

**PUBLIC DISCLOSURE**

**June 23, 2014**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**68046**

**NAVEO CREDIT UNION**

**493 SOMERVILLE AVE  
SOMERVILLE, MA 02143**

**Division of Banks  
1000 Washington Street, 10<sup>th</sup> 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 **Naveo Credit Union (or the Credit Union)**, prepared by the Division as of **June 23, 2014**. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00 et seq.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."**

An institution in this group has an adequate record of meeting the credit needs of its assessment area, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities. Based on the small institution CRA evaluation procedures specified for institutions with assets of less than \$300 million as of December 31 of either of the prior two calendar years, adjusted annually, Naveo Credit Union's overall CRA performance is considered "Satisfactory" based on the following:

Shares from the membership are returned to members in the form of home mortgage loans. The Credit Union's average net loan-to-share ratio is 51.9 percent for the previous eight quarters reviewed and is considered reasonable.

Less than a majority of the Credit Union's home mortgage loans are inside the assessment area.

The distribution of home mortgage loans to borrowers of different income levels is considered more than reasonable and is representative of the membership.

The geographic distribution of loans reflects a more than reasonable dispersion throughout the assessment area.

No CRA related complaints were received during the evaluation period and fair lending policies and procedures are considered reasonable.

The Credit Union's performance with respect to the optional review of community development investments and services supports the overall rating.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Naveo Credit Union, previously known as Cambridge Portuguese Credit Union, is a community-based financial institution incorporated in March 1928. Membership in the Credit Union is open to those who live, work, or attend school in Middlesex, Suffolk and parts of Essex County which includes: the municipalities of Peabody, Lynn, Salem, Nahant, Lynnfield, Saugus, Swampscott, and Marblehead. Membership is extended to immediate family members and the organizations of the members. The Credit Union currently has 8,223 members.

The Credit Union's main office is located at 493 Somerville Avenue, Somerville, Massachusetts. Credit Union operates a full-service branch office at 251 Hampshire Street in Cambridge. Branch hours and locations are convenient and accessible.

Naveo Credit Union offers a variety of credit and deposit products. The Credit Union's mortgage loan products include residential mortgage loans, home equity loans and lines of credit, home improvement loans, energy efficient loans, and first time home buyer mortgages. Consumer loans include new and used vehicle loans; boat and recreational vehicles, secured and unsecured personal loans, and overdraft protection loans. There are a number of business loan products available; commercial real estate loans, lines of credit and term loans. Examples of deposit account offerings include personal and business checking accounts, personal and business money market accounts and statement savings, kids club savings account, safe savings, passbook savings, certificates of deposit; and individual retirement accounts. Additionally, the Credit Union offers payroll and merchant services, online banking and online bill payment.

The Credit Union uses several flexible and innovative lending programs that potentially benefit low- and moderate- income persons these include loans offered through MassHousing and the Mass Save Heat Loan. These loans would be included in the HMDA-reportable data analysis.

As of March 31, 2014, assets totaled \$114,142,524. The Credit Union's loan portfolio totaled \$52,416,656 or 45.9 percent of total assets. Total assets have increased from \$80,116,000 as of September 30, 2008, the date of the prior CRA evaluation. This represents a 29.8 percent increase in assets. Shares have increased from \$72,144,722 to \$105,057,139 or 31 percent, for the same time-period.

The largest portion of the loan portfolio is first mortgage residential real estate loans and other real estate secured lines of credit.

<b>Table 1 - Loan Portfolio as of March 31, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$</b>	<b>Percent of Total Loans (%)</b>
First Mortgage Real Estate Loans/Lines of Credit	42,000,656	80.1
Other Real Estate Loans/Lines of Credit	4,225,423	8.1
Used vehicle loans	1,787,914	3.4
New vehicle Loans	323,694	0.7
All Other Unsecured Loans/Lines of Credit	3,009,143	5.7
Total All Other Loans/Lines of Credit	1,069,826	2.0
Less – ALLL	(543,978)	0.0
<b>Total</b>	<b>52,416,656</b>	<b>100.0</b>

Source: 3/31/2014 Consolidated Report of Condition.

