

**PUBLIC DISCLOSURE**

**NOVEMBER 30, 2015**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**LIBERTY BAY CREDIT UNION**

**Certificate # 67541**

**350 GRANITE ST  
BRAINTREE, MASSACHUSETTS 02184**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, MA 02118**

**NOTE:** This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations 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.

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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) to use their authority when examining financial institutions subject to their 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 agencies 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 **Liberty Bay Credit Union (Credit Union)** prepared by the Division, the institution's supervisory agency, as of **November 30, 2015**. The agencies evaluate performance in the assessment area as defined by the institution, rather than individual branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00.

### **INSTITUTION'S CRA RATING:**

**This institution is rated “Satisfactory” by the Division.**

An institution in this group has a good record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

### **Lending Test**

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following summary of results.

#### ***Loan-to-Share Ratio***

The loan-to-share (LTS) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs. The Credit Union's average net LTS ratio over the past 15 quarters, was 58.9 percent.

#### ***Assessment Area Concentration***

A majority of the Credit Union's home mortgage and consumer loans, by number and dollar amount, were within its designated assessment area. During 2014 and 2015, 83.4 percent of the number of home mortgage loans, and 78.0 percent of the number of sampled consumer loans were made inside the assessment area.

#### ***Geographic Distribution***

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. The Credit Union's concentration of home mortgage loans in the area's moderate-income geographies is comparable to that of the aggregate. Similarly, the Credit Union's performance in consumer lending was good. The percentage of sampled loans to consumers within the area's moderate-income census tracts during the review period were above the demographic of households in the same areas.

### ***Borrower Characteristics***

The distribution of borrowers reflects, given the demographics of the assessment area, good penetration among individuals of different income levels (including low- and moderate-income). The Credit Union performed better than the aggregate market in percentage of home mortgage loans to low- and moderate-income borrowers in 2014. The Credit Union similarly responded to consumer financing needs by making the majority of its sampled consumer loans to the assessment area's low- and moderate-income households.

### ***Response to Complaints***

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

### **Community Development Test**

The institution is rated "**High Satisfactory**" under the Community Development Test.

The Credit Union demonstrates good responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development throughout the institution's assessment area.

## SCOPE OF EXAMINATION

This evaluation assesses the Credit Union's CRA performance utilizing the interagency intermediate institution credit union examination procedures, as established by the Federal Financial Institutions Examination Council (FFIEC). An institution with this designation has assets of at least \$305 million as of December 31 of both of the prior two calendar years, and less than \$1.221 billion as of December 31 (adjusted annually) of either of the prior two calendar years. These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans during a certain review period. The Community Development Test is an analysis of activities (loans, investments, and services) that an institution has completed to meet the needs of the community since the previous evaluation.

The Lending Test considered the Credit Union's home mortgage and consumer lending. The Credit Union's most recent Report of Condition and Income (Call Report), dated September 30, 2015, indicated that residential lending, including all loans secured by 1 to 4 family and multi-family residential properties, represented 67.5 percent of the loan portfolio. Consumer lending, specifically new and used auto loans, represented 19.6 percent of the loan portfolio. Residential lending also represented the significant majority of loan volume generated during the current review period. Based on this information, the overall conclusions were primarily based on the Credit Union's performance in home mortgage lending, as this product carried a greater weight in the overall lending test analysis.

Data reviewed includes all originated home mortgage loans reported on the Credit Union's Home Mortgage Disclosure Act (HMDA) loan application registers (LARs) for the full year of 2014 as well as year-to-date (YTD) data for 2015. The LARs contain data about home purchase and home improvement loans, including refinances, of one to four family and multifamily (five or more units) properties. The Credit Union's 2014 home mortgage lending performance was compared against 2014 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the same defined assessment area. The evaluation focused on the Credit Union's lending performance in 2014, as aggregate data for 2015 was not yet available.

Examiners selected a sample of small consumer loans in years 2014 and 2015. This sample was considered representative of the Credit Union's performance during the entire evaluation period.

