

PUBLIC DISCLOSURE

October 15, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BOSTON FIREFIGHTERS CREDIT UNION

CERT # 67837

**60 HALLET STREET
DORCHESTER, MASSACHUSETTS 02124**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 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 its 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 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 Boston Firefighters Credit Union (or the Credit Union), prepared by the Division, the institution's supervisory agency as of October 15, 2013. 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 an adequate record of meeting the credit needs of its membership, including low- and moderate-income members, in a manner consistent with its resources and capabilities.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-law provisions are not based upon residence are permitted to designate its membership as its assessment area.

Boston Firefighters Credit Union was evaluated according to Small Institution CRA Examination Procedures, which apply to an institution with assets of at least \$250 million as of December 31 of both of the prior two calendar years, adjusted annually and currently at \$300 million. A summary of the Credit Union's performance is provided below.

- The Credit Union's average net loan to share (LTS) ratio for the past eight quarters was 74.9 percent and is considered reasonable.
- The Credit Union's distribution of borrowers reflects, given the characteristics of its membership and area demographics, adequate penetration of low- and moderate-income borrowers.
- No CRA-related complaints were received during the evaluation period.

SCOPE OF EXAMINATION

This evaluation considered the Credit Union's home mortgage and consumer lending from January 1, 2011 through December 31, 2012. Home mortgage lending for the first two quarters of 2013 was also included to analyze trends. Under CRA, a home mortgage loan is considered to be a home purchase, home improvement, or refinancing of a dwelling-secured loan. Data was obtained from the Loan Application Register (LAR) maintained pursuant to the Home Mortgage Disclosure Act (HMDA). Consumer loan data was obtained from the internal reports generated by the Credit Union.

Based on the Credit Union's loan portfolio composition as of June 30, 2013, the Credit Union's primary lending activity by dollar volume consists of first mortgage real estate loans and other real estate loans and lines of credit at 76.1 percent. Consumer loans consisted primarily of unsecured personal loans and auto loans and accounted for 23.0 percent of the loan portfolio by dollar volume. In terms of the Credit Union's loan portfolio composition by number of loans as of June 30, 2013, consumer loans account for 85.6 percent and residential loans account for 14.4 percent.

A sample of 42 consumer loans for 2011 and 44 for 2012 were incorporated into the *Borrower Profile* analysis. The consumer loans samples consisted of loans for tuition, used auto loans, unsecured personal loans, share/CD secured loans, holiday loans, motorcycle loans, unsecured lines of credit, and home equity lines of credit.

Because the Credit Union has designated its assessment area as its membership, the evaluation of the Credit Union's lending performance was compared to the Boston-Quincy Metropolitan Statistical Area (MSA) demographic data using the 2000 and 2010 U.S. Census.

PERFORMANCE CONTEXT

Description of Institution

Boston Firefighters Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1947. The purpose of the Credit Union, as outlined in its bylaws, is to deliver financial services through the promotion of thrift amongst its members by affording them the opportunity to accumulate savings and to create for its members a source of credit for provident or productive purposes.

Membership in the Credit Union is limited to the employees and retirees of the Boston Fire Department, employees of the Boston Firefighters Credit Union, employees of Local 178, employees of Florian Associates, employees and retirees of the fire departments whose members comprise the Professional Fire Fighters of Massachusetts (PFFM), and the family members of those persons listed above. As of June 30, 2013, the Credit Union has 6,461 members.

The Credit Union's single branch is located at 60 Hallet Street, Dorchester, Massachusetts. Hours of operation are 8:30am to 3:30pm on Monday through Wednesday and on Friday. The Credit Union offers extended hours on Thursday from 8:30am to 7:00pm and on Saturday from 8:30am to 12:30pm. The Credit Union has an ATM at its main branch and a full service ATM located at 115 South Hampton Street, Boston.

The Credit Union offers its members a variety of deposit and loan products including: share savings accounts, checking accounts, money market savings accounts, and individual retirement accounts. Additionally, the Credit Union originates home mortgage loans, new and used automobile loans and secured and unsecured personal loans.

As of June 30, 2013, the Credit Union's assets totaled \$188.4 million and loans totaled \$124.0 million, or 65.8 percent of its assets. Since the previous examination, the Credit Union's assets have increased by 36.3 percent and loans increased by 14.9 percent.

The Credit Union's loan portfolio is comprised primarily of first mortgage real estate loans/lines of credit and other real estate loans/lines of credit, which represent approximately 76.1 percent. Consumer loans account for the remainder of the portfolio with unsecured loans and lines of credit accounting for the largest portion at 11.6 percent. Refer to Table 1 for detailed information regarding the Credit Union's loan portfolio.

