

PUBLIC DISCLOSURE

February 24, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**HTM CREDIT UNION
CERT #67749**

**4 SUMMER STREET
HAVERHILL, MA 01830**

**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.

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 **HTM Credit Union (or the Credit Union)**, prepared by the Division, the institution's supervisory agency. 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 meeting the credit needs of its membership, including low- and moderate-income members, in a manner consistent with its resources and capacity.

This evaluation is based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million, adjusted annually and currently at \$300 million.

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 their membership as their assessment area. Therefore, since the Credit Union by-laws do not define membership by residence, it has designated its membership as the assessment area, as opposed to a geographic area. Therefore, 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 fair lending performance.

A summary of the Credit Union's performance is provided below:

- The Credit Union's average net loan-to-share (LTS) ratio of 52.0 percent is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The distribution of loans to members of different income levels is considered reasonable and is representative of its membership.
- The Review of Complaints and the Fair Lending Section indicates the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

HTM Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1937. Originally founded as Haverhill Teacher's Credit Union, the institution merged with Haverhill Municipal Employees Credit Union in December of 2008 and changed its name to HTM Credit Union. Membership is limited to those who are employees or former employees of the City of Haverhill, including the school department, and employees or former employees of the Central Northern Essex Division of the Trial Court of the Commonwealth; employees and former employees of cities and towns in the Greater Haverhill area; employees and former employees of healthcare facilities; persons working in any building owned, or in any building in which at least 50 percent of such building is leased, by healthcare facilities; any paid up member of the Friends of Haverhill Public Library; employees of the Credit Union; and the immediate family of a member of the Credit Union.

The Credit Union has one office located at 4 Summer Street, in Haverhill. Office hours are Monday through Friday, 9:00 a.m. to 4:00 p.m. The Credit Union offers home mortgage loans, home equity loans, unsecured consumer loans, new and used vehicle loans and credit cards. Additionally, the Credit Union offers members a variety of services including direct deposit, overdraft protection, wire transfers, automatic payroll, wire transfers, travelers and gift checks, ATM cards, as well as online banking and bill pay services. The Credit Union is a member of the SUM and MoneyPass Networks.

The Credit Union was last examined for compliance with the CRA on June 10, 2008. The examination resulted in a CRA rating of "Satisfactory."

As of December 31, 2013, the Credit Union's asset size was \$17.6 million with total loans of \$8.2 million or 46.6 percent of total assets.

The Credit Union's primary loan base is comprised of first mortgage real estate loans/lines of credit at 55.1 percent followed by used vehicle loans at 12.9 percent and other real estate loans/lines of credit at 10.6 percent. Table 1 details the Credit Union's loan portfolio:

Table 1 - HTM Credit Union Loan Portfolio Distribution		
Loan Type	Dollar Volume (\$)	Percentage of Total Loans
Unsecured Credit Card Loans	454,519	5.5
All Other Unsecured Loans/Lines of Credit	644,867	7.8
New Vehicle Loans	592,568	7.2
Used Vehicle Loans	1,058,631	12.9
Total 1 st Mortgage Real Estate Loans/Lines of Credit	4,530,890	55.1
Total Other Real Estate Loans/Lines of Credit	872,770	10.6
Total All Other Loans/Lines of Credit	72,769	0.9
Total	8,227,014	100.0

Source: 5300 Report, Statement of Financial Condition as of December 31, 2013

Other than its small asset size and limited resources, there appear to be no significant financial or legal impediments which would limit the Credit Union's ability to help 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 December 31, 2013, the Credit Union has 2,172 members.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Loan-to-Share Ratio

A comparative analysis of HTM Credit Union's quarterly net loan-to-share (LTS) ratios for the period of September 30, 2012 through December 31, 2013, was conducted during this 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 (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 52.0 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 low of 47.5 percent on June 30, 2012 to a high of 57.6 percent on September 30, 2013. During this time period, net loans have increased \$1.3 million or 18.5 percent and shares have increased approximately \$340,000 or 2.4 percent.

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

Credit Union Name	Total Assets as of 12/31/2013	Average Net LTS Ratio 3/31/12 – 12/31/13
Lynn Fireman's Federal Credit Union	\$12,013,948	58.6%
HTM Credit Union	\$17,580,107	52.0%
Lowell Firefighters Credit Union	\$16,514,771	46.6%
Lynn Police Credit Union	\$12,318,075	31.4%

Source: NCUA 5300 Statement of Financial Condition as of December 31, 2013

As shown in Table 2 above, the other credit unions' average quarterly net LTS ratios ranged between 31.4 percent and 58.6 percent. At 52.0 percent, the Credit Union's average LTS ranked second when compared against three similarly situated institutions.

Based on the foregoing information, the Credit Union's asset size, resources and the credit needs of its members, the Credit Union's net loan-to-share ratio meets the standards of satisfactory performance.

Borrower Characteristics

The Credit Union's real estate secured lending activity, as well as a sample of consumer loans for calendar years 2012 and 2013, were analyzed in order to determine the distribution of credit based upon the income level of the borrowers. The Credit Union originated a total of 20 first mortgage and home equity loans during the period under review. The consumer loan sample consisted of unsecured consumer loans and new and used vehicle loans. The borrower income analysis was based on the median family incomes for the Peabody, MA Metropolitan Division (MD), which was estimated to be \$87,300 in 2012 and \$83,500 in 2013.

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 Metropolitan Statistical Area (MSA) or MD.

As defined by the U.S. Department of Housing and Urban Development (HUD) low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of

the MSA's median family income, while upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

Real Estate Secured Lending

The Credit Union originated one first mortgage and eight home equity loans in 2012. In 2013, the Credit Union originated two first mortgages and nine home equity loans. Of the twenty real estate secured loans originated during the time period, none were made to low-income borrowers, while four loans (20.0 percent) were made to moderate-income borrowers.

Consumer Lending

A review of twenty consumer loan files from 2012 and 2013 was conducted to determine the borrower's income level. The sample included 10 loan originations from 2012 and an additional 10 from 2013. In total, the majority of the sampled loans were to low- and moderate-income borrowers. In 2012, the Credit Union granted four loans, or 40.0 percent, to low-income members and an additional four loans to moderate-income members. Of the 2013 loan sample, one or 10.0 percent went to low-income borrowers, and six or 60.0 percent were originated to moderate-income borrowers. This is not unexpected as such loans are generally originated using the income level of one borrower, while median income figures are based on the family income level. However, the balanced distribution of lending across all levels of income reflects the Credit Union's willingness and ability to service its entire membership.

Based upon the analysis of borrower income, the Credit Union demonstrates a satisfactory level of performance in providing loans to borrowers of different incomes and meets the standards for satisfactory performance.

Review of Complaints and Fair Lending Policies and Procedures

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; however, management has procedures in place if such complaints should occur.

The Credit Union has a written Fair Lending Policy which addresses the Credit Union's efforts to eliminate discrimination in all aspects of lending including staff training, marketing and underwriting. In addition, the Credit Union also has a second review process by which all denied applications are reviewed by an objective party to ensure all lending policies and procedures are being followed.

Based on the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards of satisfactory performance.

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 4 Summer Street, Haverhill, MA 01830

- 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.