

PUBLIC DISCLOSURE

MARCH 30, 2015

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**HOMEFIELD CREDIT UNION
68057**

**86 WORCESTER ROAD
NORTH GRAFTON, MA 01536**

**Division of Banks
1000 Washington Street, 10th 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.

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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 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 **HOMEFIELD CREDIT UNION (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of March 30, 2015. 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.”**

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$300 million, Homefield Credit Union’s overall CRA performance is considered Satisfactory. The rating of this institution is firmly established upon a review of the Performance Criteria, as shown below.

- The loan-to-share (“LTS”) ratio is reasonable given the institution’s size, financial condition, secondary market activity, and assessment area credit needs. The Credit Union’s average net LTS ratio over the past 8 quarters was 63.8 percent.
- A majority of the Credit Union’s home mortgage loans were originated inside the institution’s assessment area. During 2013 and 2014, 68.5 percent of all home mortgage loans were originated inside the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income).
- Overall, the geographic distribution of loans reflects a less than adequate dispersion throughout the assessment area.
- The 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. These procedures evaluated the Credit Union's CRA performance pursuant to the following criteria: loan-to-share (LTS) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and the response to CRA complaints. The CRA evaluation considered activity since the Credit Union's prior CRA evaluation on October 14, 2008.

This evaluation focused on home mortgage lending activity from January 1, 2013 to December 31, 2014. The Credit Union's most recent NCUA 5200 Call Report as of December 31, 2014, shows that 72.8 percent of the Credit Union's loan portfolio is comprised of real estate loans.

Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Credit Union, pursuant to the Home Mortgage Disclosure Act (HMDA). The LAR contains data about home purchase and home improvement loans, including refinancing, of one to four-family and multifamily properties. The evaluation emphasized the Credit Union's home mortgage lending 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 a single home mortgage in the Credit Union's designated assessment area. The Credit Union reported 101 loans on its 2013 LAR and 77 loans on its 2014 LAR.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the Credit Union's lending performance by the number of loans originated or purchased. Extremely large or small dollar loans could skew conclusions.

Financial data was derived from the December 31, 2014 NCUA Call Report.

PERFORMANCE CONTEXT

Description of the Institution

Founded in 1966, Homefield Credit Union, formerly Grafton Suburban Credit Union, is a federally insured state-chartered Credit Union. The purpose of the Credit Union is the promotion of thrift among its members by the accumulation of their savings and the loaning of such accumulations to its members for provident purposes at a moderate rate of interest. According to the Credit Union's bylaws, "Membership in this corporation is limited to those who live, work, or attend any elementary school, secondary school or school of higher education in Worcester County or Middlesex County and family members of such persons." Application for membership must be in writing and must bear the approval of the Board of Directors or membership officer. A person approved for membership shall not become a member until they qualify by subscribing and paying in full for at least one share of capital. As of December 31, 2014, the Credit Union had 10,219 members.

The Credit Union's sole office is located at 86 Worcester Street, in North Grafton, and operates in an upper-income census tract. In May of 2010, the Credit Union closed its office that was located at 43 Main Street in Grafton. In January of 2009, the Credit Union closed its office located at 898 Grafton Street in Worcester. Business hours are readily accessible to all members. The drive-up window is open at 7:00am Monday through Friday and closes at 6:30pm on Thursday and 5:00pm on Friday. The lobby has the same hours with the exception of an opening time of 9:00am and the Credit Union maintains office and drive-up hours on Saturdays from 9:00am to 1:00pm. The main office has drive-up service and 2 ATM machines. The Credit Union is a member of the SUM Program and the Allpoint network, which are surcharge-free ATM networks.

Services offered by the Credit Union include: online banking, bill pay, home and mobile banking, mortgage loans, auto loans, recreational loans, savings accounts, checking accounts, CDs, IRAs, club accounts, money market accounts, and ATM/debit cards. In addition, the Credit Union offers a variety of services designed to serve its business members.

The Credit Union was rated "Satisfactory" by the Division of Banks during its previous evaluation, dated October 14, 2008.