While the total dollar amounts of loans are discussed under the Lending Test, the evaluation is primarily based on the Credit Union's lending performance by the number of loans originated or purchased during the review period. Demographic information referenced in this evaluation was obtained from the 2010 United States (US) Census, unless otherwise noted. Financial data about the Credit Union was obtained from the September 30, 2015 Call Report.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between February 5, 2007 and November 30, 2015.

The previous CRA evaluation was conducted by the Division as of February 5, 2007, also using intermediate small institution examination procedures. The evaluation resulted in an overall "Satisfactory" rating by the Division.

## DESCRIPTION OF INSTITUTION

### *Background*

Liberty Bay Credit Union is a Massachusetts state-chartered institution headquartered in Boston, Massachusetts. In addition to its main office located at 350 Granite Street in Braintree, the Credit Union operates two other full-service locations in Boston and Stoneham. All branch offices are equipped with automated teller machines (ATMs), and maintain comparable hours. The Boston and Stoneham branches are located in upper-income census tracts, and the Braintree branch is located in a middle-income tract. Since the previous performance evaluation, the Credit Union has closed and relocated two branches; a Boston branch was closed in June of 2008, and a Braintree branch was closed in July of the same year.

### *Operations*

The Credit Union is a full-service financial institution offering deposit products such as checking, savings, and retirement accounts, as well as consumer credit products for auto, home or school financing. The Credit Union also offers services for area businesses, including small business financing, and business checking accounts. The Credit Union provides accessibility by means of mobile banking, allowing members to deposit checks, make loan payments, or transfer funds.

The Credit Union had total assets of \$659.5 million as of September 30, 2015. Assets increased approximately 27.7 percent since the previous evaluation. The table below illustrates the distribution of the Credit Union's loan portfolio as of September 30, 2015.

<b>Loan Portfolio Distribution as of 09/30/2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Unsecured Credit Card Loans	0	0
All Other Unsecured Loans/Lines of Credit	14,195	3.7
Non-Federally Guaranteed Student Loans	3,514	0.9
New Vehicle Loans	19,271	5.0
Used Vehicle Loans	55,916	14.6
1 <sup>st</sup> Mortgage Real Estate Loans/Lines of Credit	194,541	50.6
Other Real Estate Loans/Lines of Credit	64,962	16.9
All other Loans/Lines of Credit	31,816	8.3
<b>Total Loans and Leases</b>	<b>384,217</b>	<b>100.0</b>

*Source: 09/30/2015 Call Report*

As depicted in the table, the Credit Union's loans are primarily concentrated in residential real estate, followed by auto-secured loans. No financial or legal impediments exist that would limit or impede the Credit Union's ability to meet the credit needs of the delineated assessment area.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area within which its CRA performance will be evaluated. Liberty Bay Credit Union has designated its assessment area in the Cambridge-Newton-Framingham, MA Metropolitan District (MD) (15764) and the Boston MA MD (14454). The Credit Union’s assessment area conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The following sections discuss demographic and economic information for each assessment area.

### *Economic and Demographic Data*

Since becoming a community credit union in 2005, the chosen assessment area includes those who live, work, or go to school in the following towns:

Abington	Cohasset	Lexington	Pembroke	Walpole
Arlington	Dedham	Malden	Plainville	Waltham
Avon	Dover	Marshfield	Plymouth	Watertown
Bellingham	Duxbury	Medfield	Plympton	Wellesley
Belmont	East Bridgewater	Medford	Quincy	West
Boston	Everett	Medway	Randolph	Weston
Braintree	Foxboro	Melrose	Reading	Westwood
Bridgewater	Franklin	Millis	Revere	Weymouth
Brockton	Halifax	Milton	Rockland	Whitman
Brookline	Hanover	Needham	Scituate	Wilmington
Burlington	Hanson	Newton	Sharon	Winchester
Cambridge	Hingham	Norfolk	Somerville	Winthrop
Canton	Holbrook	North Reading	Stoneham	Woburn
Carver	Hull	Norwell	Stoughton	Wrentham
Chelsea	Kingston	Norwood	Wakefield	

In addition to the municipalities listed above, the Credit Union offers membership to any individuals who work for a company that provides technologies for the purpose of the transmission of information, voice, data, or video.

