

PUBLIC DISCLOSURE

September 14, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FREEDOM CREDIT UNION

CERT # 66824

1976 MAIN STREET

SPRINGFIELD, MA 01101

DIVISION OF BANKS

1000 WASHINGTON STREET

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.

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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 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 assessment area.

This document is an evaluation of the CRA performance of **Freedom Credit Union (or the “Credit Union”)**, prepared by the Division, the institution's supervisory agency as of **September 14, 2015**. The agency 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.

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 results of two performance tests: the Lending Test and the Community Development Test. The Credit Union’s performance under each of these two tests is summarized below:

Lending Test

The Credit Union’s net loan-to-share ratio for the previous eight quarters was 61.7 percent; this ratio is adequate, given the Credit Union’s size, financial condition, and the credit needs of its assessment area.

Lending activity within the Credit Union’s assessment area is good as 88.1 percent of its HMDA reportable originations were within its assessment area.

The Credit Union demonstrates a reasonable level of lending to members of different income levels.

The geographic distribution of the Credit Union’s HMDA reportable loans reflects a less than reasonable dispersion throughout the assessment area.

Fair lending policies and practices are considered adequate. No weight was given to CRA complaints, as none have been received by the Credit Union since the prior examination.

Community Development Test

The Credit Union's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through its community development loans, qualified donations and community development services.

SCOPE OF THE EXAMINATION

The Division conducted this evaluation using Intermediate Small Bank (ISB) procedures. This evaluation considered the Credit Union's lending and community development activities since the last CRA evaluation dated February 7, 2012. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Lending Test focused on home mortgage lending. Home mortgage lending data analyzed included full-year data from January 1, 2013 through December 31, 2014. Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to HMDA. The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily properties (five or more units). The evaluation emphasized the Credit Union's home mortgage lending performance in 2013 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 one home mortgage in the Credit Union's designated assessment area. The Credit Union's home mortgage lending performance was also compared with demographic data.

The Community Development Test included an analysis of the Credit Union's qualified community development loans, investments, and services for the period of February 8, 2012, through September 14, 2015.

Demographic information is from the 2010 U.S. Census unless otherwise noted. Financial data was derived from the Statement of Financial Condition as of June 30, 2015.

PERFORMANCE CONTEXT

Description of Institution

Freedom Credit Union is a Massachusetts state-chartered financial institution. Freedom Credit Union was originally chartered in 1922 as the Western Massachusetts Telephone Workers Credit Union. From a small office in the telephone company building on Worthington Street, the Credit Union grew until it found its home on Main Street in Springfield. In 2013, the Credit Union amended its by-laws to expand the associations which qualify persons for membership. The amendment relative to membership eligibility now includes persons who attend school in the Hampden, Hampshire, Franklin or Berkshire Counties. In 2014, Freedom Credit Union received the Low-Income Credit Union (LICU) designation. A LICU is one in which a majority of its

membership (50.1 percent) qualify as low-income members. Low-income members are those who earn 80 percent or less than the median family income or total median earnings for individuals for the metropolitan area where they live, or the national metropolitan area, whichever is greater. As of June 30, 2015 the Credit Union has 27,115 members.

The Credit Union's main office is located at 1976 Main Street in Springfield, located in a low-income census tract. The Credit Union operates ten branches (including the main office), of which nine are full-service branches and are located in Chicopee, Easthampton, Feeding Hills, Greenfield, Ludlow, Northampton, Springfield (3) and Turner Falls. Of the ten branches, one is located in a low-income census tract, three are located in moderate-income census tracts, five in middle-income census tracts and one is located in an upper-income census tract. With the exception of the vocational school branch, which has a walk-up Automated Teller Machine (ATM), all branch locations have 24 hour drive up ATMs. In addition to the drive up ATM, the main branch also has a walk-up ATM. Business hours are readily accessible to all members, and all full-service offices are open on Saturday from 9:00 a.m. to 1:00 p.m. Freedom Credit Union is a member of the SUM ATM network, which means members may use any ATM within the SUM network surcharge free. Through a partnership with Welch ATM and Rite Aid Pharmacy, the Credit Union is providing members with surcharge free access to all 224 Rite Aid Pharmacy ATM locations in Massachusetts and Connecticut, as well as the credit union's branded ATMs in the 11 Rite Aid Pharmacies in Hampden, Hampshire, and Berkshire Counties. The Credit Union also has one remote ATM located at the Big Y in Springfield.

