

PUBLIC DISCLOSURE

May 31, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Priority Credit Union
Certificate Number: 66593**

**100 Swift Street
East Boston, Massachusetts 02128**

**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 Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This document is an evaluation of the CRA performance of **First Priority Credit Union (or the Credit Union)** prepared by the Division, the institution's supervisory agency as of **May 31, 2016**. The Division evaluates performance in the assessment area as it is delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts 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 September 30, 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 "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 Credit Union's performance under this test is summarized below:

- The average loan-to-share (LTS) ratio of 73.6 percent is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The institution made a majority of home mortgage loans by number and dollar volume within the assessment area during the evaluation period.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and specifically low- and moderate-income geographies.
- The distribution of home mortgage loans to borrowers of different income levels is reasonable.
- The institution did not receive any CRA-related complaints during the evaluation period.

PERFORMANCE CONTEXT

Description of Institution

First Priority Credit Union, incorporated in 1924, is a Massachusetts state-chartered credit union headquartered in East Boston, Massachusetts. The Credit Union sets its membership to those that live or work in Suffolk or Essex Counties; employees, retirees, and their immediate family members of the United States Postal Service and the United States Government located in Massachusetts; and those that live in a selection of cities and towns in Norfolk and Middlesex Counties. The Credit Union currently has 7,050 members.

First Priority operates two full-service branches. The main office is located at 100 Swift Street in East Boston. The second branch is located at the United States Postal Service office at 25 Dorchester Avenue in Boston. The East Boston branch is located in a low-income census tract and the Dorchester Avenue branch is located in an upper-income census tract. Both branches offer limited hours on Saturdays. The East Boston branch offers drive-thru services. Alternative delivery methods include a transactional website (www.firstprioritycu.com), and telephone and mobile banking services.

First Priority offers a standard variety of deposit and loan products and services for businesses and individuals. Deposit products include a variety of checking accounts, savings accounts and certificates of deposit. Loan products include consumer, home mortgage and home equity, direct auto loans, higher education loans, and business loans. Additional services offered by the Credit Union include debit and credit cards, and online bill-pay. First Priority debit card holders are also a part of the TX, NYCE, Cirrus, PLUS, and SUM ATM networks. The Credit Union operates five ATMs: two at each branch and one stand-alone at the Central Square Post Office in Cambridge. At the Dorchester Avenue branch, deposits are accepted at one ATM and at the East Boston branch, deposits are accepted at both ATMs, one of which is located at the drive-thru window.

As of March 31, 2016 the Credit Union had total assets of \$109.2 million including total loans of \$66.8 million. The loan portfolio, as detailed in the following table, is largely concentrated in 1st mortgage real estate.

Loan Portfolio Distribution as of March 31, 2016		
Loan Category	\$(000s)	%
Total 1 st Mortgage Real Estate Loans/Lines of Credit	51,858,407	77.6
Total Other Real Estate Loans/Lines of Credit	11,911,493	17.8
Unsecured Loans/Lines of Credit	1,881,331	2.8
Used Vehicle Loans	901,409	1.3
New Vehicle Loans	195,845	0.4
Total All Other Loans/Lines of Credit	42,491	0.1
Total Loans	66,790,976	100.0

Source: NCUA 5300 Call Report as of March 31, 2016.

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. Based upon the Credit Union’s asset size, product offerings, and branch network, its ability to meet the community’s credit needs remains strong.

Description of Assessment Area

The CRA requires each financial institution to define one or more assessment area (AA) within which its CRA performance will be evaluated. First Priority Credit Union has designated its AA in the Cambridge-Newton-Framingham, MA Metropolitan District (MD) (15764) and the Boston MA MD (14454). The Credit Union’s AA conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

Since becoming a community credit union, the chosen AA includes those who live, work, or go to school in the following towns:

Arlington	Hull	Norwood	Waltham
Belmont	Lexington	Peabody	Watertown
Boston	Lynn	Quincy	Wellesley
Braintree	Lynnfield	Randolph	Westwood
Brookline	Malden	Reading	Weymouth
Cambridge	Marblehead	Revere	Winchester
Canton	Medford	Salem	Winthrop
Chelsea	Melrose	Saugus	Woburn
Cohasset	Milton	Somerville	
Dedham	Nahant	Stoneham	
Everett	Needham	Swampscott	
Hingham	Newton	Wakefield	

The overall AA consists of 528 census tracts with the following income designations according to the 2010 U.S. Census:

- 72 low-income tracts,
- 120 moderate-income tracts,
- 178 middle-income tracts, and
- 146 upper-income tracts.

There are also twelve census tracts with no corresponding income delineation. These census tracts cover the following areas: The Boston Harbor Islands, Franklin Park, the Stony Brook Reservation, the Arnold Arboretum, the Forest Hills Cemetery, the South Boston Reserved Channel, Castle Island, the Suffolk Downs Racetrack, Belle Island Reservation, the Boston Commons, and the Back Bay Fens.

The following table details specifics regarding the AA.