As of December 31, 2014, the Credit Union had assets of \$129,307,487 and total shares and deposits of \$97,389,640. Total loans were \$74,895,629 and represented 57.9 percent of total assets. The Credit Union's net loan-to-share ratio, as of the same date, was 76.2 percent. Since the prior CRA evaluation, the Credit Union's assets have increased 10.0 percent, total shares and deposits increased 3.3 percent, and loans increased 4.9 percent.

Table 1 depicts the composition of the Credit Union's loan portfolio based on the National Credit Union Administration's ("NCUA") 5300 Call Report as of December 31, 2014.

Table 1 Loan Portfolio Distribution as of December 31, 2014		
Loan Type	Dollar Amount (\$)	Percent of Total Loans
Total 1st Mortgage Real Estate Loans/Lines of Credit	32,376,791	43.1
Total Other Real Estate Loans/Lines of Credit	22,235,349	29.7
Used Vehicle Loans	14,443,042	19.3
New Vehicle Loans	2,809,063	3.9
All Other Unsecured Loans/Lines of Credit	1,890,595	2.5
Total All Other Loans/Lines of Credit	1,140,789	1.5
Total	74,895,629	100.0

Source: September 30, 2014 Call Report

As reflected in Table 1, the Credit Union is primarily a real estate lender. Total first mortgage real estate loans/lines of credit and total other real estate loans/lines of credit account for 72.8 percent of the loan portfolio. Used vehicle loans account for the second largest portion of the loan portfolio at 19.3 percent.

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.

Description of Assessment Area

The CRA requires that a financial institution define an assessment area, or areas within which it will concentrate its lending efforts, and within which its record of helping to meet the needs of its community will be evaluated. The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes geographies where the Credit Union has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Credit Union originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not reflect illegal discrimination; and (5) does not arbitrarily exclude low- and moderate-income areas.

The Credit Union's assessment area for this Public Evaluation includes the following cities and towns located in the Worcester MA-CT MSA: Grafton, Hopedale, Mendon, Milford, Millbury, Northbridge, Sutton, Upton, Westborough, and Worcester.

To assess the Credit Union's lending performance within this evaluation, consideration is given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data.

Table 2 Assessment Area Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	68	17.7	23.5	33.8	22.1	2.9
Population by Geography	302,304	16.8	22.1	32.2	27.7	1.2
Owner-Occupied Housing by Geography	65,467	5.6	16.6	41.3	36.5	0.0
Distribution of Families by Income Level	72,344	26.1	17.3	20.2	36.4	0.0
MD# 49340 HUD Updated MFI 2013 MD# 49340 HUG Updated MFI 2014 Families Below Poverty Level		\$81,300 \$77,900 9.8%	Median Housing Value Unemployment Rate		\$306,808 7.7%	

Source: 2010 U.S. Census Data; 2013&2014 HUD Data

Median Family Income Levels

According to 2010 U.S. Census data, the assessment area contains 114,084 households, of which 72,344 are considered families. From 2013 to 2014, the Median Family Income (MFI) decreased from \$81,300 to \$77,900. It should be noted the 2010 U.S. Census also indicates that 9.8 percent of the families in the assessment area are below the poverty level. The proportion of families below the poverty level indicates a portion of the low-income family demographic to which the institution may be incapable of granting credit.

Furthermore, the *Geographic Distribution* section of the Lending Test assesses the distribution of loans by census tract income level, especially in those designated low- and moderate-income. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located.

The four income levels are defined as follows:

Low-Income: Less than 50 percent of MFI

Moderate-Income: At least 50 percent, but less than 80 percent of MFI

Middle-Income: At least 80 percent, but less than 120 percent of MFI

Upper-Income: 120 percent or greater of MFI

Housing Characteristics

Housing units within the assessment area totaled 124,963 of which 65,467 or 52.4 percent were owner-occupied, 48,617 or 38.9 percent were rental-occupied, and 10,879 or 8.7 percent are vacant. Of the owner-occupied units within the assessment area, 5.6 percent are in low-income tracts, 16.6 are in moderate-income tracts, 41.3 are in middle-income tracts, and 36.5 are in upper-income tracts. The median housing value in the assessment area was \$306,808.