Since the last examination, the Credit Union has opened two branches and an operations center. In 2012, a branch was opened at 645 Center Street in Ludlow. In July of 2014, the Credit Union opened an operations center located directly behind the main office in Springfield and accommodates the following departments: accounting, collections, facilities, finance, loan processing, loan servicing, savings operations and vendor management. On September 23, 2014, the Credit Union opened a branch located inside the Roger L. Putnam Vocational Technical Academy, 1500 State Street, Springfield. The branch is staffed by the school's juniors and seniors and managed by the Credit Union and is opened to members Monday through Friday from 9:00 a.m. to 2:00 p.m. during the school year.

The Credit Union was last examined for compliance with the Community Reinvestment Act on February 7, 2012. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have increased from \$485 million to \$524 million since the previous examination.

As of June 30, 2015, the Credit Union's asset size was \$524 million with total loans of \$286 million or 54.6 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 63.0 percent. First mortgage real estate loans and lines of credit represent the largest portion of loans with 80.0 percent, followed by other real estate loans with 10.4 percent and used vehicle loans with 5.8 percent.

The following table provides additional details regarding the Credit Union's loan portfolio:

Table 1 Freedom Credit Union Loan Portfolio Distribution		
Loan Type	Dollar Volume	Percentage of Total Loans
All Other Unsecured Loans/Lines of Credit	5,067,534	1.8
Non-Federally Guaranteed Student Loans	1,332,404	0.5
New Vehicle Loans	2,278,579	0.8
Used Vehicle Loans	16,680,305	5.8
Total First Mortgage Real Estate Loans/Line of Credit	228,833,727	80.0
Total Other Real Estate Loans/Lines of Credit	29,781,291	10.4
Total All Other Loans/Lines of Credit	2,022,443	0.7
Total	285,996,283	100.0
<i>Source: NCUA 5300 Report, Statement of Financial Condition as of June 30, 2015</i>		

Freedom Credit Union is a full-service financial institution that offers a wide variety of products and services. Savings and checking accounts offered by the Credit Union include share savings accounts, savings certificates, money market, holiday or vacation clubs, NOW checking accounts, Freedom NOW checking accounts and Forever Freedom Checking accounts. Home financing programs include fixed rate mortgages, jumbo mortgages, home equity loans, home equity lines of credit, Mass Housing First Mortgage Program, Mass Housing loans, FHA loans and USDA loans. Consumer loans include new and used automobile loans, personal loans, personal credit line, and student loans. Other services offered by the Credit Union include mobile app, online banking, bill pay, electronic statements and investment services.

The Credit Union offers a variety of business banking products and services such as; basic checking accounts, interest bearing and earnings credit checking, savings accounts, term loans, SBA loans, business line of credit, business credit cards, direct payments and direct deposits.

The Credit Union maintains a website at www.freedom.coop. The website provides information about branch locations and hours, products and services, on-line services, and other financial services available to customers.

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, unless otherwise permitted by the regulation, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union's assessment area contains 39 cities and towns located in Hampden, Hampshire and Franklin Counties. These include the cities and towns of: Agawam, Chicopee, East Longmeadow, Hampden, Holyoke, Longmeadow, Ludlow, Monson, Palmer, Springfield,

Southwick, West Springfield, Westfield and Wilbraham, all located in Hampden County. Amherst, Belchertown, Easthampton, Granby, Hadley, Hatfield, Northampton, Pelham, South Hadley, Southampton, Ware, Westhampton, and Williamsburg all located in Hampshire County. Bernardston, Colrain, Conway, Deerfield, Gill, Greenfield, Leyden, Montague, Northfield, Shelburne, Sunderland and Whately all located in Franklin County.

