

PUBLIC DISCLOSURE

SEPTEMBER 8, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

GLOUCESTER MUNICIPAL CREDIT UNION

CERT #66371

CITY HALL, 9 DALE AVENUE

GLOUCESTER, MA 01930

DIVISION OF BANKS

1000 WASHINGTON STREET

BOSTON, MA 02118

NOTE: This evaluating 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 neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare 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 Municipal Credit Union (Credit Union)**, prepared by the Division, the institution's supervisory agency.

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

The assessment of Gloucester Municipal Credit Union's record takes into account its financial capacity, size, and legal impediments. However, the Credit Union's relatively small size and product offering does affect its ability to compete for loan products.

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 bylaws' provisions are not based upon residence are permitted to designate their membership as their 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 concluded. 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 Credit Union's average net loan-to-share ratio for the period was calculated at 41.8 percent, an adequate performance at this time.

The distribution of loans to members of different income levels is considered adequate and is representative of its membership.

The Credit Union did not receive any complaints related to its CRA performance during the review period and fair lending policies and procedures are considered reasonable for an institution of this size.

PERFORMANCE CONTEXT

Definition of Institution

Gloucester Municipal Credit Union was formed in 1941. The Credit Union is organized for the promotion of thrift among its members, accumulation of savings and loaning of these savings to its members. Membership is limited to permanent pension contributing employees of the City of Gloucester, employees of the Credit Union, and retired Gloucester municipal employees.

The Credit Union has one office located in Gloucester City Hall at 9 Dale Avenue, Gloucester, MA 01930. Office hours are Monday through Thursday, 11:00 am to 3:00 pm and Friday 10:00 am to 12:30 pm. The Credit Union offers used vehicle loans and personal loans to its members. Used vehicle loans were introduced as a new product since the previous evaluation. The Credit Union was last examined for compliance with CRA on July 9, 2008, which resulted in a Satisfactory rating.

As of June 30, 2015, the Credit Union's asset size was \$1,914,046 with total loans of \$619,845 or 32.4 percent of total assets. The Credit Union's net loan-to-share ratio as of this date was 40.2 percent. The Credit Union's primary loan base is comprised of all/other unsecured loans/lines of credit. These loans represent 96.9 percent of total loans, while used vehicle loans account for 3.1 percent. Table 1 details the Credit Union's loan portfolio.

Table 1 – Gloucester Municipal Credit Union Loan Portfolio Distribution as of June 30, 2015		
Loan Type	Dollar Volume	% of Total Loans
Total All/Other Loans/Lines of Credit	\$600,557	96.9
Used Vehicle Loans	\$19,288	3.1
Total Loans	\$619,845	100.0

There appear to be no significant or legal impediments that would limit the Credit Union's ability to meet the credit needs of its membership.

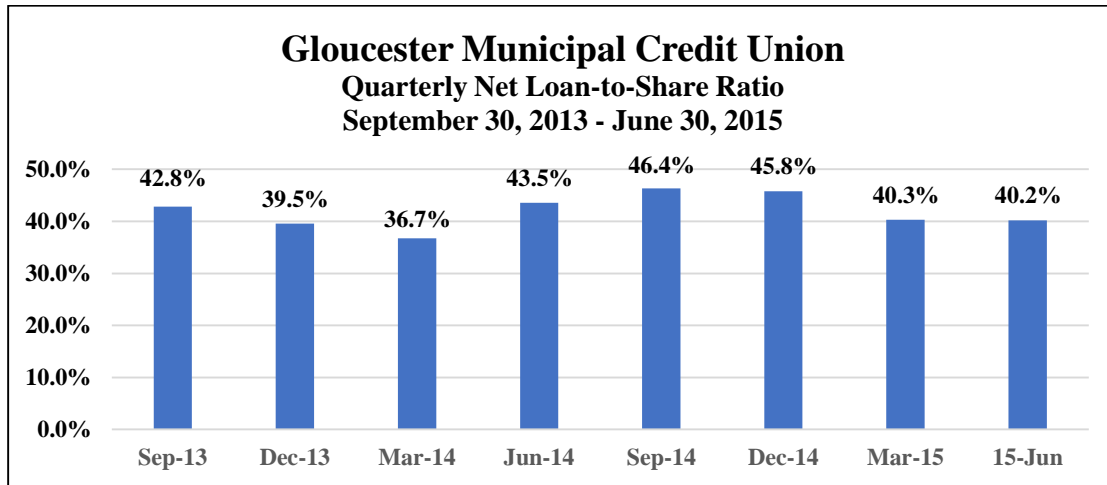
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41(8), the Credit Union defines its membership as its assessment area. As of June 30, 2015, the Credit Union has 569 members.