Competition

The Credit Union faces significant competition within the assessment area as. The town of North Grafton has four Banks within walking distance from the Credit Union.

Unemployment Data

The unemployment rate for the assessment area as per the 2010 U.S. Census was 7.7 percent. As of February 2015, the unemployment rate for the Worcester area was 5.8 percent and for the state of Massachusetts was 4.8 percent as of March of 2015.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was previously conducted with an organization that provides affordable housing and housing rehabilitation services in the City of Worcester. The contact stated that the community needs credit for home improvement and repairs as the city's housing stock ages, and for homeowners that are struggling with their mortgages. The contact envisions the best method to disburse this credit would be through the creation of a community loan fund so as to mitigate the risk to the banks.

The contact would also like to see financial institutions partner with MassHousing to offer programs such as Get the Lead Out to help qualified homeowners. Overall, the contact was pleased with local financial institutions' involvement in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTS Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Credit Union's performance under the Lending Test is "Satisfactory." This rating indicates that the Credit Union's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

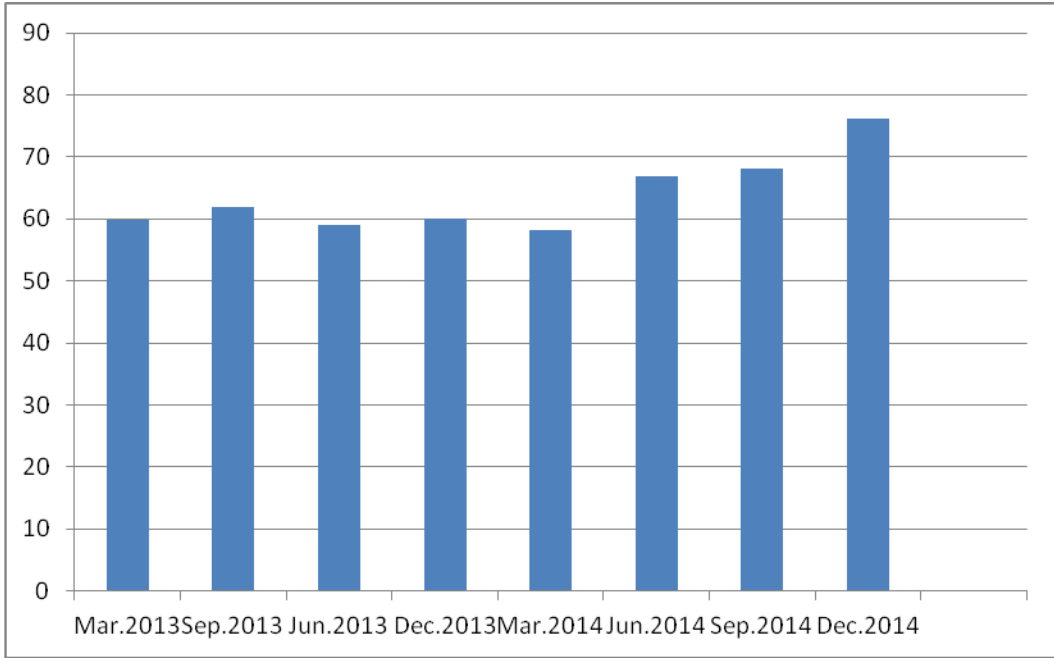
Loan-to-Shares Analysis

This performance criterion evaluates the proportion of the Credit Union's share base that is reinvested in the form of loans. The analysis was performed using NCUA's quarterly call report data for the period ending March 31, 2013 through December 31, 2014. The analysis was conducted to determine the extent of Credit Union lending compared to deposits received from its customers.

Homefield Credit Union's average net LTS ratio for the time period was calculated at 63.8 percent and is considered adequate given the Credit Union's size, financial condition, and the assessment area credit needs.