To assess the Credit Union’s lending performance for this evaluation, consideration is given to demographic data in the assessment area. Refer to Table 2 for pertinent demographic information about the assessment area.

Table 2 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	144	15.3	20.1	35.4	27.8	1.4
Population by Geography	643,379	12.5	21.1	35.5	30.4	0.5
Owner-Occupied Housing by Geography	156,631	3.2	16.2	42.5	38.1	0.0
Distribution of Families by Income Level	154,338	24.0	16.2	19.3	40.5	0.0
Distribution of Households by Income Level	246,703	27.6	14.5	16.4	41.5	0.0
Median Family Income (MFI) 2010 U.S. Census Data		\$52,837	Households Below Poverty Level			15.5
2013 FFIEC Updated MFI		\$66,100	Median Housing Value			\$231,145
Families Below Poverty Level		11.6%	Unemployment Rate			8.8%

Source: 2010 U.S. Census Data and 2013 FFIEC-Updated MFI

Data Economic and Demographic

As the data in Table 2 shows, the Credit Union’s assessment area consists of 144 census tracts, of which there are 22 low-income census tracts, 29 moderate-income census tracts, 51 middle-income census tracts, 40 upper-income census tracts and two or 1.4 percent were N/A. The low-income census tracts are located in Amherst, Chicopee, Holyoke and Springfield and the moderate-income census tracts are located in Chicopee, Holyoke, Greenfield, Montague, Northampton, Springfield, Ware, West Springfield, and Westfield. The two N/A census tracts are located in Amherst and consist of Amherst College.

The assessment area has a total population of 643,379 residing in 154,338 families. Of all family households in the area, 24.0 percent are low-income, 16.2 percent are moderate-income, 42.5 percent are middle-income, 38.1 percent are upper-income and 11.6 percent are families below the poverty level. Of the 246,703 households, 68,138 or 27.6 percent are low-income and 35,682 or 14.5 percent are moderate-income and 38,325 or 15.5 percent are households that are below the poverty level. This poverty rate typically indicates a reduced ability to secure a mortgage loan, thereby reducing a financial institution’s ability to penetrate these markets through residential loan products.

The assessment area consists of 263,845 total housing units, of which 156,631 or 59.4 percent are owner-occupied, 90,072 or 34.1 percent are rental units and 17,142 or 6.5 percent are vacant units. Of the 156,631 owner-occupied housing units, 4,939 or 3.2 percent are in low-income census tracts and 25,442 or 16.2 percent are in moderate-income census tracts. The median housing value in 2010 for the assessment area was \$231,145, and the median age of the housing stock was 54 years.

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 8.8 percent. More recent data obtained from the U.S. Bureau of Labor and Statistics indicates that the unemployment rate was 5.3 percent for Massachusetts as of December 2014. As of December 2014, the unemployment rate for Hampden County was 7.8 percent, Hampshire County was 5.0 percent and Franklin County was 5.3 percent.

PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Share (LTS) Analysis

A comparative analysis of Freedom Credit Union's quarterly net loan-to-share (LTS) ratios for the period of September 30, 2013 through June 30, 2015, was conducted during this examination. Using the Credit Union's quarterly Call Reports, the average net loan-to-share ratio for this period was 61.7 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 Credit Union's net loan-to-share ratio has fluctuated from a high of 63.9 percent in December 2014 to a low of 59.3 percent in September 2013. During this time period, net loans have increased 10.0 percent and shares have increased 3.6 percent. According to Credit Union Management, the increases are due to the Credit Union developing new relationships and building the membership base for the future.

For comparison purposes, the Credit Union's average net LTS ratio was compared against the average net LTS ratios of three similarly situated institutions (similar asset size and loan portfolio composition).

Table 3		
Peer Group Net Loan-to-Share Comparison		
Credit Union Name	Total Assets as of 6/30/15	Average Net LTS Ratio 9/30/13 – 6/30/15
Polish National Credit Union	469,276,907	68.5
Freedom Credit Union	523,610,275	61.7
Leominster Credit Union	626,693,763	89.7
St. Mary's Credit Union	725,180,174	95.7

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

As shown in Table 3 above, the three other Credit Unions' average quarterly net LTS ratios ranged between 68.5 percent and 95.7 percent. At 61.7 percent, the Credit Union's average LTS is lower than all three of the similarly situated institutions. Based on the foregoing information, the Credit Union's asset size and resources, and the credit needs of its members, the Credit Union's net loan-to-share ratio is considered adequate.

