

**PUBLIC DISCLOSURE**

**AUGUST 4, 2014**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**GLOUCESTER FIRE DEPARTMENT CREDIT UNION  
CERT #67905**

**8 SCHOOL STREET  
GLOUCESTER, MA 01930**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
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.

## 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 **GLOUCESTER FIRE DEPARTMENT CREDIT UNION (or the "Credit Union")**, prepared by the Division, the institution's supervisory agency as of August 4, 2014. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00 et seq.

**INSTITUTION'S CRA RATING:** This institution is rated: **"Satisfactory."**

An institution in this group has an adequate membership of meeting the credit needs of its membership, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

This evaluation was based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$300 million, adjusted annually. The rating of this institution is established upon a review of the Performance Criteria, as shown below.

- The loan-to-share (LTS) ratio is good given the institution's size, financial condition, and the membership's credit needs. The Credit Union's average net LTS ratio over the past eight quarters was 86.6 percent.
- The distribution of borrowers is reasonable, given the demographics of the membership, with adequate penetration among individuals of different income levels (including low- and moderate-income).
- Gloucester Fire Department Credit Union did not receive any CRA-related complaints during the evaluation period.

## SCOPE OF THE EXAMINATION

Small institution evaluation procedures were used to assess the Credit Union's CRA performance. According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs and by which the Division will evaluate the institution's CRA performance. Credit unions whose membership by-laws provisions are not based upon residence are permitted to designate its membership as its assessment area, as opposed to geographic area. Therefore, an evaluation of credit extended within defined geographic areas was not conducted; as such an analysis would not be

meaningful. This evaluation was based upon an analysis of the Credit Union's performance in providing loans to its membership; net loan-to-share ratio; providing loans to individuals of various incomes, including low- to moderate-income members; and the Credit Union's response to CRA-related complaints.

This evaluation focused on consumer lending activity from January 1, 2013 to June 30, 2014. The Credit Union's most recent NCUA 5300 Call Report as of June 30, 2014, shows that 70 percent of the Credit Union's loan portfolio is comprised of unsecured consumer loans, followed by auto loans at 30 percent.

A sample of 39 loans was selected from 2013 and year-to-date 2014, and was compared to demographic data from the 2010 U.S. Census. Financial data was derived from the June 30, 2014 NCUA Call Report.

## PERFORMANCE CONTEXT

### Description of the Institution

Gloucester Fire Department Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1938. As of June 30, 2014 the Credit Union had 97 members and total assets of approximately \$544,126 with loans comprising 49 percent of all assets. The Credit Union's loan portfolio is mainly comprised of unsecured loans, and new and used vehicles.

The following chart illustrates the composition of the loan portfolio.

| <b>Table 1</b>   |                             |                                       |
|--|-----------------------------|---------------------------------------|
| <b>Loan Portfolio Distribution as of June 30, 2014</b> |                             |                                       |
| <b>Loan Type</b>                                       | <b>Dollar Amount<br/>\$</b> | <b>Percent of Total Loans<br/>(%)</b> |
| All Unsecured Loans                                    | 186,685                     | 70.5                                  |
| New Vehicle Loans                                      | 41,393                      | 15.6                                  |
| Used Vehicle Loans                                     | 36,222                      | 13.7                                  |
| All Other Loans  | 587                         | 0.2                                   |
| <b>Total</b>   | <b>264,887</b>              | <b>100.0</b>                          |

*Source: June 30, 2014 Call Report*

The Credit Union maintains one office located at 8 School Street in Gloucester, Massachusetts. The Credit Union offers share and loan products and its hours of operation are flexible.

Gloucester Fire Department Credit Union was last examined for compliance with the CRA by the Division on January 4, 2006. The Credit Union's performance was rated Outstanding during the previous evaluation.