The overall assessment area consists of 601 census tracts with the following income designations according to the 2010 U.S. Census:

- 65 low-income tracts,
- 121 moderate-income tracts,
- 221 middle-income tracts, and
- 181 upper-income tracts.

There are also thirteen census tracts with no corresponding income delineation. These census tracts cover the following areas: The Old Colony Correctional Facility in Bridgewater, The Boston Harbor Islands, Franklin Park, the Stony Brook Reservation, the Arnold Arboretum, the Forest Hills Cemetery, the South Boston Reserved Channel, Castle Island, the Suffolk Downs Racetrack, Belle Island Reservation, the Boston Commons, and the Back Bay Fens.

The following table details specifics regarding the assessment area.

<b>Demographic Information for the Assessment Areas</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA % of #</b>
Geographies (Census Tracts)	601	10.8	20.1	36.8	30.1	2.2
Population by Geography	2,650,242	9.1	19.7	39.9	31.2	0.1
Owner-Occupied Housing Units by Geography	586,909	3.1	13.6	44.6	38.7	0.0
Households by Geography	1,020,044	8.2	19.7	41.3	30.8	0.0
Distribution of Households by Income Level	1,020,044	26.1	14.3	17.0	42.6	0.0
Distribution of Families by Income Level	610,469	22.6	15.9	20.2	41.3	0.0
<b>Median Family Income (2010 U.S. Census)</b>		\$93,250	<b>Median Housing Value</b>	\$439,509		
<b>2015 FFIEC-Estimated Median Family Income</b>		\$93,524	<b>Unemployment Rate</b>	5.0%		
<b>Families Below Poverty Level</b>		7.3%				

Sources: 2010 U.S. Census data, 2014 D&B data, 2015 FFIEC-Estimated Median Family Income

The table above shows that the majority of the population and the majority of owner occupied units are located in middle and upper income geographies.

FFIEC Estimated Median Family Income data is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The low-, moderate-, middle-, and upper-income categories are presented in the table below. These categories are based on the 2015 FFIEC estimate median family incomes of \$101,700 for the Cambridge-Newton-Framingham, MA MD, and \$90,000 for the Boston, MA MD.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>2015 Entire Assessment Area Median Family Income (\$93,524)</b>				
2015	<\$46,762	\$46,762 to <\$74,819	\$74,819 to <\$112,229	≥\$112,229
<b>2015 Cambridge-Newton-Framingham MA MD Median Family Income (\$101,700)</b>				
2015	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
<b>2015 Boston MA MD Median Family Income (\$90,000)</b>				
2015	<\$45,000	\$45,000 to <\$72,000	\$72,000 to <\$108,000	≥\$108,000

Source: 2015 FFIEC-Estimated Median Family Income

There are 1,095,423 housing units in the assessment area, 586,909 of which are owner occupied, 433,135 are occupied rental units, and 75,379 are vacant. The median housing value of \$439,509 suggests a relatively expensive housing market, compared to the state of Massachusetts.

Further analysis was conducted using Warren Group housing sales data. In 2015, median home sales averaged \$412,750 throughout the four counties which formed the assessment area. Median sales prices ranged from \$482,000 in Middlesex to \$310,000 in Plymouth. This further suggests a relatively affluent area and potential barriers to lower-income families obtaining affordable housing.