Table 1 - Loan Portfolio as of June 30, 2013		
Loan Type	Dollar Amount \$(*000s)	Percent of Total Loans (%)
Total 1st Mortgage Real Estate Loans/Lines of Credit	84,920	68.0
All Other Unsecured Loans/Lines of Credit	14,480	11.6
Total Other Real Estate Loans/Lines of Credit	10,070	8.1
Used Vehicle Loans	6,659	5.3
Unsecured Credit Card Loans	4,846	3.9
New Vehicle Loans	2,313	1.8
Non-Federally Guaranteed Student Loans	1,224	1.0
Total All Other Loans/Lines of Credit	390	0.3
Total Loans	124,902	100.0

Source: 5300 Report, Statement of Financial Condition as of 6/30/13

The Credit Union maintains a website at www.bosfirecu.com. The website provides information about the branch location, hours of operation, consumer and real estate loans, deposit accounts, checking accounts, and electronic services.

The Credit Union was last examined for compliance with the CRA on December 29, 2008. The examination resulted in a CRA rating of Satisfactory.

There are no apparent financial or legal impediments that would limit the Credit Union's ability to help meet the credit needs of its membership.

Description of Assessment Area

In accordance with 209 CMR 46.41, the Credit Union defines its membership as its assessment area. Because the Credit Union's membership is not based on geographic boundaries, this evaluation did not include an analysis of lending by geographic location of the borrower.

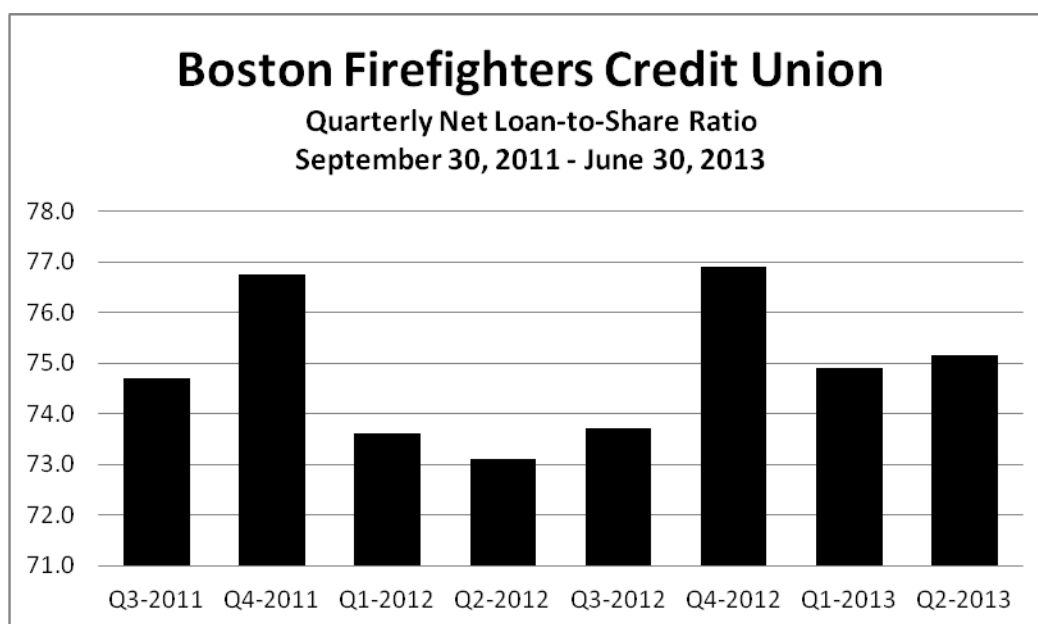
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Small Institution CRA evaluation procedures were utilized to assess the CRA performance. These procedures utilize the Lending Test. Since the Credit Union defined its assessment area as its membership, this evaluation considered the institution's performance pursuant to the following criteria: loan-to-share (LTS) ratio, lending to borrowers of different incomes, and record of taking action in response to CRA complaints and a fair lending review.

LOAN-TO-SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans and evaluates its appropriateness.

The Credit Union's net LTS ratio as of June 30, 2013 was 75.2 percent. The Credit Union's average quarterly net LTS ratio was 74.9 percent and was calculated by averaging the previous eight quarterly net LTS ratios between September 30, 2011 and June 30, 2013. As shown in the graph below, the net LTS ratio reached a high of 76.9 percent in December 2012 and a low of 73.1 in June 2012.



Changes in loan and share amounts were analyzed to assess fluctuations in the net LTS ratios. As indicated in the graph above, the LTS ratio decreased from December 2011, when the ratio was 76.8 percent, to March 2012, when the ratio was 73.6 percent. During this period, shares increased by 3.3 percent and loans decreased by 0.9 percent. Management attributed the increase in shares during this period to its members receiving tax refunds and the decrease in loans to selling approximately \$4.2 million in mortgages due to an increase in the number of refinancings of portfolio loans. In addition, members paid down their credit card and holiday loan balances during this period.