### Description of Assessment Area

Gloucester Fire Department Credit Union defines its assessment area as its membership, in accordance with the Division's CRA regulation 209 CMR 46.41(8)

The Credit Union's membership (as incorporated in its by-laws) is open to all employees of the Gloucester Fire Department, including the fire alarm men, their immediate families and organizations of such employees.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Shares (LTS) Analysis**

This performance criterion evaluates the proportion of the Credit Union's share base reinvested in the forms of loans. The analysis was performed using the National Credit Union Administration's (NCUA) quarterly call report data for the period ending September 30, 2012 through June 30, 2014. The analysis was conducted to determine the proportion of the Credit Union's lending compared to shares received from its members.

Gloucester Fire Department Credit Union's average net LTS ratio for the time period was calculated at 86.6 percent and is considered good given the Credit Union's size, financial condition, and the members' credit needs. Over the past eight quarters, the net LTS ratio was at a low of 74.6 percent in June of 2014, and at a high of 99.4 percent in December of 2012. Management attributed the decrease in the net LTS ratio to a stagnant membership base, as new firefighters had not been hired.

The Credit Union's average net LTS ratio was compared to the average net LTS ratios of two other locally-based, similarly situated depository institutions. The Credit Union's net LTS ratio exceeded that of its comparable institutions, as shown in Table 2 below.

| <b>Credit Union Name</b> | <b>Total Assets \$( '000s)<br/>as of 06/30/2014</b> | <b>Average Net LTS Ratio<br/>09/30/2012 – 06/30/2014</b> |
|--------------------------|---|--|
| Gloucester Fire          | 544   | 86.6   |
| One Twenty               | 364   | 53.8   |
| Gloucester Muni          | 1870  | 41.0   |

### **Borrower Characteristics**

The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union is addressing the credit needs of the area's residents, particularly those of low- or moderate-income. The consumer loan conclusions are based primarily on the Credit Union's lending activity to low- and moderate-income borrowers as compared to demographics of the assessment area.

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among members of different income levels (including low- and moderate-income individuals).

Borrower income for consumer loans was compared to the median family income (MFI) for the Metropolitan District (MD) that comprises the Credit Union's assessment area. In 2013 and 2014, the FFIEC median family income was \$83,500 for the Peabody MD, as the Credit Union is located in Essex County.

Low income is defined as less than 50 percent of the MFI; moderate income is defined as 50 percent to 79 percent of MFI; middle income is 80 percent to 119 percent of MFI; and upper income is 120 percent of MFI or great.

The Credit Union routinely relies upon the income of only one borrower when making a credit decision on used auto loans. Therefore, comparing one member’s income with the median family income of the MD potentially inflates the levels of lending to low- and moderate-income borrowers as median family income typically includes the income of two individuals.

| <b>Table 3<br/>Distribution of Consumer Loans by Borrower Income Level</b> |   |             |              |             |              |
|--|---|-------------|--------------|-------------|--------------|
| <b>Borrower<br/>Income<br/>Level</b>                                       | <b>Distribution of<br/>Households by<br/>income level</b> | <b>2013</b> |              | <b>2014</b> |              |
|  |   | <b>#</b>    | <b>%</b>     | <b>#</b>    | <b>%</b>     |
| <b>Low</b>   | 23.0  | 0           | 0.0          | 0           | 0.0          |
| <b>Moderate</b>  | 16.5  | 18          | 72.0         | 10          | 71.0         |
| <b>Middle</b>  | 19.5  | 6           | 24.0         | 4           | 29.0         |
| <b>Upper</b>   | 41.0  | 1           | 4.0          | 0           | 0.0          |
| <b>Total</b>   | <b>100.0</b>  | <b>25</b>   | <b>100.0</b> | <b>14</b>   | <b>100.0</b> |

*Source: Credit Union consumer loan sample; 2010 U.S. Census Data*

In 2013, the Credit Union originated no consumer loans in the sample to low-income borrowers.

The Credit Union originated 72 percent of consumer loan sample to moderate-income borrowers in 2013. Again, it is noted that MFI is based on family income where consumer loans in the sample routinely are originated based on the income of a single borrower.

### **Review of Complaints/ Fair Lending Policies and Practices**

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

## 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 8 School Street, Gloucester, MA 01930."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 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 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