

PUBLIC DISCLOSURE

January 11, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Brotherhood Credit Union
Certificate Number: 66350

75 Market Street
Lynn, Massachusetts 01901

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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.

The assigned rating is based on the following performance factors:

- The loan-to-share (LTS) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The Credit Union made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects less than reasonable penetration of loans among individuals of different income levels.
- The distribution of borrowers reflects adequate penetration of loans among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation.

SCOPE OF EVALUATION

General Information

This evaluation conducted by the Massachusetts Division of Banks (Division) covers the period from the prior evaluation dated January 5, 2011 to the current evaluation dated January 11, 2016. Examiners used the Interagency Small Institution Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate the Credit Union's CRA performance.

Examiners evaluated the Credit Union's CRA performance pursuant to the following criteria:

- Loan-to-share (LTS) ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Credit Union was last examined by the Division for compliance with the Community Reinvestment Act on January 5, 2011. The examination resulted in a CRA rating of Satisfactory.

Loan Products Reviewed

This evaluation focused on home mortgage lending activity from January 1, 2014 to September 30, 2015. The Credit Union's most recent NCUA 5300 Call Report as of September 30, 2015, shows that 77.7 percent of the Credit Union's loan portfolio is composed of first mortgages, followed by other real estate loans at 14.7 percent.

Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing or one- to four-family and multifamily properties (five or more units). This 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.

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's home mortgage lending performance was also compared with demographic data. Home mortgage lending data for year to date (YTD) 2015, which includes loans originated in the first three quarters of 2015, is referenced to illustrate trends in the Credit Union's lending data.

Examiners considered both the number and dollar volume of home mortgage originations; however, an emphasis is placed on the number of loans. Examiners emphasized the number of loans because it provides a better overall indicator of the number of individuals served by the institution.

DESCRIPTION OF INSTITUTION

Background

Brotherhood Credit Union was incorporated in 1934. The Credit Union's by-laws set the membership to individuals who work or reside within Essex, Suffolk, Middlesex and Norfolk Counties. The Credit Union currently has 5,760 members.

Operations

The institution's main office is located at 75 Market Street in Lynn, Massachusetts. The Credit Union also operates a branch location at 254 Humphrey Street in Marblehead, Massachusetts, which was established in October, 2005. The main office is located in a low-income census tract, which located in a low-income census tract. The Marblehead branch is located in an upper-income census tract. The Credit Union offers automated teller machines (ATMs) and is a member of the SUM network.

The Credit Union offers a variety of loan products to its members. These include new and used auto loans, unsecured personal loans, home equity loans, home equity lines of credit and first mortgages. Deposit products include checking accounts, savings accounts, debit cards, NOW accounts, individual retirement accounts, money market accounts and certificates of deposit. It also offers online services including online bill pay, e-statements, mobile banking and popmoney digital transaction services.

Ability and Capacity

As of September 30, 2015, the Credit Union's assets totaled \$106,632,705 and shares totaled \$67,036,923. Total loans were \$42,361,309 and represented 39.7 percent of total assets. The Credit Union's net LTS ratio was 59.8 percent.

The following table provides additional details on the composition of the Credit Union's loan portfolio as September 30, 2015.

Loan Portfolio Distribution as of September 30, 2015		
Loan Type	Dollar Amount (\$)	Percent of Total Loans
Total 1 st Mortgage Real Estate Loans/Lines of Credit	32,923,869	77.7
Total Other Real Estate Loans/Lines of Credit	6,245,897	14.7
Used Vehicle Loans	1,358,708	3.2
New Vehicle Loans	1,428,456	3.4
Total All Other Loans/Lines of Credit	240,840	0.6
All Other Unsecured Loans/Lines of Credit	163,539	0.4
Total	42,361,309	100.0

Source: NCUA 5300 Call Report as of September 30, 2015

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

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

Economic and Demographic Data

The Credit Union’s assessment area contains 53 tracts located in Essex County. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 12 low-income tracts
- 15 moderate-income tracts
- 20 middle-income tracts
- 6 upper-income tracts

Of the 12 low-income census tracts in the assessment area, there are 11 in the City of Lynn, and one in the City of Salem.

The FFIEC Estimated Median Family Income (MFI), as illustrated in the following table, was used to determine low, moderate, middle, and upper-income designations for individuals and geographies within the assessment area. The following table breaks down the income ranges for each income category for the Cambridge-Newton-Framingham, MA MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (\$00,000)				
2014 (\$93,300)	<46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
<i>Source: FFIEC</i>				

Refer to the following table for pertinent demographic information about the assessment area.