During the examination period, the Credit Union sold 310 loans totaling \$49 million to the Federal Home Loan Bank. This, in addition to the Credit Union's LTS ratio, demonstrates its willingness to reinvest in the community through its lending services.

Assessment Area Concentration

This performance criterion measures the percentage of the Credit Union's lending that benefits the assessment area's residents and evaluates the adequacy of such lending. The distribution of loans

by number is weighted more in this analysis, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans and is not skewed by large dollar amounts inside or outside the assessment area.

As indicated in Table 4, a majority (88.1 percent) of the Credit Union’s loans originated during the examination period were inside the Credit Union’s assessment area. Based on the above information, the Credit Union’s lending inside its assessment area is considered good.

Table 4 Distribution of HMDA Loans Inside and Outside of the Assessment Area										
Year	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2013	235	86.1	38	13.9	273	32,723	83.7	6,392	16.3	39,115
2014	254	90.1	28	9.9	282	36,720	89.0	4,546	11.0	41,266
Total	489	88.1	66	11.9	555	69,443	86.4	10,938	13.6	80,381

Source: 2013 and 2014 HMDA LARs

Borrower Characteristics

The Credit Union’s HMDA reportable loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers’ reported incomes for 2013 and 2014 were compared to the median family incomes for the Springfield MSA. The income figures are based on median family income derived from data collected during the census for the respective MSA. The income figures are adjusted annually by the Department of Housing and Urban Development to allow for factors such as inflation. The median family incomes for the Springfield MSA for 2013 and 2014 were \$66,100 and \$66,000, respectively.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

Table 5 indicates loans originated and categorized by the applicants reported income in relation to the median family income for the MSA in which the property is located. The following table also presents the Credit Union’s HMDA reportable lending performance as well as the 2010 aggregate data (exclusive of Freedom Credit Union). The table also reflects the percentages of family households in each of the borrower income categories.

Table 5						
Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% of Families	2013 Credit Union Data		2013 Aggregate Data	2014 Credit Union Data	
		#	%	%	#	%
Low	24.0	16	6.8	6.1	19	7.5
Moderate	16.2	59	25.1	17.8	76	29.9
Middle	19.3	72	30.6	24.2	71	27.9
Upper	40.5	85	36.2	38.7	86	33.9
N/A	N/A	3	1.3	13.2	2	0.8
Total	100.0	235	100.0	100.0	254	100.0

Source: 2013 and 2014 HMDA LARs, HMDA Aggregate for 2013, and 2010 US Census Data

As reflected in Table 5, the Credit Union’s distribution of loans to low-income borrowers, at 6.8 percent, is higher than the aggregate of 6.1 percent. It is noted that lending to low-income borrowers was significantly lower than the percentage of low-income families (24.0 percent) in the area. However, for a significant portion of these low-income families qualifying for home mortgage loans is difficult, given the current economic environment. According to 2010 U.S. Census data, 11.6 percent of all families and 15.5 percent of all households in the assessment area are below the poverty level and would have difficulty in seeking home financing. In addition, home purchase prices in the area undoubtedly present an obstacle in achieving homeownership for many low-income families.

In 2013, the Credit Union originated 25.1 percent of total loans to moderate-income borrowers, which was higher than both the aggregate, 17.8 percent, and the percentage of moderate-income families at 16.2 percent.

In 2014, the Credit Union’s overall performance for both low-income borrowers increased to 7.5 percent and moderate-income borrowers increased to 29.9 percent. As mentioned previously, home prices are still considered high and largely out-of-reach for most low- and moderate-income borrowers.

The Credit Union’s performance in lending to borrowers of different incomes, including those of low- and moderate-income, reflects a reasonable performance.