Demographic Information for the Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	528	13.6	22.7	33.7	27.7	2.3
Population by Geography	2,238,606	11.9	23.1	36.7	28.2	0.1
Owner-Occupied Housing Units by Geography	461,252	4.5	16.9	41.7	36.8	0.0
Distribution of Families by Income Level	501,471	25.7	16.3	19.5	38.6	0.0
Median Family Income (2010 U.S. Census)		\$90,158	Median Housing Value		\$444,710	
2015 FFIEC-Estimated Median Family Income		\$95,008	Unemployment Rate		4.9%	
Families Below Poverty Level		8.5%				

Sources: 2010 U.S. Census data, 2015 FFIEC-Estimated Median Family Income

The table above shows that the majority of the population and the majority of owner occupied units are located in middle and upper income geographies.

FFIEC Estimated Median Family Income data is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The table below presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the 2015 FFIEC estimate median family incomes of \$101,700 for the Cambridge-Newton-Framingham, MA MD, and \$90,000 for the Boston, MA MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2015 Entire Assessment Area Median Family Income (\$95,008)				
2015	<\$47,504	\$47,504 to <\$76,006	\$76,006 to <\$114,010	≥\$114,010
2015 Cambridge-Newton-Framingham MA MD Median Family Income (\$101,700)				
2015	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2015 Boston MA MD Median Family Income (\$90,000)				
2015	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000

Source: 2015 FFIEC-Estimated Median Family Income

There are 948,720 housing units in the AA, 461,252 of which are owner occupied, 421,878 are occupied rental units, and 65,590 are vacant. The median housing value of \$444,710 suggests a relatively expensive housing market, compared to the state of Massachusetts.

Further analysis used Warren Group housing sales data. In 2015, median home sales averaged \$399,052 throughout the five counties that formed the AA. Median sales prices ranged from \$489,000 in Suffolk to \$310,000 in Plymouth (which contained only two towns in the aforementioned AA). This further suggests a relatively affluent area and potential barriers to lower-income families obtaining affordable housing.

Competition

First Priority operates in a very competitive lending environment. The Credit Union faces competition from large national and regional institutions, including mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2014 revealed that 539 lenders reported 56,893 originations and purchases totaling approximately \$22.2 trillion in the overall AA.

Community Contact

As part of the performance evaluation, examiners contact third-party organizations engaged in community and economic development to aid in identifying the credit needs and availability within the community. Examiners conducted one such community contact with a non-profit community development organization serving a portion of the Credit Union's AA. The organization is a community-based agency responding to the community development needs of the area including affordable housing, community service to low- and moderate-income individuals, and revitalization.

The community contact indicated generally strong and growing local economic conditions and did not perceive any glaring deficiencies in the availability of credit to low- and moderate-income individuals. The contact referenced a need for more innovative and flexible lending products to help first time homebuyers improve their potential to qualify for a mortgage. The contact further identified the need for additional affordable housing units, in particular owner-occupied units and fair market rental units.

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 AA. Both the Credit Union and the community contact indicated generally strong economic conditions within the AA; a need for affordable housing, specifically owner occupied housing, was identified. Economic data for the AA supports this assessment of credit and community development needs in this region. The median housing value and the limited home purchase opportunities in the AA make home ownership difficult for low- and moderate-income borrowers in this area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Share (LTS) Analysis

First Priority's average Loan-to-Share ratio is reasonable given the institution's size, financial condition, and the AA's economic conditions and credit needs. The ratio, calculated from Call Report data over the prior eight calendar quarters from June 30, 2014, to March 31, 2016, averaged 73.6 percent. As detailed in the following table, the Credit Union's LTS was compared with similarly situated institutions.

Loan-to-Share Ratio Comparison		
Credit Union	Total Assets as of 03/31/16 \$(000s)	Average Net LTS Ratio (%)
Community Credit Union of Lynn	\$136,222	108.2
First Priority Credit Union	\$109,240	73.6
Brotherhood Credit Union	\$107,218	61.6

Source: NCUA 5300 Call Reports June 30, 2014 through March 31, 2016.

The Credit Union's net LTS ratio during this period has fluctuated from a high of 77.7 percent (September 2015) to a low of 68.7 percent (September 2014). During this timeframe, net loans increased 11.2 percent and shares increased 7.8 percent.

At 73.6 percent, the Credit Union's average net LTD is in between the three similarly situated institutions. Based on the above information and the Credit Union's capacity to lend, the capacity of other similarly situated institutions, the types of loans available at the Credit Union, and the lending opportunities available, the First Priority's LTS ratio is reasonable.

Assessment Area Concentration

The Credit Union made a majority of home mortgage loans, by number and dollar volume within the AA. The distribution of loans by number bears more weight on the Credit Union's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	30	78.9	8	21.1	38	8,170	77.1	2,420	22.9	10,590
2015	27	71.1	11	28.9	38	7,265	70.8	3,003	29.2	10,268
Total	57	75.0	19	25.0	76	15,435	74.0	5,423	26.0	20,858

Source: 2014 and 2015 HMDA LAR Data; 2014 HMDA Aggregate Data

Geographic Distribution

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Examiners focused on the percentage by number of loans in low- and moderate-income CTs.