Demographic Information of the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	53	12	15	20	6
Population by Geography	246,553	17.9	27.6	43.5	11.0
Housing Units by Geography	103,161	18.3	27.8	42.9	11.0
Owner-Occupied Units by Geography	59,890	8.0	24.3	53.1	14.6
Occupied Rental Units by Geography	38,144	32.5	33.0	28.9	5.6
Vacant Units by Geography	6,127	29.7	28.4	32.3	9.6
Family Distribution by Income Level	61,317	15.7	26.8	45.1	12.4
Median Family Income (2010) FFIEC-Estimated Median Family Income for 2014 Cambridge-Newton-Framingham MA MD (#15764) MFI for CNF MD in 2015 CNF MD Unemployment Rate, April 2015	\$76,083 \$93,300 \$101,700 3.5%	Median Housing Value Median Gross Rent Families Below Poverty Level			\$385,407 \$988 8.6%

Source: 2010 U.S. Census, FFIEC Estimated Median Family Income, and U.S. Bureau of Labor Statistics

There are 103,161 total housing units within the assessment area, of which 59,890 or 58.1 percent are owner-occupied, 38,144 or 37.0 percent are occupied rental units, and 6,127 or 5.9 percent are vacant. Of the owner-occupied units, 8.0 percent are located in low-income census tracts and 24.3 percent are located in moderate-income census tracts. The low proportion of owner-occupied units in low- and moderate-income tracts is indicative of the challenges low- and moderate-income households face in trying to obtain credit in the assessment area.

The assessment area median housing value was \$385,407 according to the 2010 U.S. Census. According to The Bureau of Labor Statistics, the unemployment rate for the Cambridge-Newton-Framingham (CNF) MD was 3.5 percent as of April 2015. As of the same date, the unemployment rate for the State of Massachusetts was 4.1 percent.

Competition

The Credit Union competes with several local institutions within the assessment area including Mass Family Credit Union, Community Credit Union, Riverworks Credit Union, and St. Jean Credit Union. Larger Banks such as Eastern Savings Bank and Sage Bank are also very active in the area.

Aggregate lending data for 2014 shows that a total of 317 lenders originated 6,524 home mortgage loans within the Credit Union's assessment area. The top ten lenders include large national and regional banks, as well as mortgage companies.

Community Contact

As part of the performance evaluation, examiners contact third-party organizations engaged in community and economic development to aid identifying the credit needs and availability within the community. Examiners utilized information from a community economic development organization responding to the economic development and community development needs of the community pertinent to the Credit Union.

The community contact indicated the community is still dealing with relatively high unemployment, as well as underemployment that does not provide sufficient benefits for area residents. The contact identified the relationship between the immigrant business community and financial institutions is strained by a lack of trust from these small business owners in the institutions. The contact stated that affordable housing is readily available in the area and small businesses struggle because of a need for more market-rate housing in the area to attract consumers with more spending capability.

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 needs of the assessment area. The contact indicated there is a growing need for financial literacy training for the immigration population and small business owners, which the local financial institutions catalyze. Considering that only 24.9 percent of housing units in low-income tracts in the assessment area are owner-occupied and 9.6 percent of the housing supply is vacant, increasing the availability of credit in the low-income tracts in Lynn appears to be a crucial need.