As shown in the graph below, the net LTS ratio was at a low of 58.3 percent in March 31, 2014, and at a high of 76.2 percent in December 31, 2014. It should be noted that loan growth for the period under review (16.9%) has outpaced deposit growth (-10.4%).

Homefield Credit Union
Quarterly Net Loan-to-Shares Ratio
March 31, 2013-December 31, 2014



Further enhancing the Credit Union’s LTS ratio is the fact they sold 92 loans totaling \$19.5 million over the last eight quarters. The Credit Union primarily sells its loans through the FNMA and Mass Housing.

The Credit Union’s average net LTS ratio was compared to the average net LTS ratios of three other locally-based, similarly situated depository institutions. The Credit Union’s net LTS ratio was compared to the net LTS ratios of these institutions, as shown in the Table 3.

Table 3		
Net Loan-to-Deposit Comparison		
	Total Assets \$(000) as of 12/31/2014	LTS Ratio 12/31/2014
Community Credit Union	130,945	88.4
Homefield Credit Union	129,307	76.2
Arrha Credit Union	119,099	70.1
Shrewsbury Credit Union	125,431	46.1

Assessment Area Concentration

This performance criterion evaluates whether the Credit Union is meeting the credit needs within its assessment area. As shown in the table below, the Credit Union originated a majority (68.5 percent) of all home mortgage loans inside the assessment area.

Table 4										
Distribution of Loans Inside and Outside of Assessment Area										
Loan Type	Number Loans					Dollar Volume (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2013 HMDA										
Home Purchase	15	14.9	18	17.8	33	3,502	48.5	3,721	51.5	7,223
Refinance	45	44.5	20	19.8	65	8,253	61.5	5,170	38.5	13,423
Home Improvement	3	3.0	0	0.0	3	105	100.0	00	0.0	105
2013 Total	63	62.4	38	37.6	101	11,860	57.2	8,891	42.8	20,751
2014 HMDA										
Home Purchase	19	24.7	12	15.6	31	3,131	51.3	2,978	48.7	6,109
Refinance	32	41.5	5	6.5	37	4,980	82.8	1,032	17.2	6,012
Home Improvement t	8	10.4	1	1.3	9	321	92.8	25	7.2	346
2014 YTD Total	59	76.6	18	23.4	77	8,432	67.6	4,035	32.4	12,467
TOTAL HOME	122	68.5	56	31.5	178	20,292	61.1	12,926	38.9	33,218

Source: 2013 & 2014 HMDA data;

In 2013, the Credit Union originated 62.4 percent of home mortgage loans in the assessment area by number and 57.2 percent by dollar volume. In 2014, the Credit Union originated 76.6 percent of home mortgage loans inside the assessment area by number and 67.6 percent by dollar volume. For the entire evaluation period, the Credit Union originated 68.5 percent of home mortgage loans by number and 61.1 percent by dollar volume inside the assessment area.

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. Residential mortgage loan conclusions are based primarily on the Credit Union's performance of lending to low- and moderate-income borrowers relative to aggregate lending data and compared to assessment area demographics.

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

Table 7 – Distribution of Home Mortgage Loans by Borrower Income Level						
Income Level	% of Total Families	2013 Aggregate Lending Data (% of #)	2013 Credit Union		2014 Credit Union	
			#	%	#	%
Low	5.6	7.6	6	9.5	4	6.8
Moderate	16.6	21.3	13	20.6	8	13.6
Middle	41.3	23.7	12	19.1	17	28.8
Upper	36.5	42.1	32	50.8	24	40.6
Income NA	0.0	5.3	0	0.0	6	10.2
Total	100.0	100.0	63	100.0	59	100.0

Source: 2010 U.S. Census Data; 2013 and 2014 HMDA Data

In 2013, the Credit Union made 9.5 percent of its HMDA loans to borrowers designated as low-income. This figure was higher than the aggregate of 7.6 percent. The Credit Union decreased the proportion of loans originated to low-income borrowers in 2014 to 6.8 percent.

