

PUBLIC DISCLOSURE

April 11, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**LYNN TEACHERS' CREDIT UNION
CERTIFICATE NUMBER 67882**

**181 UNION ST SUITE 206F
LYNN, MASSACHUSETTS 01901**

**DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02118**

| |
|--|
| <p>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.</p> |
|--|

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 membership.

This document is an evaluation of the CRA performance of **Lynn Teachers' Credit Union (Credit Union)**, prepared by the Division, the institution's supervisory agency as of **April 11, 2017**. 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.

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.

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, response to CRA complaints, and the Credit Union's fair lending performance.

- The Credit Union's average net loan-to-share (LTS) ratio for the period was 33.6 percent.
- The distribution of loans to members of different income levels is considered satisfactory and is representative of its membership.
- The institution did not receive any CRA-related complaints during the evaluation period.

PERFORMANCE CONTEXT

Description of Institution

Lynn Teachers’ Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts on February 23, 1935.

The Credit Union has one office located at 181 Union Street, Suite 206F, Lynn, Massachusetts, a low-income census tract. Office hours are Monday through Thursday, 9:00 a.m. to 3:30 p.m. The Credit Union serves current and former teachers and offers reduced hours during school vacations and the summer. The Credit Union does not offer first mortgage loans and only offers consumer loans. The Credit Union offers products and services including share accounts, home improvement loans, new and used vehicle loans, share pledged loans and unsecured loans. Withdrawals and deposits are conducted either through email, phone or in person. The Credit Union’s website lynnteacherscu.com provides a home page, loan rates, share rates, products and services, business hours, print out applications, a financial calculator and the membership agreement.

As of December 31, 2016, the Credit Union’s asset size was \$4.6 million with total loans of \$1.4 million or 30.5 percent of total assets. The Credit Union’s net-loan-to-share ratio, as of the same date, was 35.0 percent. As of December 31, 2016, the Credit Union has 796 members.

The Credit Union’s primary loan base is all other unsecured loans at 96.5 percent. The Credit Union has one new vehicle loan and three used vehicle loans in its portfolio, comprising 1.2 percent and 2.3 percent of total loans respectively. The following table provides additional details regarding the Credit Union’s loan portfolio:

| Table 1 - Loan Distribution as of December 31, 2016 | | |
|--|----------------------|-------------------------------|
| Loan Type | Dollar Amount | Percent of Total Loans |
| All Other Unsecured Loans/Lines of Credit | \$1,350,430 | 96.5 |
| New Vehicle Loans | \$17,108 | 1.2 |
| Used Vehicle Loans | \$31,532 | 2.3 |
| Total Loans | \$1,399,070 | 100.0% |

Source: NCUA Call Report

Other than its small asset size and limited resources, there are no apparent financial or legal impediments that would limit the Credit Union’s ability to help meet the credit needs of its membership.

The Credit Union was last examined for compliance with CRA on September 30, 2010. The examination resulted in a CRA rating of Satisfactory. The Credit Union’s assets have increased from \$4.5 million to \$4.6 million since the previous examination.

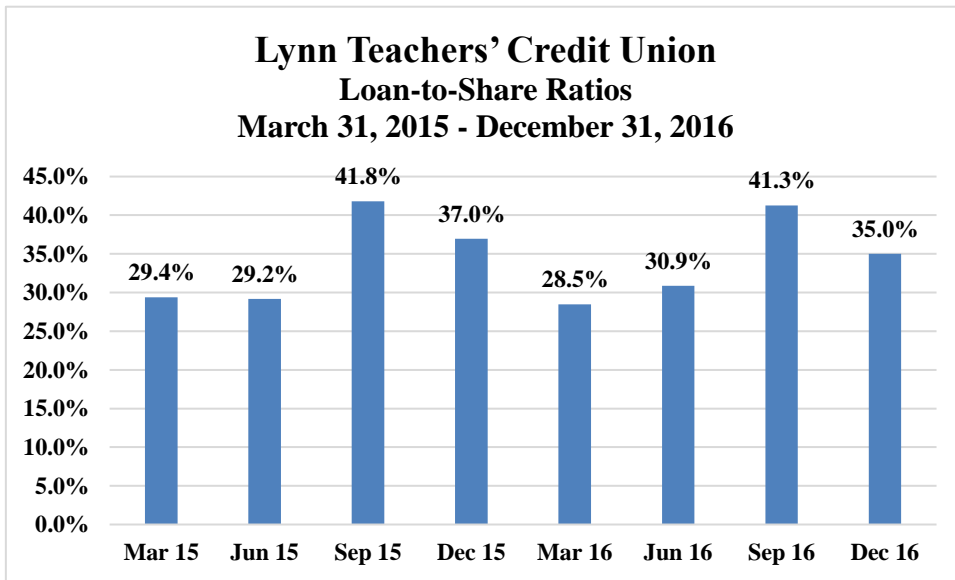
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41(8), the Credit Union defines its membership as its assessment area. According to the Credit Union’s bylaws, membership is limited to employees or retired teachers of the Lynn School System.