PERFORMANCE CRITERIA

LOAN-TO-SHARE (LTS) ANALYSIS

A comparative analysis of the Credit Union’s last eight quarterly net loan-to-share ratios for the period of September 30, 2013 through June 30, 2015 was conducted during the 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’s (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 41.8 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 LTS ratio meets the standard for satisfactory performance. The following chart is provided for further analysis.



Source: NCUA 5300 Quarterly Call Reports

As shown in the chart above, the Credit Union’s net loan-to-share ratio was relatively stable over the review period, ranging from 42.8 percent as of September 30, 2013 to 40.2 percent as of June 30, 2015. During this period, net loans have increased \$18,557 or 3.1 percent, while shares have increased \$138,037 or 10.0 percent. This fluctuation reflects variation consistent with economic trends and the Credit Union’s seasonal loan specials.

For comparison purposes, the Credit Union’s average net LTS ratio was analyzed against the average net LTS ratio of three similarly situated institutions. As shown in Table 3, the Credit Union’s net LTS ratio was within the range of its similarly situated institutions. Based on the credit needs of its members, asset size and resources, the Credit Union’s net LTS is reasonable.

Table 3 – Loan-to-Share Comparison		
Credit Union Name	Total Assets as of 6/30/2015	Average Net LTS Ratio 9/3/2013 - 6/30/2015
Gloucester Municipal Credit Union	\$1,914,046	41.8%
Newton Teachers Credit Union	\$2,154,851	23.3%
Gloucester Fire Credit Union	\$537,838	78.3%
Lynn Municipal Credit Union	\$2,344,429	62.1%

Source: NCUA 5300 Quarterly Call Reports September 30, 2013 – June 30, 2015

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 FFIEC estimated median family incomes for 2013 and 2014 for the Cambridge-Newton-Framingham MSA, which was \$101,000 and \$93,900; and the Peabody MD for 2013, which was \$83,500. The Gloucester area was located in the Peabody MD in 2013, but was reassigned to the Cambridge-Newton-Framingham MSA in 2014.

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 4 for the distribution of loans by borrower income.

Table 4 - Distribution of Loans by Borrower Income				
Median Family Income Level	2013 Credit Union		2014 Credit Union	
	#	%	#	%
Low	1	10.0	2	20.0
Moderate	8	80.0	5	50.0
Middle	0	0.0	3	30.0
Upper	1	10.0	0	0.0
Total	10	100.0	10	100.0

Source: Credit Union's 2013 and 2014 records

In 2013, the majority of sampled loans were to borrowers in the low- and moderate-income category at 9 loans. In 2014, the Credit Union originated 7 loans in the sample to low- and moderate-income borrowers. Based on the analysis of borrower income, the Credit Union demonstrated an adequate level of performance in providing loans to borrowers of different incomes.

REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTES

The Credit Union's Lending Policy was reviewed to determine how this information related to the guidelines established by Regulatory Bulletin 1.3-106, the Divisions Community Reinvestment and Fair Lending Policy. 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 anti-discrimination laws and regulations were identified.

The Credit Union has a second review for denied loan applications. All denied loans are reviewed by the Credit Committee, which consists of three Board Members.

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 9 Dale Avenue, 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.