From September 2012 to December 2012, the LTS ratio increased from 73.7 percent to 76.9 percent. During this period, shares remained relatively constant while loans increased by 4.3 percent. Management attributed the increase in loans to the decision to start keeping five and fifteen year fixed-rate loans in portfolio, which added nearly \$3.6 million to the portfolio during this period.

For evaluation purposes, the Credit Union's net LTS ratio was compared to two similarly situated financial institutions by asset size and loan portfolio composition.

Table 2 - Net Loan-to-Share Ratios		
Institution	Average Net LTS Ratio (%) (9/30/11 – 6/30/13)	Total Assets (\$000) as of 6/30/13
Mass Bay Credit Union	82.3	\$201,842
Members Plus Credit Union	81.4	\$225,616
<i>Boston Firefighters Credit Union</i>	75.2	\$188,443

Source: NCUA 5300 Statements of Financial Condition as of June 30, 2013

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

DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of home mortgage loans and consumer loans by borrower income levels was reviewed to determine the extent to which the Credit Union is addressing the credit needs of its members. The distribution of families by income level and aggregate lending information for the Boston-Quincy MA MD was used as a point of reference to review the Credit Union's lending performance.

The Credit Union achieved an adequate penetration of home mortgage loans and consumer loans among borrowers of different income levels based on a comparison to the median family incomes for the Boston-Quincy, MA Metropolitan Division, which was estimated to be \$87,600 in 2011 and \$88,800 in 2012.

Home Mortgage Loans

As shown in the table below, the Credit Union's performance reflects an adequate penetration of home mortgage loans among members of different income levels (including low- and moderate-income).

Table 3 - Distribution of Home Mortgage Loans by Borrower Income							
Borrower Income Level	2011		% of Families by Income Level (2000 Census)	2012		% of Families by Income Level (2010 Census)	2012 Aggregate
	#	%		#	%		%
Low	0	0.0	20.8	4	1.8	23.3	4.1
Moderate	11	8.3	17.0	14	6.4	16.2	14.3
Middle	38	28.8	21.6	46	21.0	20.0	22.1
Upper	83	62.9	40.5	155	70.8	40.5	45.4
Income Not Available	0	0.0	0.0	0	0.0	0.0	14.1
Total	132	100.0	100.0	219	100.0	100.0	100.0

Source: 2011 and 2012 HMDA LARs, 2000 and 2010 U.S. Census demographic data for Metropolitan Statistical Area 14484. 2012 HMDA Aggregate Data Metropolitan Statistical Area 14484.

In 2011, the Credit Union did not originate any home mortgage loans to low-income borrowers and originated 11 home mortgage loans, or 8.3 percent, to moderate-income borrowers. It should be noted that, according to the City of Boston website, the starting annual salary for Boston firefighters is approximately \$60,000, on its own considered in the range of moderate-income.

According to the 2000 U.S. Census, 20.8 percent of families in the Boston-Quincy MSA were low-income and 17.0 percent were moderate-income. In 2012, the Credit Union originated 4 home mortgage loans, or 1.8 percent, to low-income borrowers and 14 loans, or 6.4 percent, to moderate-income borrowers. According to the 2010 U.S. Census, 23.3 percent of families in the Boston-Quincy MSA were low-income and 16.2 percent were moderate-income.

From 2011 to 2012, the Credit Union increased its overall lending volume of home mortgage loans in addition to increasing the number of loans to low- and moderate-income borrowers. Overall, the Credit Union originated 4 loans, or 1.1 percent, of home mortgage loans to low-income borrowers and 25 loans, or 7.1 percent, to moderate-income borrowers.

In the first eight months of 2013, the Credit Union originated 4 home mortgage loans, or 4.2 percent, to low-income borrowers and 9 home mortgage loans, or 9.5 percent, to moderate-income borrowers.

Consumer Loans

As shown in Table 4, the Credit Union’s performance reflects an adequate penetration of consumer loans among members of different income levels (including low- and moderate-income).

Because the Credit Union only makes loans to its members and is predominately a consumer loan originator, the Credit Union typically relied upon the income of only one borrower to make the credit decision. Comparing one member’s income with the median family income of the Boston-Quincy MSA potentially inflates the levels of lending to low- and moderate-income borrowers because the median family income typically includes the income of two individuals.

Table 4 - Distribution of Consumer Loans by Borrower Income						
Borrower Income Level	2011		% of Families by Income Level (2000 Census)	2012		% of Families by Income Level (2010 Census)
	#	%		#	%	
Low	7	16.7	20.8	5	11.4	23.3
Moderate	13	31.0	17.0	15	34.1	16.2
Middle	18	42.9	21.6	12	27.3	20.0
Upper	4	9.5	40.5	12	27.3	40.5
Total	42	100.0	100.0	44	100.0	100.0

Source: Credit Union Consumer Loan Data for 2011 and 2012, 2000 & 2010 U.S. Census demographic data for Metropolitan Statistical Area 14484.