### ***Competition***

Liberty Credit Union operates in a competitive lending environment. The Credit Union faces competition from large national and regional institutions, including mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2014 revealed that 562 lenders reported 33,348 originations and/or purchases totaling approximately \$11.8 billion in the overall assessment area. The top three financial institutions were JPMorgan Chase Bank, NA, Wells Fargo Bank, NA, and Bank of America, NA with a combined 13.5 percent market share.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted an organization located on the South Shore segment of the assessment area. The contact primarily dealt in affordable housing, and identified such affordable housing as the primary need of the area. The contact mentioned that it posed a challenge to originate small dollar projects in the area that don't comprise a relatively significant CRA investment. In spite of the current needs, the contact noted that area institutions are very involved and willing to provide assistance in the form of donations, while there has been difficulty in obtaining participation from larger institutions. One potential area of improvement was more organization and accessibility to individuals involved in making CRA decisions on behalf of the financial institutions; the contact noted that at times it was difficult to identify the CRA officer representing the bank or credit union. An additional need identified was in the form of services. It was mentioned that assistance in advocacy and fundraising on behalf of CRA-qualified organizations would be very useful, particularly utilizing the networking and technical resources of a financial institution to more efficiently pursue grants. The contact mentioned the community tax investment credit to local CDCs as a form of investment that many financial institutions have not pursued or a product of which they may not be aware.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

**LENDING TEST**

The Credit Union demonstrated good performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

**Loan-to-Share Ratio**

The LTS ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The Credit Union’s LTS ratio, calculated from Call Report data, averaged 58.9 percent over the past 15 quarters from March 31, 2012 to September 30, 2015. The LTS ratio has risen consistently from quarter to quarter. The Credit Union had an LTS ratio of 48.4 percent as of March 30, 2012 to a high of 87.3 percent as of June 30, 2015. This change was a result of a steady increase in the loan portfolio, which rose approximately 44 percent over the same period of time. The following table compares the Credit Union to two similarly situated credit unions by total assets as of June 30, 2015 and the average LTS ratio of the previous 12 quarters. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

<b>Loan-to-Share Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets \$(000s)</b>	<b>Average LTS Ratio (%)</b>
Liberty Credit Union	659,495	58.9
St Anne’s of Fall River Credit Union	861,220	72.8
City of Boston Credit Union	339,247	81.5
Source: Call Report Data		

While the Credit Union places below these similarly situated institutions, its improving performance during the evaluation period supports its reasonable performance. The Credit Union’s growing LTS ratio exhibits a commitment to redistributing its deposits in the form of loans.

**Assessment Area Concentration**

The Credit Union made a majority of home mortgage and sampled consumer loans, by number and dollar volume, within its assessment area. Please see the following table for more detail.

<b>Lending Inside and Outside of the Assessment Areas</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollars Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2014	60	80.0	15	20.0	75	11,326	76.2	3,536	23.8	14,862
YTD 2015	86	86.0	14	14.0	100	20,769	86.6	3,205	13.4	23,974
<b>Subtotal</b>	<b>146</b>	<b>83.4</b>	<b>29</b>	<b>16.6</b>	<b>175</b>	<b>32,095</b>	<b>82.6</b>	<b>6,741</b>	<b>17.4</b>	<b>38,836</b>
Consumer 2014	17	68.0	8	32.0	25	306	66.4	155	33.6	461
Consumer 2015	22	88.0	3	12.0	25	371	81.4	85	18.6	456
<b>Subtotal</b>	<b>39</b>	<b>78.0</b>	<b>11</b>	<b>22.0</b>	<b>50</b>	<b>677</b>	<b>73.8</b>	<b>240</b>	<b>26.2</b>	<b>917</b>

*Source: 2014 and three quarters of 2015 HMDA Reported Data, (\*)2014 and 2015 Credit Union Records*

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in moderate-income census tracts in 2013, and low- and moderate-income census tracts in 2014 and YTD 2015.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the Credit Union's 2014 performance in low-income census tracts is below aggregate data and demographics of the assessment area. However, the Credit Union's performance in moderate-income census tracts is slightly above aggregate data.