PERFORMANCE CRITERIA

LOAN TO SHARE ANALYSIS

A comparative analysis of Commonwealth Utilities Employees Credit Union’s last eight quarterly net loan-to-share (LTS) ratios for the period of March 31, 2015 through December 31, 2016 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 33.6 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 following graph is provided for further analysis.



As shown in the graph above, the Credit Union’s net loan-to-share ratio has been consistent with a high of 41.8 percent as of September 30, 2015 to a low of 28.5 percent as of March 31, 2016. The Credit Union’s summer loan and winter holiday loan programs account for the significant portion of its lending, contributing to the seasonal increases in the ratio. During the previous eight quarters, net loans have increased 12.3 percent, shares have decreased 5.8 percent and assets have decreased 5.7 percent.

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 is adequate.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union’s residential and consumer loan data from January 1, 2015 through December 31, 2016, was analyzed in order to determine the distribution of credit based upon the income level of borrowers. This examination compares the borrower income to the median family income for the Metropolitan Statistical Area (MSA) in which the borrower resides. The borrower income analysis was based on the median family incomes (MFI) for the Cambridge-Newton-Framingham MSA for 2015

and 2016 at \$101,700 and \$98,600, respectively. Additionally, one loan in the 2015 sample was located in the Rockingham County-Strafford County, New Hampshire MSA, which had an MFI of \$89,200.

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 as illustrated in the following table.

| Table 2 –Median Family Income Ranges | | | | |
|--|--------------------|--------------------------------|-------------------------------|--------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Cambridge-Newton-Framingham MSA Median Family Income | | | | |
| 2015 (\$101,700) | <\$50,850 | \$50,850 to <\$81,360 | \$81,360 to <\$122,040 | ≥\$122,040 |
| 2016 (\$98,600) | <\$49,300 | \$49,300 to <\$78,880 | \$78,880 to <\$118,320 | ≥\$118,320 |
| Rockingham County-Strafford County MSA Median Family Income | | | | |
| 2015 (\$89,200) | <\$44,600 | \$44,600 to <\$71,360 | \$71,360 to <\$107,040 | ≥\$107,040 |

Source: FFIEC

Consumer Loans

Examiners reviewed a sample of the Credit Union’s consumer’s loans which consisted of unsecured loans, new and used automobile loans. It should be noted that the majority of consumer loans were granted to single applicants. However, the income index used to evaluate these loans is based on median family income and can skew these percentages. Nevertheless, it appears that the Credit Union’s lending is well distributed among various income levels, including low- and moderate-income members.

| Table 3 - Distribution of Consumer Loans by Borrower Income | | | | |
|--|--------------------------|--------------|--------------------------|--------------|
| Median Family Income Level | 2015 Credit Union | | 2016 Credit Union | |
| | # | % | # | % |
| Low | 2 | 20.0 | 3 | 30.0 |
| Moderate | 6 | 60.0 | 2 | 20.0 |
| Middle | 2 | 20.0 | 5 | 50.0 |
| Upper | 0 | 0.0 | 0 | 0.0 |
| Total | 10 | 100.0 | 10 | 100.0 |

Source: Credit Union’s 2015 and 2016 Internal Records

For both years reviewed, 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.

RESPONSE TO CRA COMPLAINTS AND FAIR LENDING POLICES 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. A review of the Credit Union's public comment file indicated 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 evidence of disparate treatment was noted.

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 181 Union St Suite 206F Lynn, Massachusetts 01901.

- 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.