of some of the organizations area below.

North Quabbin Community Coalition

The North Quabbin Community Coalition an alliance committed to improving the quality of life for all those living and working in the North Quabbin region. The alliance is structured with a number of committees that promote economic development, children and family support, and public safety.

Athol YMCA

Athol YMCA provides social services that include outreach, education, and health. The Athol YMCA provides a number of scholarships and financial assistance to those who cannot afford memberships. The Credit Union's donations provide support to youth programs.

Salvation Army

The Salvation Army in Athol provides a broad array of social services and includes support for emergency disaster services, homelessness, financial assistance, food and nutrition programs and many more services.

North Central Massachusetts United Way

This organization provides social services that include outreach, education, and health and human service needs.

Valuing our Children

This is a community-based organization housed in Athol and was established for the purpose of addressing the needs of children in Athol by providing primary prevention of child abuse through family support, parenting education, and community development. The mission of VOC is to strengthen families by responding to the expressed needs of parents, addressing barriers to individual family involvement (i.e. childcare, transportation), and building on existing strengths in families and in the community.

Qualified Community Development Services

A Community Development Service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The Credit Union and its employees have devoted their time and financial expertise to several local organizations. Several of these organizations were also part of the donations section of this report.

Athol Credit Union Community Development Center

In December 2015, the Credit Union opened a Community Development Center located at 527 Main Street in Athol. The Credit Union operates the center and makes it available to the Salvation Army and other non-profit organizations for community meeting space and events. The center is also used for the Credit Union's financial literacy workshops, 1st time homebuyer seminars and foreclosure prevention workshops

North Quabbin Loan Fund – This organization is composed of community members who make decisions regarding the disbursement of state grant funds held by the Town of Athol for the nine towns that comprise the North Quabbin Region. Current and prospective business owners can apply for grant funds when traditional financing may not be available. Applicants must have a plan to create one or more jobs in one of the nine towns. The Branch Manager is a member of the loan fund and participates on the credit committee.

Invest North Quabbin – The purpose of this committee focuses on community infrastructure, housing needs, and economic development. The committee works hand in hand with the North Quabbin Loan Fund. The branch manager and President participate on this committee. A subcommittee of Invest North Quabbin, is the Housing Committee. The Branch Manager plays an active role as member of this initiative.

Athol Economic Development Industrial Corporation

The Athol Economic Development Industrial Corporation promotes projects that grow the tax base, create jobs, and enhance the overall economic climate in Athol. The corporation serves as a contact for entrepreneurs and land owners seeking to maintain and develop business in Athol. During the exam period, the President was active with this organization and provided his financial expertise.

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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, 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 513 Main Street in Athol, 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.