

**PUBLIC DISCLOSURE**

**AUGUST 3, 2015**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**CABOT BOSTON CREDIT UNION  
CERT #67891**

**2 SEAPORT LANE  
BOSTON, MA 02201**

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

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 **Cabot Boston Credit Union (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of August 3, 2015.

**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.

According to CRA regulations, an institution shall delineate one or more assessment areas within which the institution will meet the credit needs and by which the Division will evaluate the institution’s CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted. This evaluation was based upon an analysis of the Credit Union’s performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union’s fair lending performance.

- The loan-to-share (“LTS”) ratio (63.6 percent) is reasonable given the institution’s size, financial condition, product offerings, and membership credit needs.
- The distribution of loans to members of different income levels is reasonable and is representative of its membership.
- The review of complaints and fair lending policies and procedures indicate the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

## PERFORMANCE CONTEXT

### Description of Institution

Established in 1941, Cabot Boston Credit Union is a Massachusetts state-chartered industrial credit union. The Credit Union has one office located at 2 Seaport Lane in Boston, with office hours of Monday through Friday, 9:00 a.m. to 4:00 p.m. The Credit Union offers a variety of products and services to its members including new and used vehicle loans, unsecured personal loans, home equity loans, home improvement loans, checking accounts, certificates of deposit, wire transfers, and share accounts for deposit services. The Credit Union does not originate first mortgages, but has a first mortgage referral agreement with Members Mortgage.

As of June 30, 2015, the Credit Union's asset size was \$7,346,863 with total loans of \$3,249,283 or 44.2 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 52.5 percent.

The Credit Union was last examined for compliance with CRA on October 1, 2008. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have decreased from \$7.5 million to \$7.3 million since the previous examination.

The Credit Union's primary loan base is comprised of all other unsecured loans/lines of credit representing the largest portion of loans with 33.7 percent followed by new vehicle loans at 32.4 percent; total other real estate loans/lines of credit at 17.9 percent and used vehicle loans at 15.2 percent. Table 1 provides the loan portfolio distribution as of June 30, 2015.

<b>Table 1 - Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Dollar Volume</b>	<b>Percentage of Total Loans</b>
All Other Unsecured Loans/Lines of Credit	\$1,094,541	33.7%
New Vehicle Loans	\$1,053,045	32.4%
Used Vehicle Loans	\$492,885	15.2%
Total Other Real Estate Loans/Lines of Credit	\$583,009	17.9%
Total All Other Loans/Lines of Credit	\$25,803	0.8%
<b>Total</b>	<b>\$3,249,283</b>	<b>100.0%</b>