For YTD 2015, the Credit Union's performance increased to be in line with the demographic of owner-occupied housing in the low-income census tracts, and maintained the trend of the prior year with regard to the demographic for moderate-income census tracts.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2014	3.1	3.7	1	1.7	30	0.3
YTD 2015	3.1	--	3	3.5	830	4.0
Moderate						
2014	13.5	14.3	9	15.0	1,658	14.6
YTD 2015	13.5	--	13	15.1	2,735	13.2
Middle						
2014	44.7	43.6	31	51.7	5,227	46.6
YTD 2015	44.7	--	41	47.7	9,287	44.7
Upper						
2014	38.7	38.3	19	31.7	4,361	38.5
YTD 2015	38.7	--	29	33.7	7,917	38.1
NA						
2014	0.0	0.1	0	0.0	0	0.0
YTD 2015	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2014</b>	<b>100.0</b>		<b>60</b>	<b>100.0</b>	<b>11,326</b>	<b>100.0</b>
<b>YTD 2015</b>	<b>100.0</b>	<b>--</b>	<b>86</b>	<b>100.0</b>	<b>20,769</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2014 and three quarters of 2015 HMDA Reported Data; 2014 HMDA Aggregate Data "--" data not available</i>						

## Consumer Loans

The geographic distribution of sampled consumer loans reflects good dispersion. In 2014, one loan was originated in the low-income census tract, which is below the demographic of households in the same area. However, the table shows that the Credit Union's performance in moderate-income census tracts is above household geography demographics. The YTD 2015 performance is consistent with 2014.

<b>Geographic Distribution of Consumer Auto Loans</b>					
<b>Tract Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2014	8.2	1	5.9	27	8.8
YTD 2015	8.2	1	4.5	20	5.2
<b>Moderate</b>					
2014	19.7	6	35.3	98	32.0
YTD2015	19.7	8	36.4	127	34.2
<b>Middle</b>					
2014	41.3	7	41.2	106	34.6
YTD2015	41.3	7	31.8	155	41.7
<b>Upper</b>					
2014	30.8	3	17.6	75	24.6
YTD2015	30.8	6	27.3	69	18.5
<b>Total</b>					
<b>2014</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>306</b>	<b>100.0</b>
<b>YTD2015</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>371</b>	<b>100.0</b>
<i>Source: 2010 Census Data, Credit union Records</i>					

## **Borrower Profile**

The distribution of borrowers reflects very good penetration among individuals of different income levels in the assessment area. The Credit Union's performance of home mortgage and consumer lending support this conclusion. Examiners focused on the percentage by number of home mortgage and consumer loans to low- and moderate-income borrowers.

### ***Home Mortgage***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is very good. Examiners focused on the comparison to aggregate data.

The Credit Union's 2014 home mortgage lending to low-income borrowers, at 8.3 percent is double aggregate performance for families of comparable incomes. The Credit Union is above the aggregate lender performance for moderate-income originations. In the case of low-income families, the Credit Union performed below the demographic. The income of low- or moderate-income families compared to the relatively affluent median housing prices helps explain the difference between the Credit Union's performance and the family income level demographics of the area. For YTD 2015, the Credit Union's percentage of loans to low-income families decreased, but its performance toward moderate-income borrowers remained consistent.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2014	22.6	3.8	5	8.3	583	5.2
YTD 2015	22.6	--	3	3.5	280	1.4
<b>Moderate</b>						
2014	15.9	13.3	13	21.7	2,076	18.3
YTD 2015	15.9	--	16	18.6	3,229	15.6
<b>Middle</b>						
2014	20.2	20.9	18	30.0	3,490	30.8
YTD 2015	20.2	--	32	37.2	7,290	35.1
<b>Upper</b>						
2014	41.3	44.1	24	40	5,177	45.7
YTD 2015	41.3	--	35	40.7	9,970	48.0
<b>Income Not Available</b>						
2014	NA	17.9	0	0.0	0	0.0
YTD 2015	NA	--	0	0.0	0	0.0
<b>Total</b>						
<b>2014</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>11,326</b>	<b>100.0</b>
<b>YTD 2015</b>	<b>100.0</b>	<b>--</b>	<b>86</b>	<b>100.0</b>	<b>20,769</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014 and two quarters of 2015 HMDA Reported Data; 2014 HMDA Aggregate Data; "--" data not available</i>						

## ***Consumer Lending***

The distribution of the sample of consumer auto loans reflects good penetration of borrowers of different incomes. The following table shows that the majority of consumer loans were extended to individuals falling within the low- and moderate-income household delineations. This level of lending exceeds the demographics of individuals in the same income delineations by several percentage points and as such reflects good performance.