In 2011, the Credit Union originated 7 consumer loans, or 16.7 percent, to low-income borrowers and 13 consumer loans, or 31.0 percent to moderate-income borrowers. According to the 2000 U.S. Census, 20.8 percent of families in the Boston-Quincy MSA are low-income and 17.0 percent are moderate-income. Although the Credit Union’s consumer lending to low-income borrowers is 4.1 percent below the percentage of low-income families in the Boston-Quincy

MSA, its lending percentage to moderate-income borrowers exceeds the percentage of moderate-income families by 14.0 percent.

In 2012, the Credit Union originated 5 consumer loans, or 11.4 percent to low-income borrowers and 15 loans, or 34.1 percent, to moderate-income borrowers. According to the 2010 U.S. Census, 23.3 percent of families in the Boston-Quincy MSA are low-income and 16.2 percent are moderate-income. The Credit Union's origination percentage of consumer loans to low-income borrowers was 11.9 percent below the percentage of low-income families in the Boston-Quincy MSA, but was 17.9 percent above than the demographic data for moderate-income borrowers.

RESPONSE TO CRA COMPLAINTS AND FAIR LENDING

The Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination.

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based upon a review of the Credit Union's performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

The Credit Union has a written fair lending policy in which the prohibited bases of Regulation B and the Fair Housing Act are expressly mentioned. The Credit Union maintains a report detailing all loans originated outside of written policy and employees receive annual fair lending training.

The Credit Union has a secondary review for denied home mortgage and consumer loan applications. Any declined loan is reviewed by at least two Credit Union officers.

MINORITY APPLICATION FLOW

The Credit Union's residential lending was compared with the 2011 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 of the aggregate lenders throughout the Boston-Quincy MSA.

According to the 2000 U.S. Census, the Boston Quincy MSA has a total population of 1,812,937 of which 25.8 percent are minorities. The minority and ethnic population breakdown is 10.2 percent Black/African American; 4.8 percent Asian; 0.2 percent American Indian; 3.4 percent "Other" and 7.2 percent Hispanic or Latino.

Table 5 – Minority Application Flow						
RACE	2011		2011 Aggregate**	2012		2012 Aggregate**
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.6	0.1	0	0.0	0.1
Asian	0	0.0	4.6	0	0.0	4.9
Black/ African American	18	10.3	3.4	21	8.3	3.2
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0	0.1
2 or More Minority Races	0	0.0	0.0	0	0.0	0.0
Joint Race (White/Minority)	3	1.7	1.1	0	0.0	1.2
Total Minority	22	12.6	9.3	21	8.3	9.5
White	152	87.4	65.0	189	75.0	66.3
Race Not Available	0	0.0	25.7	42	16.7	24.2
Total	174	100.0	100.0	252	100.0	100.0
ETHNICITY						
Hispanic or Latino	10	5.7	2.0	4	1.6	2.0
Not Hispanic or Latino	162	93.1	71.7	197	78.2	73.1
Joint (Hisp/Lat /Not Hisp/Lat)	2	1.2	0.7	3	1.2	0.7
Ethnicity Not Available	0	0.0	25.6	48	19.0	24.2
Total	174	100.0	100.0	252	100.0	100.0

Source: 2011 and 2012 HMDA LAR & 2011 HMDA Aggregate Data Metropolitan Statistical Area 14484. Percentages may not equal 100 due to rounding. **Boston-Quincy MSA

The Credit Union’s performance in 2011 is higher than the aggregate’s level of racial and ethnicity minority applications. The Credit Union received 12.6 percent of its home mortgage applications from minority applicants, while the aggregate received 9.3 percent. The Credit Union received 6.9 percent of home mortgage applications from Hispanic/Latino applicants or applications in which one borrower was Hispanic/Latino, while the aggregate received 2.7 percent from the same group.

In 2012, the Credit Union received 8.3 percent of home mortgage loans from minority applicants and 2.8 from Hispanic/Latino applications or applications in which one borrower was Hispanic/Latino. According to the 2010 U.S. Census, the Boston Quincy MSA contains a total population of 1,877,792 individuals, of which 31.1 percent are minorities. The minority and ethnic breakdown is 11.3 percent Black/African American; 6.5 percent Asian, 0.2 percent American Indian, 3.5 percent “Other” and 9.6 percent Hispanic or Latino. The number of applications from minority applicants did not decrease significantly from 2011 to 2012; however, the percentage decreased due to the overall increase in total applications and the number of applications for which race and ethnicity were unknown.

The Credit Union’s minority application flow is adequate given the minority application flow from its membership in comparison to the aggregate data and the demographic makeup of the Boston Quincy MSA.

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 60 Hallet Street, Dorchester, MA 02124."

- 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.