

PUBLIC DISCLOSURE

February 10, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Holyoke Postal Credit Union
Certificate Number: 67845

650 Dwight Street
Holyoke, Massachusetts 01040

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

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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 **Holyoke Postal Credit Union (Credit Union)**, prepared by the Division, the institution’s supervisory agency as of February 10, 2016.

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 members, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

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

- The loan-to-share (“LTS”) ratio (11.3 percent) is less than reasonable given the institution’s size, financial condition, product offerings, and membership credit needs.
- The distribution of loans to members of different income levels is adequate.
- The Review of Complaints and the Fair Lending Section indicated the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Background

The Credit Union was incorporated in 1927 as a Massachusetts chartered industrial Credit Union. Currently, membership includes postal and federal workers and their families that reside in Hampden, Hampshire, and Franklin Counties.

Operations

The Credit Union's sole office is located within the Holyoke Post Office located at 650 Dwight Street, Holyoke MA. The Credit Union's hours of operation are 8:00 am to 10:30 am Monday through Friday. The Credit Union offers personal unsecured loans as well as new and used automobile loans. Deposit products the Credit Union offers include savings accounts.

Ability and Capacity

As of December 31, 2015, the Credit Union had total assets of \$3.6 million and total shares of \$2.8 million. Total loans were \$360,499 and represented 10.2 percent of total assets. The Credit Union's net loan-to-share ratio, as of the same date, was 12.8 percent.

The Credit Union's primary loan base is comprised of all other unsecured loans/lines of credit at 46.7 percent. The following table provides additional details regarding the composition of the Credit Union's loan portfolio as of December 31, 2015.

Loan Portfolio Distribution as of December 31, 2015		
Loan Type	Dollar Amount (\$)	Percent of Total Loans
Total Other Real Estate Loans/Lines of Credit	26,705	7.4
Used Vehicle Loans	59,280	16.4
All Other Unsecured Loans/Lines of Credit	168,163	46.7
New Vehicle Loans	106,351	29.5
Total	360,499	100.0

Source: NCUA 5300 Call Report December 31, 2015

The Credit Union was last examined for compliance with CRA on July 15, 2008. The examination resulted in a CRA rating of Satisfactory.

Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws, membership is limited to postal and federal workers and their families that reside in Hampden, Hampshire, and Franklin Counties. As of December 31, 2015, the Credit Union has 257 members.

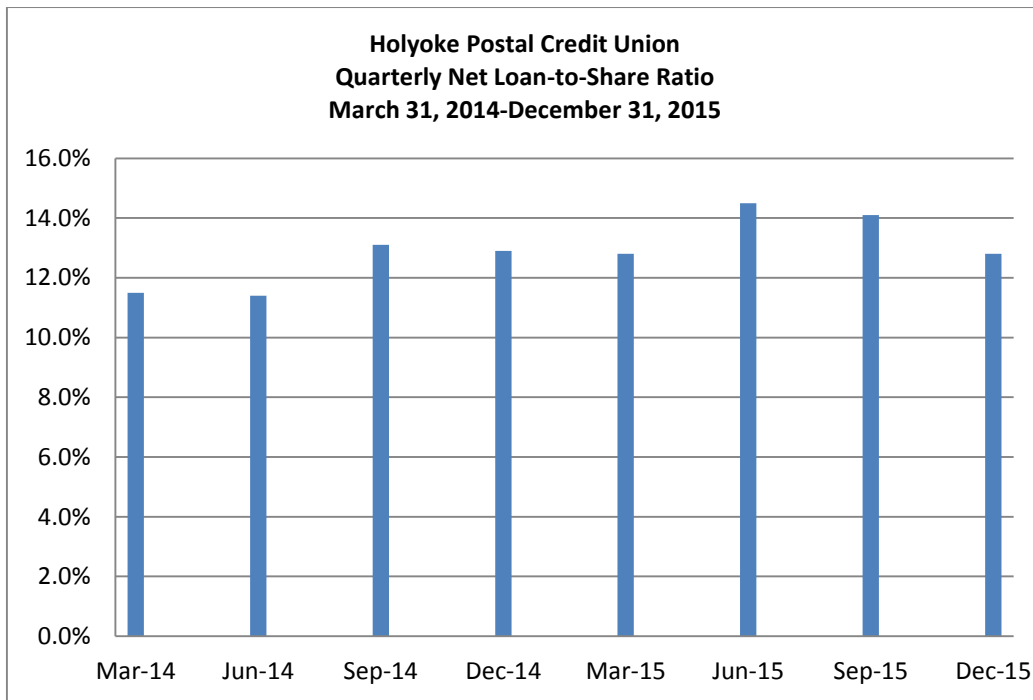
PERFORMANCE CRITERIA

Loan-to-Share (LTS) Analysis

An analysis of the Credit Union's last eight quarterly net loan-to-share ratios for the period of March 31, 2014 through December 31, 2015 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 11.3 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 low net LTS ratio is attributed to the declining number of Credit Union members and competition for car loans in a low interest rate environment. Furthermore, during the evaluation period the Credit Union stopped offering its collateral-secured home improvement loans to focus on small dollar loans.

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 LTS ratio ranged from a low of 11.4 percent on June 30, 2014 to a high of 14.5 percent on June 30, 2015. Over these eight quarters net loans increased 5.5 percent and shares decreased 5.3 percent. The LTS ratio is less than reasonable.

Distribution of Credit Among Different Income Levels

A sample of the Credit Union's consumer loan data from January 1, 2014 through December 31, 2015 was analyzed in order to determine the distribution of credit based on the income level of borrowers. The loan sample consisted of personal unsecured loans and used and new automobile loans. This examination compares the borrower income to median family income for the Springfield, MA Metropolitan Statistical Area (MSA), which was \$66,000 in 2014 and \$67,300 in 2015.

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.

Refer to the table below for the distribution of loans by borrower income.

Distribution of Loans by Borrower Income Level				
Borrower Income Level	2014 Credit Union		2015 Credit Union	
	#	%	#	%
Low	1	10.0	0	0.0
Moderate	2	20.0	1	10.0
Middle	7	70.0	8	80.0
Upper	0	0.0	1	10.0
Total	10	100.0	10	100.0
<i>Source: Credit Union's 2014 and 2015 internal records</i>				

In 2014, the majority of sampled loans were to borrowers in the middle-income category. The Credit Union did make one loan, or 10.0 percent of sampled loans, to a low-income borrower and two loans, or 20.0 percent, to moderate-income borrowers. In 2015, the Credit Union made one loan, or 10.0 percent of sampled loans, to a moderate-income borrower. The Credit Union demonstrates an adequate level of performance in providing loans to borrowers of different incomes.

Review of Complaints and Fair Lending Policies and Practices

The Credit Union's Fair Lending Policy was reviewed to determine how this information relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. 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.

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 "650 Dwight Street, Holyoke MA 01040."

- 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.