<b>Borrower Distribution of Consumer Auto Loans</b>					
<b>Income Level</b>	<b>% of Households</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2014	26.1	5	29.4	113	36.9
YTD 2015	26.1	7	31.8	87	23.4
<b>Moderate</b>					
2014	14.3	5	29.4	75	24.5
YTD2015	14.3	6	27.3	105	28.4
<b>Middle</b>					
2014	17.0	2	11.8	35	11.6
YTD2015	17.0	5	22.7	79	21.2
<b>Upper</b>					
2014	42.6	5	29.4	83	27.0
YTD2015	42.6	6	18.2	100	27.0
<b>Total</b>					
<b>2014</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>306</b>	<b>100.0</b>
<b>YTD2015</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>371</b>	<b>100.0</b>
<i>Source: 2010 Census Data, Credit union Records</i>					

## **Response to Complaints**

The Credit Union did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

## COMMUNITY DEVELOPMENT TEST

The Credit Union's community development performance demonstrates good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

### Community Development Loans

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the credit union for consideration under small business or home mortgage lending (unless it is a multifamily dwelling loan), and (3) benefits the credit union's assessment area or a broader statewide or regional area that includes the credit union's assessment area.

The Credit Union originated 18 community development loans totaling \$2.6 million since the previous examination of February 2007. The Credit Union significantly increased the number of qualified community development loans since the last evaluation. The following table illustrates the Credit Union's community development lending activity by year and purpose.

<b>Community Development Lending</b>						
<b>Activity Year</b>	<b>Community Services</b>		<b>Economic Development</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2010			1	325,000	<b>1</b>	<b>325,000</b>
2011	1	100,000	1	212,000	<b>2</b>	<b>312,000</b>
2012	2	50,000	5	588,363	<b>7</b>	<b>638,663</b>
2013			1	35,000	<b>1</b>	<b>35,000</b>
2014			7	1,290,000	<b>7</b>	<b>1,290,000</b>
2015						
<b>Total</b>	<b>3</b>	<b>150,000</b>	<b>15</b>	<b>2,450,363</b>	<b>18</b>	<b>2,600,363</b>
<i>Source: Credit union Records - *From June 4, 2012 to December 31, 2012. **From January 1, 2015 through August 24, 2015</i>						

Below are several examples of the Credit Union's community development loans:

- In 2010, the Credit Union originated a \$325,000 loan to a small business located in a low-income census tract in Boston, Massachusetts. The purpose of the loan was the purchase of commercial real estate, and as such supported permanent job creation or retention.
- In December 2011, the Credit Union originated a \$100,000 working capital loan to a family social service agency located in Boston, MA. The organization serves at-risk populations and provides a variety of literacy and advocacy programs.
- In 2012, the Credit Union originated a small business loan for the purchase of commercial real estate in Roxbury, MA. The loan helps to retain jobs in a low-income census tract.
- In 2014, the Credit Union originated one SBA 504 loan totaling \$432,500. These programs offer financing for qualified businesses that may not be eligible for traditional credit union financing. SBA 504 loans provide growing businesses with long-term, fixed-rate financing for major fixed assets, such as land and buildings.

## Qualified Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Since the previous examination dated February 5, 2007, the amount of the Credit Union's total qualified investments, donations, and grants is \$236,957. This total is comprised of qualified grants and donations. The volume of investments demonstrates the Credit Union's commitment to investing in community development initiatives. Also, the level of qualified investments marks an increase in total funds invested in qualified community development investments when compared to the Credit Union's performance at the time of the last CRA Performance Evaluation. At the time of the last performance evaluation, the Credit Union's total qualified investments, donations, and grants was \$159,415, compared to the current evaluation of \$214,776. This represents an increase of 25.8 percent.