Geographic Distribution

This criterion evaluates the distribution of the Credit Union’s loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts. As mentioned previously under the Description of Assessment Area, the Credit Union’s assessment area comprises 144 census tracts of which 22 are low-income, 29 are moderate-income, 51 are middle-income, 40 are upper-income census tracts and 2 are N/A. The N/A census tracts are located in Amherst and consist of colleges which do not consist of any owner-occupied housing.

The following table illustrates geographic distribution of the Credit Union’s 2013 and 2014 HMDA reportable lending performance within the assessment area by number. For comparison purposes, the

table includes the percentage of owner-occupied housing units within each income category and the aggregate market lending data for 2013.

Table 6 Distribution of HMDA Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner Occupied Housing Units	2013 Credit Union Data		2013 Aggregate Data	2014 Credit Union Data	
		#	%	%	#	%
Low	3.2	4	1.7	2.4	2	0.8
Moderate	16.2	28	11.9	14.9	36	14.2
Middle	42.5	113	48.1	40.8	129	50.8
Upper	38.1	90	38.3	41.9	87	34.2
Total	100.0	235	100.0	100.0	254	100.0

Source: 2013 and 2014 HMDA LARs, HMDA Aggregate for 2013 and 2010 U.S. Census Data

As shown in Table 6, 1.7 percent of the Credit Union’s HMDA loans in 2013 were originated within low-income census tracts. This is below the aggregate lending of 2.4 percent and is also below the percentage of owner-occupied housing units within these tracts (3.2 percent). The Credit Union’s lending performance in 2014 decreased slightly as 0.8 percent of the Credit Union’s loans originated in low-income census tracts.

The Credit Union originated 11.9 percent of its HMDA-reportable loans within moderate-income tracts in 2014. This is significantly below both the performance of the aggregate lenders (14.9 percent) and the percentage of owner-occupied units within these tracts (16.2 percent). Lending increased in 2014 as 14.2 percent of loans were originated in moderate-income census tracts.

An analysis of the Credit Union’s residential mortgage originations in 2013 indicates that 48.1 percent were originated in middle-income census tracts. The Credit Union’s performance was higher than the aggregate data (40.8 percent) within the assessment area. The strong performance in the middle-income census tracts is not surprising considering that these census tracts contain 42.5 percent of the area’s owner-occupied housing units. The upper-income census tracts accounted for the remaining loan volume at 38.3 percent.

Based on the above information, the Credit Union’s distribution of HMDA reportable loans by census tract income level reflects a less than reasonable dispersion of loans throughout the assessment area.

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 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.

Freedom Credit Union has a written Fair Lending Policy within their loan policy.

The Credit Union annually provides fair lending training to all employees and Board Members.

The Credit Union has a second review for denied loan applications. All denied loans are reviewed by the Mortgage Loan Administrator, Mortgage Loan Supervisor and the Vice President of Lending for all real estate related loans.

The Credit Union makes exceptions to the loan policy.

Minority Application Flow

The Credit Union's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from the different racial groups within the Credit Union's assessment area was reflective of the assessment area's demographics.

According to the 2010 U.S. Census Data, the Credit Union's assessment area contained a total population of 643,379 individuals of which 27.2 percent are minorities. The assessment areas minority and ethnic population is 6.2 percent Black/African American, 2.6 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 16.4 percent Hispanic or Latino and 1.8 percent other.

In 2013, the Credit Union received 334 HMDA reportable loan applications from within its assessment area. Of these applications, 15 or 4.5 percent were received from minority applicants, of which 9 or 60.0 percent resulted in originations. The aggregate received 26,893 HMDA reportable loan applications, of which 1,698 or 6.3 percent were received from minority applicants and 1,003 or 59.1 percent were originated. For the same time period, the Credit Union also received 16 or 4.8 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 10 or 62.5 percent were originated versus the aggregate that received 1,705 applications or 6.3 percent, of which 961 or 56.4 percent were originated.

For 2014, the Credit Union received 359 HMDA reportable loan applications from within its assessment area. Of these applications, 29 or 8.1 percent were received from minority applicants, of which 17 or 58.6 percent resulted in originations. For the same time period, the Credit Union received 34 or 9.5 percent of applications from ethnic groups of Hispanic origin within its assessment area, of which 19 or 55.9 percent were originated.