CONCLUSIONS ON PERFORMANCE CRITERIA

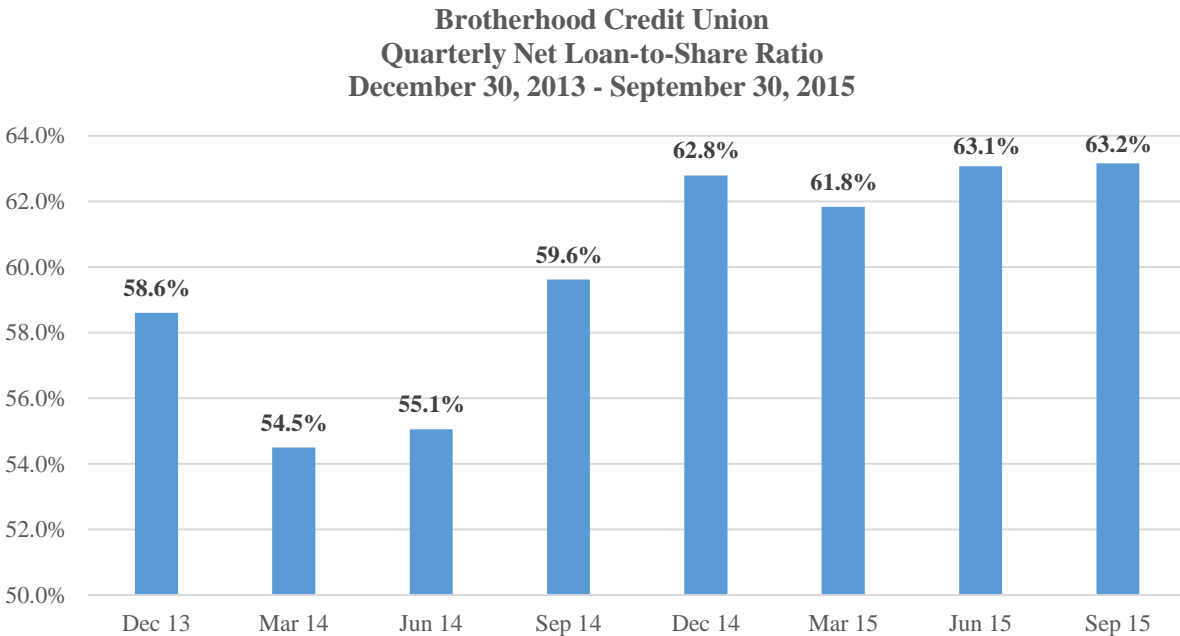
LENDING TEST

Loan-to-Share Ratio

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 LTS ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

A comparative analysis of the Credit Union's quarterly net LTS ratios for the period of December 31, 2013 through September 30, 2015, was conducted during this examination. Using the Credit Union's last eight quarterly NCUA 5300 Call Reports, the average net LTS ratio for this period was 59.8 percent. This ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares.

As shown in the graph below, the net LTS ratio has fluctuated from a 58.6 percent as of December 30, 2013 to 63.2 percent as of September 30, 2015.



The following table illustrates the Credit Union's average net LTS ratio as compared against the net average LTS ratios of two similarly situated institutions as of September 30, 2015. Brotherhood Credit Union's average net LTS ratio is below its similarly situated institutions.

Loan-to-Share Ratio Comparison		
Credit Union	Total Assets as of 9/30/2015 \$(000s)	Average Net LTS Ratio (%)
Brotherhood Credit Union	106,632	59.8
Community Credit Union	134,482	107.9
Riverworks Credit Union	106,926	89.7

Source: NCUA 5300 Call Reports December 31, 2013 through September 30, 2015

Assessment Area Concentration

The Credit Union made a majority of home mortgage loans, by number and dollar volume, within its assessment area as shown in the following table. In 2015, the Credit Union showed an increasing trend of lending inside its assessment area by number.

Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (000's)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2014 HMDA										
Home Purchase	6	54.5	5	45.5	11	1,641	63.6	940	36.4	2,581
Refinance	13	59.1	9	41.9	22	2,415	50.3	2,389	49.7	4,804
Home Improvement	3	100	0	0.0	3	165	100	0	0.0	165
2014 Total	22	61.1	14	38.9	36	4,221	55.9	3,329	44.1	7,550
YTD 2015 HMDA										
Home Purchase	4	80.0	1	20.0	5	879	77.1	261	32.9	1,140
Refinance	10	66.7	5	33.3	15	1,420	46.4	1,641	53.6	3,061
Home Improvement	3	100	0	0.0	3	170	100	0	0.0	170
YTD 2015 Total	17	73.9	6	26.1	23	2,469	56.5	1,902	44.5	4,371
TOTAL HOME	39	66.1	20	43.9	59	6,690	56.1	5,231	43.9	11,921

Source: 2010 U.S. Census; 2014 and YTD 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

Geographic Distribution

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

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	8.0	7.0	0	0.0	0	0.0
YTD 2015	8.0	N/A	2	11.8	172	7.0
Moderate						
2014	24.4	23.1	0	0.0	0	0.0
YTD 2015	24.4	N/A	1	5.9	35	1.4
Middle						
2014	53.1	25.4	16	72.7	3,199	75.8
YTD 2015	53.1	N/A	9	52.9	1,435	58.1
Upper						
2014	14.5	27.2	6	27.3	1,022	24.2
YTD 2015	14.5	N/A	5	29.4	827	33.5
N/A 2014	0.0	17.3	0	0.0	\$0	0.0
Totals						
2014	100.0	100.0	22	100.0	4,221	100.0
YTD 2015	100.0	N/A	17	100.0	2,469	100.0

Source: 2010 U.S. Census; 2014 and YTD 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

The Credit Union did not originate any loans in low- or moderate-income census tracts in 2014. The Credit Union did originate two loans in low-income tracts in 2015 and one in a moderate-income tract in 2015. While this is an improvement over the 2014 lending performance, it does not reflect reasonable geographic dispersion. Although lending to low- and moderate-income tracts is challenging, the Credit Union's performance was below aggregate level.