The Division last examined the Credit Union for compliance with CRA on December 8, 2008. The examination resulted in a CRA Rating of “High Satisfactory.”

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.

### **Description of Assessment Area**

The CRA requires the designation of one or more assessment areas within which a financial institution’s record of helping to meet the credit needs of its community will be evaluated. The Credit Union has designated one assessment area that conforms to CRA requirements.

### **Geographies:**

The cities and towns of Cambridge, Somerville and Medford make up the Credit Union’s assessment area and are located in Middlesex County and are part of the Cambridge-Newton-Framingham, MA MD #15764 and the Boston- Cambridge- Quincy, MA-New Hampshire Metropolitan Statistical Area (MSA) Core Based Statistical Area #14460. Since the prior evaluation in 2010, the Credit Union’s assessment area changed by removing the town of Arlington. The decision to remove the town of Arlington was due to the low volume of applications and lending from this particular area.

The *Geographic Distribution* section of the Lending Test evaluates 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

The Credit Union’s assessment area is comprised of 62 census tracts. There are 8 low-income, 21 moderate-income, 22 middle-income, and 11 upper-income tracts.

Table 2 contains pertinent demographic information concerning the assessment area.

<b>Table 2 – Assessment Area Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Geographies (Census Tracts)	62	12.9	33.9	35.5	17.7
Population by Geography	237,089	12.4	34.0	40.5	13.0
Owner-Occupied Housing by Geography	40,984	7.8	28.5	46.0	17.7
Businesses by Geography (2012)	81,527	5.2	17.9	46.0	30.7
Family Distribution by Income Level	46,709	22.3	16.3	21.6	39.8
2012 FFIEC Adjusted MFI – MD #15764		\$106,400	Median Housing Value		\$493,585
Families Below Poverty Level		12.9%	Unemployment Rate as of 4/2014		6.0%

Source: 2010 U.S. Census, 2012 D&B data, 2012 FFIEC Estimated MFI

### **Median Family Income Levels**

The home mortgage loan analysis under the *Borrower Characteristics* section of the Lending Test is primarily based on the distribution of home mortgage loans to borrowers of different incomes, using the same four income levels defined in the previous section. The analysis utilizes income data from the 2010 U.S. Census that has been annually adjusted by the FFIEC for inflation and other economic events. The estimated 2012 MFI figures for the Cambridge-Newton-Framingham, MA MD #15764 are listed in Table 2.

The analysis of the Credit Union’s home mortgage lending also includes comparisons to the distribution of assessment area families by income level. Table 2 reveals upper-income families have the highest representation by far of all income categories. The second largest group in the assessment area is low-income families, which represent 22.3 percent of all families. Low-income families below the poverty level, a subset of this income designation, represent 13 percent of this group.

### **Housing Characteristics**

Table 2 also illustrates the distribution of owner-occupied housing units by census tract income level. Table 2 shows owner-occupied housing units in the assessment area are heavily concentrated in middle-income census tracts. Only 7.8 percent of total owner-occupied units are in the low-income tracts. As suggested by the small percentage of owner-occupied properties in low-income census tracts based on 2010 U.S. Census data, residential lending opportunities in 2012 were limited.

Home values in Cambridge, Somerville, and Medford have increased in the last several years. A further review of information obtained from Dun and Bradstreet indicates that in 2012, the median home sales price for a home in the Credit Union’s assessment area ranged from a low of \$355,000 in Medford to a high of \$735,000 in Cambridge. In 2013, the median home sale price in Medford increased to \$395,000 and the highest median home sales price was in Cambridge at

\$858,000. Year to date data for 2014, show the median sales price for Medford increased again to \$410,000 and Cambridge increased to \$1,200,000. Overall, all of the communities in the Credit Union's assessment area experienced an increase in home sales prices from 2012 to 2014. The limited earnings of low-income and moderate-income households in the assessment area restrict their credit capacity to purchase and qualify for residential mortgages with high cost of the median housing prices.