*Source: 5300 Report, Statement of Financial Condition as of June 30, 2015*

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

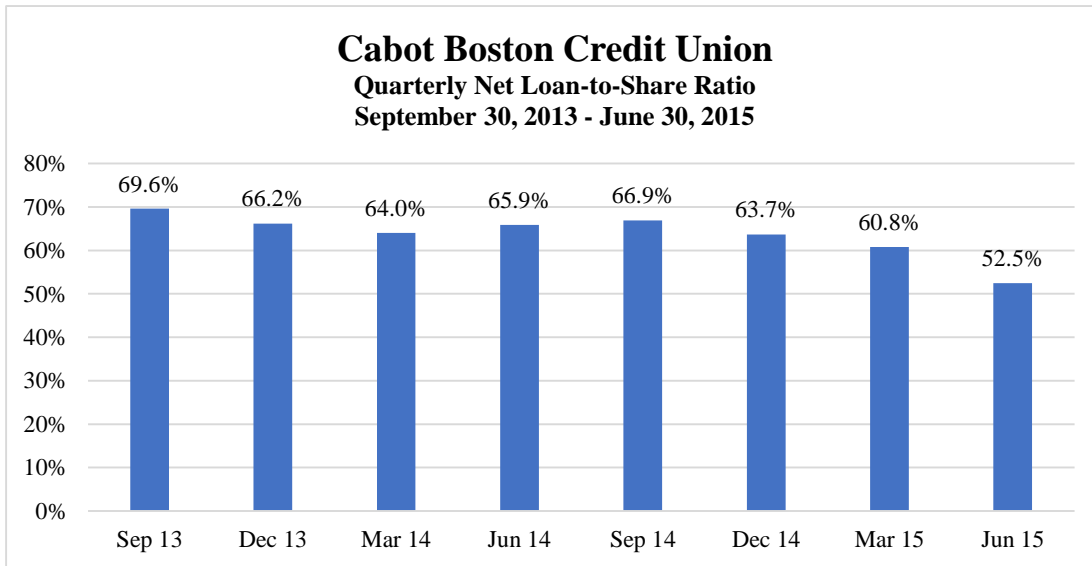
**Description of Assessment Area**

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union’s bylaws, membership is limited to employees of Cabot Corporation, its subsidiaries, and members of immediate families of such employees. As of June 30, 2015, the Credit Union has 956 members.

**PERFORMANCE CRITERIA**

**LOAN-TO-SHARE (LTS) ANALYSIS**

A comparative analysis of the Credit Union’s last eight quarterly net loan-to-share (LTS) ratios for the period of September 30, 2013 through June 30, 2015, was conducted during this examination. The analysis was conducted to determine the extent of the Credit Union’s lending compared to shares received from its membership. Using the National Credit Union Administration (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 63.6 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The following graph is provided for further analysis.



As shown in the graph above, the Credit Union’s net loan-to-share ratio has fluctuated from a high of 69.6 percent on September 30, 2013 to a low of 52.5 percent on June 15, 2015. During this time period, net loans have decreased \$674,138 or 17.4 percent, shares have increased \$533,051 or 9.6 percent. The LTS ratio meets the standard for satisfactory performance.

## DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union's consumer loan data from January 1, 2013 through December 31, 2014 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured loans, automobile loans and secured home improvement loans. This examination compares the borrower income to the median family income for the Metropolitan Statistical Area (MSA) in which the borrower resides.

The borrower income analysis was based on the median family incomes for 2013 and 2014 for the Cambridge-Newton-Framingham MSA, which was \$101,000 and \$93,900; for the Boston MSA, which was \$88,000 and \$87,200; the Worcester MSA, which was \$81,300 and \$77,900; and the Springfield MSA, which was \$66,100 and \$66,000. The Credit Union also originated multiple loans in the Manchester/Nashua MSA and Rockingham/Strafford MSA in New Hampshire. The median family income for 2013 and 2014 was \$84,700 and \$85,200 in the Manchester/Nashua MSA and \$87,000 and \$86,600 in the Rockingham/Stafford MSA.

The four income categories that define the income level of borrowers include low, moderate, middle, and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA.

As defined by the U.S. Department of Housing and Urban Development (HUD), low-income is the income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as the income level or area that earns 50-79 percent of the MSA's median family income. Middle-income is defined as the income level or area that earns 80-119 percent of the MSA's median family income, while upper-income is defined as the income level that is equal to or greater than 120 percent of the MSA's median family income.

A sample of loans for 2013 and 2014 was conducted to determine the borrower's income level. Refer to Table 3 for the distribution of loans by borrower income.

<b>Table 3 - Distribution of Loans by Borrower Income</b>				
<b>Median Family Income Level</b>	<b>2013 Credit Union</b>		<b>2014 Credit Union</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	1	4.0	2	8.0
<b>Moderate</b>	9	36.0	1	4.0
<b>Middle</b>	8	32.0	9	36.0
<b>Upper</b>	6	24.0	13	52.0
<b>N/A</b>	1	4.0	0	0.0
<b>Total</b>	<b>25</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>

*Source: Credit Union's 2013 and 2014 internal records*

In 2013, the majority of the sampled loans were to borrowers in the moderate-income category. In 2013, 68.0 percent of the sampled loans were to moderate- and middle-income borrowers. Based on the analysis of borrower income, the Credit Union demonstrates a reasonable level of performance in providing loans to borrowers of different incomes and meets the standards for satisfactory performance.

## **REVIEW OF 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 that 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 these procedures, no violations of the anti-discrimination laws and regulations were identified.

The Credit Union does have a written Fair Lending Policy.

The Credit Union has a second review for denied loan applications.

## **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 2 Seaport Lane, Suite 1300, Boston, MA 02210."

- 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.