The Credit Union's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2013. 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 the aggregate lenders (excluding the Credit Union) in the Credit Union's assessment area.

Table 7 Minority Application Flow					
RACE	2013 Credit Union		2013 Aggregate Data	2014 Credit Union	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	2	0.6
Asian	2	0.6	1.8	4	1.1
Black/ African American	8	2.4	2.8	18	5.0
Hawaiian/Pacific Islander	0	0.0	0.3	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	5	1.5	1.1	5	1.4
Total Minority	15	4.5	6.3	29	8.1
White	288	86.2	75.1	316	88.0
Race Not Available	31	9.3	18.5	14	3.9
Total	334	100.0	100.0	359	100.0
ETHNICITY					
Hispanic or Latino	12	3.6	5.2	28	7.8
Not Hispanic or Latino	275	82.3	75.3	312	86.9
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.2	1.1	6	1.7
Ethnicity Not Available	43	12.9	18.4	13	3.6
Total	334	100.0	100.0	359	100.0

Source: 2013 and 2014 HMDA LARs and 2013 HMDA Aggregate Data

The Credit Union's minority application flow, when compared to the Credit Union's assessment area and the 2013 aggregate data, is adequate.

COMMUNITY DEVELOPMENT TEST

Freedom Credit Union's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area. The Credit Union has met these community development needs through the provision of community development loans, qualified donations and community development services. For purposes of this examination, the period used for the Community Development Test was from February 8, 2012 through September 14, 2015.

Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Credit Union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the Credit Union's assessment area or a broader statewide or regional area that includes the Credit Union's assessment area.

During the evaluation period the Credit Union originated six community development loans totaling \$345,000. The following describes the community development loans:

- On December 6, 2013, the Credit Union originated a \$30,000 loan to purchase inventory for a new business located in a low-income census tract. This new business will provide permanent full-time employment to the greater Springfield area.
- On September 1, 2015 the Credit Union originated a \$100,000 line of credit for working capital to a non-profit organization located in a low-income census tract. The organization provides programs that inspire, educate, guide, enable and support for all young people to realize their full potential as productive and responsible leaders.

Small Business Administration (SBA) Loan Programs offer financing for qualified businesses that may not be eligible for traditional bank financing. These loan programs offer small down payments, flexible terms, and guarantees that assist small business owners in opening, expanding and continuing their businesses. During the evaluation period, the Credit Union originated the following SBA loans:

- The SBA Express program applies to loans up to \$350,000 with a maximum SBA guaranty of 50 percent. This program makes it easier and faster for lenders to provide small business loans. During the evaluation period the Credit Union originated two loans totaling \$85,000 through this program.
- The Patriot Express is a pilot program initiated for veterans and members of the military community wanting to establish or expand a small business. In 2012, the Credit Union originated one loan totaling \$50,000 for the start-up of a new business.
- The SBA 7(a) program offers smaller down payments, flexible terms and guarantees that assist small businesses in opening and expanding their businesses. On August 13, 2013, the Credit Union originated one loan totaling \$80,000.

Community Development Investments

A qualified investment for the purposes of this CRA evaluation is a lawful investment, deposit, membership share, donation or grant that has community development as its primary purpose.

During the examination period, Freedom Credit Union made a total of \$160,958 in charitable donations, of which \$41,027 or 25.5 percent went to organizations that promote education, youth programs, and health and human services for individuals in need. The following are examples of organizations that have received benefit from the Credit Union's efforts.

Springfield Rescue Mission – Established in 1892, this is one of the oldest human services agencies in greater Springfield and continues to service the homeless, addicted and poor. Some of the family services provided are: clothing, toiletries, emergency food, and school supplies. They have a van that travels the inner city distributing meals, food, clothing, blankets, rain ponchos and toiletries

New England Business Associates (NEBA) – NEBA offers a “Mother Support Group” to clients, benefitting women going through transition from welfare to work.