### **Unemployment Data**

State unemployment rates were obtained from the Bureau of Labor Statistics. As of April 2014, the Massachusetts unemployment rate is 6.0 percent. The county unemployment rate was obtained from the Executive Office of Labor and Workforce Development and is for April 2014. Middlesex County has a slightly lower unemployment rates than Massachusetts. The Middlesex County unemployment rate is 5.7 percent.

### **Business Demographic Data**

According to Table 2, there is a higher concentration of businesses in upper-income census tracts. Dun & Bradstreet data indicated that 70.9 percent of businesses reported gross annual revenues (GARs) of \$1.0 million or less in 2012. While economic challenges during the review period may have limited demand for credit from small businesses, there appears to be a high percentage of small businesses in the assessment area.

### **Competition**

The residential mortgage market in which the Credit Union operates is highly competitive. In 2012, the Home Mortgage Disclosure Act (HMDA) aggregate data showed there were 362 financial institutions that originated or purchased at least one HMDA-reportable loan (home purchase, home refinance, or home improvement of a one-to-four family or multi-family dwelling) in the assessment area.

Collectively 16,559 home mortgage loans totaling 5.3 billion were originated or purchased within the Credit Union's assessment area. These lenders include Massachusetts based institutions such as Eastern Bank, Century Bank, Members Mortgage Company, East Cambridge Savings Bank, and NE Moves Mortgage Company. Lenders with a nationwide presence also operate within the Credit Union's assessment area such as Wells Fargo Credit Union, N.A.; Bank of America, N.A.; and JPMorgan Chase Credit Union, N.A. According to the 2012 Peer Mortgage data, the Credit Union ranked 42<sup>nd</sup> out 362 lenders who originated loans inside the assessment area. This ranking demonstrates the strong level of competition throughout the assessment area.

As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained from such sources helps to determine whether local financial institutions are responsive to the credit and service needs of their communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation.

Information on the needs of the community was gathered from an organization serving the Credit Union's assessment area. This organization is dedicated improving the lives of Portuguese-speaking individuals and families from Massachusetts and helps them become contributing, active participants in American society while maintaining strong ethnic identity and a sense of community. The organization works with and for the Brazilian, Cape Verdean, Portuguese and other Portuguese-speaking communities to increase access and remove barriers to health, education and social services through direct services, advocacy, leadership and community development.

The contact indicated several needs in the community where financial institutions can become more involved. The organization would like to see banking tools in Portuguese as this would enhance cultural and linguistic competence.

The organization also sees the need for institutions to provide community presentations in Portuguese, or with an interpreter present, on areas such as financial planning, money management, and home refinancing.

Lastly, the contact indicated the need for grants and donations to non-profits whose purpose is to assist community members. The organization does receive some form of donations from most but not all local financial institutions are involved. The contact indicated Board members from local banks have been involved with this organization.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Small Institution CRA evaluation procedures were used to assess the CRA performance. The Lending Test considers the institution's performance pursuant to the following criteria: Loan-to-Deposit (LTS) Ratio, Assessment Area Concentration, Geographic Distribution, Borrower Characteristics, 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 an adequate responsiveness to the credit needs of the assessment area.

#### 1. LOAN TO SHARE ANALYSIS

This performance criterion determines what percentage of the Credit Union's deposit base is reinvested in the form of loans. Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the analysis of the Credit Union's net loan-to-share (LTS) ratio indicates that the Credit Union meets the standards for satisfactory performance.

The Credit Union LTS ratio was 49.9 percent as of March 31, 2014. The average LTS ratio for the period was 51.9 percent and was determined by averaging the quarterly net LTS ratios derived from the eight consolidated Reports of Condition and Income filed during the period from June 30, 2012, through March 31, 2014.