Borrower Profile

The distribution of borrowers reflects adequate penetration among individuals of different income levels in the assessment area. Examiners focused on the percentage by number of home mortgage loans to low-and moderate-income borrowers. The following table details the results of the review.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	15.7	7.0	0	0.0	0	0.0
YTD 2015	15.7	N/A	3	17.7	353	14.3
Moderate						
2014	26.8	23.1	4	18.2	596	14.1
YTD 2015	26.8	N/A	5	29.4	733	29.7
Middle						
2014	45.1	25.4	8	36.4	1,457	34.5
YTD 2015	45.1	N/A	3	17.6	464	18.8
Upper						
2014	12.4	27.2	10	45.4	2,168	51.4
YTD 2015	12.4	N/A	6	35.3	919	37.2
Income Not Available						
2014	0.0	17.3	0	0.0	0	0.0
YTD 2015	0.0	N/A	0	0.0	0	0.0
Total						
2014	100.0	100.0	22	100.0	4,221	100.0
YTD 2015	100.0	N/A	17	100.0	2,469	100.0

Source: 2010 U.S. Census; 2014 and YTD 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

In 2014, the Credit Union did not originate any loans to low-income borrowers, despite the aggregate performance lending to low-income borrowers at a rate of 7.0 percent and 15.7 percent of families in the assessment area are low-income. The Credit Union originated 3 or 17.7 percent of its loans in 2014 to low-income borrowers, which is in line with the percentage of low-income families at 15.7 percent.

The Credit Union's lending to moderate-income borrowers at 18.2 percent was below the aggregate performance at 23.1 percent in 2014. In 2015, the Credit Union originated five loans to moderate-income borrowers, accounting for 29.4 percent of loans in 2015. This is above the percentage of moderate-income families at 26.8 percent.

Considering the economic climate and the significant portion of low (15.7 percent) and moderate-income (26.8 percent) families in the assessment area, qualifying for home mortgage loans is challenging.

Response to CRA Complaints and Fair Lending Policies and Practices

The Credit Union's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. A review of the Credit Union's public comment file indicated the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures.

Based on a 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. The Credit Union's loan policy prohibits discrimination in accordance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). The Credit Union also conducts a second review process for denied loan applications. Management conducts a periodic review comparing denied and withdrawn applications to approved applications to monitor for any potential fair lending risk.

As of this evaluation, there are three employees who are able to assist non-English speaking customers at the Credit Union. Languages spoken are Spanish, Portuguese, Russian, and Khmer. The Credit Union is able to effectively reach a range of customers that reflect the diversity of the area.

Minority Application Flow

The Credit Union's HMDA LARs for 2014 and Q1 – Q3 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.

Considering aggregate lending performance and assessment area demographics, the Credit Union's minority application flow is less than reasonable. See the table on the following page for details of the application flow determined by race and ethnicity.

Minority Application Flow					
RACE	Credit Union 2014		Aggregate Data 2014	Credit Union 2015	
	#	%	%	#	%
American Indian/Alaska Native	0	0.0	0.3	0	0.0
Asian	0	0.0	2.9	1	5.0
Black/African-American	0	0.0	3.0	1	5.0
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	1.0	1	5.0
Total Minority	0	0.0	7.5	3	15.0
White	25	96.2	69.0	17	85.0
Race Not Available	1	3.8	23.5	0	0.0
Total	26	100.0	100.0	20	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	7.8	0	0.0
Not Hispanic or Latino	24	92.4	68.1	18	90.0
Joint (Hisp/Lat /Not Hisp/Lat)	1	3.8	0.9	1	5.0
Ethnicity Not Available	1	3.8	23.2	1	5.0
Total	26	100.0	100.0	20	100.0
<i>Source: U.S. Census 2010, HMDA LAR Data 2014 and Q1-Q3 2015, HMDA Aggregate Data 2014</i>					

According to the 2010 U.S. Census data, the Credit Union's assessment area has a population of 246,553, of which 27.8 percent are minorities. The assessment area's minority population includes 0.1 percent American Indian, 3.8 percent Asian, 5.2 percent Black, 16.5 percent Hispanic, and 2.2 percent other race.

In 2014, the Credit Union received 26 HMDA reportable loan applications within its assessment area. Of these applications, none were from racial minority applicants. The Credit Union's application flow was below aggregate performance of 7.5 percent for applications received from minorities. In 2014 and YTD 2015, the Credit Union did not receive any applications representing the Hispanic or Latino ethnic group. However, the 2014 aggregate performance was 7.8 percent. Additionally, according to the 2010 U.S. Census, 16.5 percent of the assessment area population is considered Hispanic or Latino.

While the number of applications to minorities slightly increased in 2015, examiners noted that overall lending volume decreased as well.

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 45 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 "1150 Purchase Street, New Bedford, MA 02740"

- 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.