Open Pantry – Founded in 1975, Open Pantry’s mission is to provide meaningful services and processes, with humanity and dignity, which can assist people who are hungry, homeless or disadvantaged to improve the quality of their lives.

Franklin County Community Development Corporation (FCCDC) – FCCDC is an economic development non-profit organization providing comprehensive business development education, access to capital, commercial office and manufacturing space. The FCCDC assists small business owners with business development in business planning, lending, and commercial space. Their goal is to help entrepreneurs who live or work in Franklin County to minimize their risks by connecting them to resources and information to maximize their success.

Springfield Partners for Community Action - is the federally designated Community Action Agency (CAA) for the greater Springfield area, serving low-income individuals and families. Nearly 29 percent of the people living in Springfield live below the poverty line. CAA helps these families break the cycle of poverty through education and by offering programs to help people build assets, obtain affordable childcare, get free home weatherization, obtain college degrees and tax filing services, and much more.

HAPHousing – HAPHousing provides affordable housing opportunities, education and support; enabling people to achieve a better future and promoting vibrant, diverse communities. Originally established to provide innovative forms of assistance to families seeking to rent decent, safe housing, HAPHousing has come to provide a wide range of services to tenants, homebuyers, homeowners and rental property owners.

Habitat for Humanity – This non-profit housing organization was founded on the conviction that everyone should have a decent, safe, affordable place to live. This organization is dedicated to eliminating substandard housing and homelessness and to making adequate, affordable shelter a matter of conscience and action.

Community Development Services

A community development service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

The Credit Union’s staff has demonstrated its commitment to the assessment area by volunteering their time and financial expertise to numerous community-oriented organizations and programs that provide community based services. The following are a few examples of the Credit Union’s participation with various organizations which have benefited the community.

Franklin Hampshire Regional Employment Board (FHREB) – FHREB coordinates and oversees the region’s publicly funded workforce training and placement programs. The Board’s goal is to contribute to the economic health and growth of the region by creating an effective workforce development system that is responsive to job seekers and employers alike. The Business Development Officer is the Clerk, a Board Member and the Chairman of the Youth Services Council.

Wellspring Cooperative Corporation - Wellspring is a community-based cooperative development organization with a mission to create a network of worker owned companies in the inner city of Springfield that will provide on-the-job training, employment, and wealth creation opportunities for low-income and unemployed residents of the city. A Commercial Loan Officer is a member of the fund raising committee.

Big Brothers/Big Sisters - Since 1975, Big Brothers Big Sisters has been providing one-to-one mentoring relationships to local children in need of positive adult influence and friendship. The Senior Vice President/Chief Financial Officer is the Treasurer and a member of the Board of Directors.

Springfield Boys and Girls Club – This non-profit organization promotes social, educational, health, leadership, and character development of boys and girls during critical periods of their growth. A large portion of its members are low- and moderate-income individuals. The Vice President/Director of Enterprise Risk Management is a Board Member and is on the Finance Committee.

The Gray House – The Gray House provides services to meet the civic, social and educational needs of the poorest neighborhoods in North Springfield. They meet the immediate needs and address the root causes of poverty by operating a food pantry, a thrift store, adult education programs and a kids club. The Vice President of Member Business Services is the Vice President of the Board of Directors.

Educational Seminars and Services

In 2014 and 2015, the Credit Union and Northampton Valley Community Development Corporation sponsored a four part workshop series for first-time homebuyers. Topics included: are you wondering if, when and how to buy a home you can afford; get the facts from professionals in law, banking, real estate, insurance, and home inspection.

On January 6, 13, 20 and 27, 2015, in partnership with Rural Development, Inc. the Credit Union sponsored a four session first-time homebuyer workshop series. Topics included: loan programs with below-market interest rates, low down payment costs, and closing costs. Presenters included an attorney, home inspector, residential mortgage lender, insurance professional, credit specialist and a real estate professional. Successful completion of the series qualifies attendees many affordable mortgage products through MassHousing and MassHousing Partnership.

APPENDIX GENERAL DEFINITIONS

Geography Terms

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Housing Terms

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Income Terms

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Other Terms

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

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 1976 Main Street, Springfield, MA 01101

- 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.

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.