The Credit Union originated 20.6 percent of its HMDA loans to borrowers designated as moderate-income in 2013. This figure is comparable to the aggregate benchmark of 21.3 percent. In 2014, the Credit Union decreased its lending to moderate-income borrowers to 13.6 percent of total loans, falling below the demographic figure of 17.3 percent.

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. The Credit Union's assessment area is comprised of 68 census tracts, of which 12 are low-income, 16 are moderate-income, 23 are middle-income, and 15 are upper-income census tracts. There are also two tracts designated NA in which the Credit Union has no opportunity to lend. These NA tracts are located in the town of Grafton which encompasses Tufts Veterinary School and in the city of Worcester which encompasses Clark University.

The overall geographic distribution of loans reflects a less than adequate penetration throughout the assessment area.

Table 5 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2013 Aggregate Lending Data (% of #)	2013 Credit Union		2014 Credit Union	
			#	%	#	%
Low	29.0	4.5	0	0.0	2	3.4
Moderate	15.8	15.7	3	4.8	5	8.5
Middle	17.1	37.8	18	28.6	19	32.2
Upper	38.1	42.0	42	66.6	33	55.9
Total	100.0	100.0	63	100.0	59	100.0

Source: 2010 U.S. Census Data; 2013 and 20134 j HMDA Data

In 2013, the Credit Union did not originate any loans to borrowers residing in low-income census tracts. In 2014, the Credit Union originated 3.4 percent of loans to borrowers residing in low-income census tracts, which is below the demographic figure of 5.6 percent.

Homefield Credit Union made 4.8 percent of its loans to borrowers residing in moderate-income census tracts, falling below the aggregate figure of 15.7 percent. In 2014, the Credit Union increased its lending to borrowers residing in moderate-income census tracts. The Credit Union originated 8.5 percent of its loans to borrowers residing in moderate-income census tracts, which is below the demographic figure of 15.8 percent.

Response to CRA Complaints/ Fair Lending Policies and Practices

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

The Credit Union provides fair lending training to employees in lending departments. No indication of discriminatory or other illegal credit practices were identified during the evaluation.

MINORITY APPLICATION FLOW

The Credit Union's residential lending in 2013 was compared with 2013 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 following table for information on the Credit Union's minority application flow as well as a comparison to aggregate lending data within the Credit Union's assessment area.

Table 11- Minority Application Flow					
RACE	2013 Credit Union		2013 Aggregate Data	2014 Credit Union	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	1	1.0	5.2	1	1.2
Black/ African American	1	1.0	3.0	1	1.2
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority Races	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	2	1.9	1.0	0	0.0
Total Minority	4	3.9	9.6	2	2.4
White	84	79.9	69.9	72	84.7
Race Not Available	17	16.2	20.5	11	12.9
Total	105	100.0	100.0	85	100.0
ETHNICITY					
Hispanic or Latino	0	0.0	4.0	0	0.0
Not Hispanic or Latino	83	79.0	74.8	72	84.7
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	0.8	0	0.0
Ethnicity Not Available	22	21.0	20.4	13	15.3
Total	105	100.0	100.0	85	100.0

Source: 2013 and 2014 HMDA data & 2013 HMDA Aggregate Data

According to the 2010 U.S. Census Data, the Credit Union's assessment area contained a total population of 302,304 individuals, of which 29.2 percent are minorities. The assessment area's minority and ethnic population consists of 6.6 percent Black/African American, 5.5 percent Asian/Pacific Islander, 0.2 percent American Indian, 14.1 percent Hispanic, and 2.8 percent Other.

In 2013, the Credit Union received 105 HMDA reportable loan applications within its assessment area. Of these applications, 4 or 3.9 percent were received from minority applicants. This ranked below the aggregate mark of 9.6 percent of applications received from minority applicants. In 2013, the Credit Union received no applications from the Hispanic or Latino ethnic group.

In 2014, the Credit Union's performance in regards to minority applicants decreased slightly to 2.4%. Further, the performance remained the same to Hispanic applicants with none reported. It should be noted total applications taken by the Credit Union for YTD 2014 was 85.

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 36 Park Avenue, Worcester, Massachusetts 01609."

- 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.