

**PUBLIC DISCLOSURE**

**APRIL 6, 2015**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION  
CERT #66336**

**365 BOSTON ROAD  
BILLERICA, MA 01821**

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

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution’s record of meeting the needs of its entire assessment area, including low- and moderate-income individuals, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution’s record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **BILLERICA MUNICIPAL EMPLOYEES CREDIT UNION (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of April 6, 2015. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

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

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.

This evaluation was based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$305 million, adjusted annually. The rating of this institution is established upon a review of the Performance Criteria, as shown below.

- The loan-to-share (“LTS”) ratio is reasonable given the institution’s size, financial condition, product offerings, and assessment area credit needs. The Credit Union’s average net LTS ratio over the past eight quarters was 22.4 percent.
- The distribution of borrowers reflects reasonable dispersion, given the demographics of the assessment area, with good penetration among individuals of different income levels (including low- and moderate-income).
- Billerica Municipal Employees 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. According to CRA regulations, an institution shall delineate one or more assessment areas in which the institution will serve to meet the needs and by which the Division will evaluate the institution’s CRA performance. A credit union whose membership bylaws provisions are not based upon residence are permitted to designate its membership as its assessment area, as opposed to a geographic area. Therefore, an evaluation of credit extended within defined geographic areas is not conducted; as such an analysis would not be meaningful.

This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; net loan-to-share ratios; providing loans to individuals of various incomes, including low-to-moderate members; and the Credit Union's response to CRA-related complaints.

This evaluation focused on consumer lending activity from January 1, 2013 to December 31, 2014. The Credit Union's most recent NCUA 5300 Call Report as of December 31, 2014, shows 49 percent of the Credit Union's loan portfolio is comprised of auto loans, followed by first mortgage real estate loans at 35 percent.

A sample of 40 loans was selected from 2013 and 2014, and was compared to the demographic data from the 2010 U.S. Census. Financial data was derived from the December 31, 2014 NCUA Call Report.

## PERFORMANCE CONTEXT

### Description of the Institution

Billerica Municipal Employees Credit Union was chartered by the Commonwealth of Massachusetts in 1971. As of December 31, 2014, the Credit Union had 1,417 members and total assets of \$13,492,962, with loans comprising approximately 20 percent of all assets. Although first mortgage real estate loans comprise a larger percentage of the Credit Union's assets, the Credit Union's loan portfolio is mainly comprised of unsecured loans, and new and used vehicles.

The following chart illustrates the composition of the loan portfolio.

<b>Table 1</b>		
<b>Loan Portfolio Distribution as of December 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount (\$)</b>	<b>Percent of Total Loans (%)*</b>
Total 1 <sup>st</sup> Mortgage Real Estate Loans	915,958	34.6
Used Vehicle Loans	665,787	25.1
All Unsecured Loans	626,095	23.6
New Vehicle Loans	417,688	15.8
Total All Other Loans/Lines of Credit	22,030	0.8
<b>Total</b>	<b>2,647,558</b>	<b>100.0</b>

*Source: December 31, 2014 Call Report; \*difference due to rounding*

The Credit Union maintains one office located at 365 Boston Road (Town Hall) in Billerica, Massachusetts, with office hours Monday through Friday 9:00am to 4:00pm. The Credit Union offers basic savings and checking accounts and personal and auto loans. The Credit Union does not originate mortgage products, but does maintain a referral relationship with Allanach Mortgage Group.

Billerica Municipal Employees Credit Union was last examined for compliance with the CRA by the Division on December 8, 2009. The Credit Union's performance was rated Satisfactory at the previous evaluation.

### Description of Assessment Area

Billerica Municipal Employees Credit Union defines its assessment area as its membership, in accordance with the Division's regulation 209 CMR 46.41(8).

The Credit Union's membership is open to all employees and retirees of the Town of Billerica and their families.

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

### **Loan-to-Shares (LTS) Analysis**

This performance criterion evaluates the proportion of the Credit Union's share base reinvested in the form of loans. The analysis was performed using the National Credit Union Administration's (NCUA) quarterly call report data for the period ending March 31, 2013 through December 31, 2014. The analysis was conducted to determine the proportion of the Credit Union's lending compared to shares received from its members.

Billerica Municipal Employees Credit Union's average net LTS ratio for the period was calculated at 22.4 percent and is considered reasonable given the Credit Union's size, financial condition, product offerings, and the members' credit needs. Over the past eight quarters, the net LTS has remained fairly consistent ranging from a low of 19.4 percent in June of 2013, to a high of 25.3 percent in December 2014.

The Credit Union's average net LTS ratio was compared to the average net LTS ratios of three other similarly situated depository institutions. The Credit Union's net LTS was lower than comparable institutions, as shown in Table 2. The difference in the ratios is primarily due to the difference in loan concentration. Those credit unions with higher ratios are generally those with a higher concentration of higher balance real estate loans in their portfolio.

<b>Credit Union Name</b>	<b>Total Assets \$('000s) as of 12/31/2014</b>	<b>Average Net LTS Ratio 03/31/2013 – 12/31/2014</b>
HTM	17,745	54.5
Haverhill Fire Department	16,474	54.0
Watertown Municipal	11,916	30.6
Billerica Municipal Employees	13,493	22.4

### **Borrower Characteristics**

The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area's residents, particularly those of low- or moderate-income. The consumer loan conclusions are based primarily on the Credit Union's lending activity to low- and moderate-income borrowers as compared to demographics of the assessment area.

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

Borrower income for consumer loans was compared to the median family income (MFI) for the Metropolitan Districts (MDs) that comprise the Credit Union's assessment area. In 2013, the FFIEC median family income was \$101,000 for Cambridge-Newton-Framingham, \$87,000 for

Rockingham County-Strafford County, and \$84,700 for Manchester-Nashua. In 2014, the FFIEC median family income was \$93,300 for Cambridge-Newton-Framingham. The MDs represent the borrower demographics of the loan sample taken.

Low income is defined as less than 50 percent of the MFI; moderate income is defined as 50 percent to 79 percent of the MFI; middle income is 80 percent to 119 percent; and upper income is 120 percent of MFI or greater.

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

<b>Table 3</b>					
<b>Distribution of Consumer Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families by Income Level</b>	<b>2013</b>		<b>2014</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	28.2	5	26.3	6	30.0
<b>Moderate</b>	30.8	7	36.8	5	25.0
<b>Middle</b>	25.6	4	21.1	6	30.0
<b>Upper</b>	15.4	3	15.8	3	15.0
<b>Total</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>

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

In 2013, the Credit Union originated 26.3 percent of the consumer loan sample to low-income borrowers. In 2014, the Credit Union’s proportion of the loan sample going to low-income borrowers remained relatively constant at 30.0 percent.

The Credit Union originated 36.8 percent of consumer loan sample to moderate-income borrowers in 2013. In 2014, the Credit Union slightly decreased the proportion of loan sample going to moderate-income borrowers to 25.0 percent. Again, it is noted that MFI is based on family income where consumer loans in the sample routinely are originated based on the income of a single borrower.

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

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

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 365 Boston Road, Billerica, MA 01821."

[Please Note: If the institution has more than one local community, 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 agency, 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