The following table illustrates the Credit Union's community development investments by year and purpose.

<b>Qualified Investments</b>						
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Totals</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2007*			33	25,050	<b>33</b>	<b>25,050</b>
2008	1	1,000	32	19,900	<b>33</b>	<b>20,900</b>
2009	1	1,000	31	27,050	<b>32</b>	<b>28,050</b>
2010	1	1,000	33	23,695	<b>34</b>	<b>24,695</b>
2011			33	27,013	<b>33</b>	<b>27,013</b>
2012	1	1,500	30	21,757	<b>30</b>	<b>23,257</b>
2013			28	28,892	<b>28</b>	<b>28,892</b>
2014	1	1,000	30	21,850	<b>31</b>	<b>22,850</b>
2015 **	1	500	33	35,750	<b>34</b>	<b>36,250</b>
<b>Total</b>	<b>6</b>	<b>6,000</b>	<b>282</b>	<b>230,957</b>	<b>288</b>	<b>236,957</b>
<i>Source: Credit union Records- *From February 5, 2007 through December 31, 2012. **From January 1, 2015 through November 30, 2015.</i>						

## **Charitable Donations**

These contributions were primarily made to organizations that provide community services to low- and moderate-income individuals.

Below are notable examples of the Credit Union's qualified investment activities:

- *Julie's Family Learning Program:* This is a Boston-based organization which provides assistance to poor, at-risk mothers and their children with the aim of breaking the cycle of poverty. Programs include assistance in literacy, health education, social service advocacy, and professional development.
- *The Gavin Foundation:* The Gavin Foundation is a multi-service nonprofit organization that aims to address the issues and causes of substance abuse. Located in South Boston, the community organization provides a number of services geared toward low- and moderate-income residents. The programs include residential and educational support for several demographics, from at-risk youths to individuals in recovery.
- *Manet Community Health Center:* This Health services organization has several locations on the south shore. The majority of individuals served demonstrate substantial financial need; most patient services are funded by Medicaid.
- *Little Sisters of the Poor:* This is a Somerville-based residential center that provides housing for the elderly in the greater Boston area. Specifically, the housing is offered to low-income seniors, and the residence provides supplemental services to ensure their other needs are met.
- *South Boston Neighborhood House:* This multi-service organization's mission is to create a healthier South Boston Neighborhood through support for those most in need. Focusing its efforts on the low-income residents of South Boston, the community organization programs include a Senior Center, Adolescent Services, and Early Education.

## **Community Development Services**

A community development service has community development as its primary purpose and is related to the provision of financial or technical service and assistance. The following provides a description of the community development services offered by Credit Union employees over the evaluation period.

- *Julie's Family Learning:* This organization provides financial literacy classes, life skills education, job training, and employment and career counseling to low-income women. The organization also provides a variety of family and children services including health education, family literacy classes, and a preschool program. The Credit Union's Vice President of Business Development and a Consumer Loan Officer teach financial literacy and run fundraising events for the organization.
- *David Jon Louison Center:* Based in Brockton, this organization provides temporary shelter, food assistance, educational counseling, and medical services to homeless individuals and their families. In 2006, The Center merged with the Old Colony YMCA.

The Vice President of Consumer Lending and Collections serves on the organization's board.

- *Randolph High School:* The majority of students that attend Randolph High School qualify for free or reduced priced lunch. The Credit Union's Vice President of Information Technology provides technical help and facilitates the donation of refurbished computers to the high school's computer department.
- *Friends for Children Charitable Foundation:* The foundation provides grants and donations to charitable organizations that serve low-income children in eastern Massachusetts. The Credit Union's Controller serves as the Treasurer for the foundation.
- *NPO Program:* This program was created by the Credit Union to help run events for nonprofit organizations. Credit Union employees provide accounting services, run processing terminals, and use their financial expertise at these events. Additionally, the Credit Union subsidized the credit card transaction costs on behalf of the organization, which was incorporated into the investments portion previously discussed. CRA-qualified organizations assisted in recent years include One Family, Shelter Legal Services, and Dress for Success. The program has been in place since 2010.
- *Braintree Sustainable EBT Program:* The Braintree Farmers Market provides locally grown produce to residents. The Credit Union assisted the Braintree Farmers Market in utilizing their permit to participate in the Supplemental Nutritional Assistance Program (SNAP). Now low- and moderate-income individuals can use their SNAP and EBT cards to purchase currency specifically for use at the Farmers Market.