As detailed in the following table, in 2014, the Credit Union's lending within low- and moderate-income geographies inside the AA is above both aggregate lending performance and the percentage of owner-occupied housing inventory within these geographies. In 2015, the Credit Union did not originate any loans in low-income geographies, but did originate 12 in moderate-income geographies. These loans represent a considerable amount of the Credit Union's home mortgage loan portfolio inside the AA and show a positive trend in lending in moderate-income geographies.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	4.5	5.2	4	13.3	738	9.0
2015	4.5	--	0	0.0	0	0.0
Moderate						
2014	16.9	18.2	11	36.7	2,630	32.2
2015	16.9	--	12	44.4	2,983	41.1
Middle						
2014	41.7	40.9	8	26.7	2,089	25.6
2015	41.7	--	12	44.4	3,315	45.6
Upper						
2014	36.8	35.7	7	23.3	2,713	33.2
2015	36.8	--	3	11.1	967	13.3
Not Available						
2014	0.0	0.0	0	0.0	0	0.0
2015	0.0	--	0	0.0	0	0.0
Totals						
2014	100.0	100.0	30	100.0	8,170	100.0
2015	100.0	--	27	100.0	7,265	100.0

Source: 2010 U.S. Census; 2014 and 2015 HMDA LAR Data; 2014 HMDA Aggregate Data, "--" data not available.

Borrower Profile

The distribution of loans reflects reasonable penetration to borrowers of different income levels. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

The Credit Union's performance is consistent with the aggregate performance of lending to low-income borrowers and above the aggregate in lending to moderate-income borrowers in 2014. The percentage of loans originated to low-income borrowers was below the percentage of low-income families in the AA. Increases in home values in the Credit Union's AA make could homeownership difficult for low-income residents. Further, as shown in demographic data and through conversation with the community contact, rental rates in the AA are also very high.

Further, in 2015, there was an increase in the percentage of loans originated to both low- and moderate-income borrowers. This percentage increase represents a positive trend in the Credit Union's ability to reach out to low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	25.7	3.8	1	3.3	80	1.0
2015	25.7	--	4	14.8	601	8.3
Moderate						
2014	16.3	13.3	6	20.0	1,000	12.2
2015	16.3	--	7	25.9	1,542	21.2
Middle						
2014	19.5	20.8	9	30.0	2,282	27.9
2015	19.5	--	10	37.0	3,055	42.1
Upper						
2014	38.6	44.1	13	43.3	4,643	56.8
2015	38.6	--	5	18.5	1,762	24.3
Not Available						
2014	0.0	18.1	1	3.3	165	2.0
2015	0.0	--	1	3.7	305	4.2
Totals						
2014	100.0	100.0	30	100.0	8,170	100.0
2015	100.0	--	27	100.0	7,265	100.0
<i>Source: 2010 U.S. Census; 2014 and 2015 HMDA LAR Data; 2014 HMDA Aggregate Data, "--" data not available.</i>						

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 these procedures, no evidence of disparate treatment was noted.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

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.

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 AA was reflective of the AA 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 AA.

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	2	5.9	7.8	0	0.0
Black/ African American	0	0.0	4.3	1	2.8
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	1.6	0	0.0
Total Minority	2	5.9	14.2	1	2.8
White	29	85.3	60.2	33	91.6
Race Not Available	3	8.8	25.6	2	5.6
Total	34	100.0	100.0	36	100.0
ETHNICITY					
Hispanic or Latino	2	5.9	4.2	0	0.0
Not Hispanic or Latino	29	85.3	69.4	33	91.6
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.0	1	2.8
Ethnicity Not Available	3	8.8	25.4	2	5.6
Total	34	100.0	100.0	36	100.0
<i>Source: U.S. Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014</i>					

According to the 2010 U.S. Census data, the Credit Union's AA has a population of 2,238,606, of which 33.9 percent are minorities. The AA's minority population includes 0.1 percent American Indian, 8.9 percent Asian/Pacific Islander, 10.3 percent Black, 11.4 percent Hispanic, and 3.2 percent other race.

In 2014, the Credit Union received 34 HMDA reportable loan applications within its AA. Of these applications, two were received from racial minority applicants. The Credit Union's application flow was below aggregate performance of 14.2 percent for applications received from minorities. In 2014, the Credit Union received two applications representing the Hispanic or Latino ethnic group and the aggregate performance was 4.2 percent.

In 2015, the Credit Union decreased its applications from Hispanic applicants and its applications to minorities by race.

Information received from the Community Contact suggests that homeownership opportunities in the high minority tracts of the AA may be limited, as these are areas with typically high rental rates and because housing prices have significantly increased in recent years. Further, the institution's low volume of HMDA loans artificially skews percentage data.

Overall, considering the demographic composition of the AA, comparisons to aggregate data, and the fact that the Credit Union's Postal Service relationship and membership may not align with the demographic data of the AA, the minority application flow is adequate.

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 "100 Swift Street East Boston, MA 02128"

- 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.