**APPENDIX A**  
**Division of Banks**

***Fair Lending Policies and Procedures Review***

The Division provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Credit Union’s public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Credit Union administers multiple layers of control for fair lending risk in the form of second review monitoring and policies and procedures.

**Minority Application Flow**

The Credit Union’s residential lending was compared with the 2014 aggregate’s lending performance to assist in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicant. Refer to the table below for information on the Credit Union’s minority application flow as well as a comparison of the aggregate lenders throughout the Credit Union’s assessment area.

<b>Minority Application Flow</b>					
<b>RACE</b>	<b>Credit Union 2014</b>		<b>2014 Aggregate Data</b>	<b>Credit Union 2015</b>	
	#	%	%	#	%
<i>American Indian/Alaska Native</i>	0	0	0.2	0	0
<i>Asian</i>	1	1.1	6.8	0	0
<i>Black/African-American</i>	5	5.3	4.7	10	7.6
<i>Hawaiian/Pac. Isl.</i>	0	0	0.1	0	0
<i>2 or more Minority</i>	0	0	0.0	0	0
<i>Joint Race (White/Minority)</i>	0	0	1.5	5	3.8
<b>Total Minority</b>	<b>6</b>	<b>6.4</b>	<b>13.3</b>	<b>15</b>	<b>10.4</b>
<i>White</i>	72	75.8	61.7	106	80.3
<i>Race Not Available</i>	17	17.8	25.0	11	8.3
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>
<b>ETHNICITY</b>					
<i>Hispanic or Latino</i>	2	2.1	3.2	2	1.5
<i>Not Hispanic or Latino</i>	73	76.8	71.1	116	87.9
<i>Joint (Hisp/Lat/Not Hisp/Lat)</i>	0	0.0	0.9	0	0.0
<i>Ethnicity Not Available</i>	20	21.1	24.8	14	10.6
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>

As of 2014 the Credit Union’s assessment area contained 2,650,242 individuals, of which 29.9 percent are minorities. The assessment area’s minority and ethnic population consists of 9.8 percent Black/African-American, 7.8 percent Asian/Pacific Islander, 0.1 percent American Indian, 8.8 percent Hispanic or Latino and 3.3 percent other race. This is a high-minority demographic relative to other portions of the State.

In 2014, the Credit Union received 6 applications, or 6.4 percent, from minorities, which is below the aggregate of 13.3 percent. The Credit Union received two joint applications in which one of the applicants was Hispanic, resulting in an ethnic minority application flow of 2.1 percent

compared to the aggregate trend of 4.1 percent. The difference in minority application flows is understandable given the concentration of the minority population in the Greater Boston Area. The amount of competition present in these high-minority tracts can pose a significant challenge for any single institution. The Credit Union's single branch in Boston may not be able to attract the minority applicants to the same degree as large national banks with multiple locations in the same area.

In 2015, the Credit Union received 15 racial minority applications, a marked increase from 2014, approximately 10.4 percent of all applications. The Credit Union received 2 applications from Hispanic or Latino borrowers.

The minority application flow is adequate based on the demographic makeup of the assessment area and the relative capabilities and resources of the Credit Union.

## **APPENDIX B**

### *General Definitions*

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **HOUSING TERMS**

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

## **INCOME TERMS**

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (“HUD”) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**Small Business Loan:** A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income. These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

## 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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, 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 Credit unions and the Federal Deposit Insurance Corporation, at 109 Main Street, Gloucester, MA 01930."

[Please Note: If the institution has more than one assessment area, 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 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.