Changes in loan and share amounts were analyzed to assess fluctuations in the net LTS ratios. The Credit Union's LTS ratio had a high of 54.0 percent on September 30, 2012 and low of 49.9 percent on March 31, 2014. The decrease in the Credit Union's LTS ratios reflects a growth in net loans of approximately 6.0 percent over the past 8 quarters, while shares increased at slightly higher percentage during this same timeframe by approximately 13.0 percent. Not represented in the Credit Union's LTS ratio during the period reviewed are loans sold on the secondary market. The loans sold on the secondary market compensate for the low loan to share ratio. As of March 2014, Naveo Credit Union sold 139 loans totaling almost \$36,184,939.

The Credit Union's average net LTS ratio was compared to the average net LTS ratios of two locally-based, similarly situated institutions utilizing the period of June 30, 2012 to March 31, 2014. Each institution is headquartered in the Boston-Cambridge-Quincy, MA-NH MSA/CBSA #14460, had similar loan product distribution, and was similar in asset size. The Credit Union's LTS ratio ranked third when compared to the other two similarly situated institutions.

<b>Institution</b>	<b>Average Net LTS Ratio</b>	<b>Assets at 3/31/2014</b>
St Jeans Credit Union	66.7%	\$154,030,697
River Works Credit Union	78.3%	\$100,506,247
Naveo Credit Union	51.9%	\$114,142,524

*\*as of March 31, 2014: Source: Call Report Data.*

Based on the Credit Union's capacity to lend, the capacity of other similarly situated credit unions, the type of loans available, and the lending opportunities available to its membership, the loan to share ratio of the Credit Union meets the standards for satisfactory performance.

## 2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Credit Union is meeting the credit needs within its assessment area by determining the amount of lending conducted within the assessment area. Table 4 illustrates the Credit Union's record of originating home mortgage loans inside and outside the assessment area during the evaluation period.

<b>Table 4 Distribution of Loans Inside and Outside of Assessment Area</b>										
<b>Loan Type</b>	<b>Number Loans</b>					<b>Dollar Volume ('000's)</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total #</b>	<b>Inside</b>		<b>Outside</b>		<b>Total \$</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>2012 HMDA</b>										
Home Purchase	3	20.0	12	80.0	15	1,085	28.1	2,773	71.9	3,858
Home Improvement	16	32.0	34	68.0	50	1,919	67.4	930	32.6	2,849
Refinance	51	61.4	32	38.5	83	11,740	62.1	7,155	37.9	18,895
<b>2012 Total</b>	<b>70</b>	<b>47.3</b>	<b>78</b>	<b>52.7</b>	<b>148</b>	<b>14,744</b>	<b>62.8</b>	<b>10,858</b>	<b>42.4</b>	<b>25,602</b>
<b>2013 HMDA</b>										
Home Purchase	2	13.3	13	86.7	15	565	14.8	3,258	85.2	3,823
Home Improvement	15	34.1	29	65.9	44	1,104	67.7	526	32.3	1,630
Refinance	34	58.6	24	41.4	58	8,660	63.1	5,062	36.9	13,722
<b>2013 Total</b>	<b>51</b>	<b>43.5</b>	<b>66</b>	<b>56.4</b>	<b>117</b>	<b>10,329</b>	<b>53.8</b>	<b>8,846</b>	<b>46.2</b>	<b>19,175</b>
<b>1<sup>st</sup> Qtr 2014 HMDA</b>										
Home Purchase	2	50.0	2	50.0	4	748	58.1	540	41.9	1,288
Home Improvement	3	37.5	5	62.5	8	79	64.2	44	3.8	123
Refinance	4	80.0	1	20.0	5	858	78.1	240	21.9	1,098
<b>2014 Total</b>	<b>9</b>	<b>53.0</b>	<b>8</b>	<b>47.0</b>	<b>17</b>	<b>1,685</b>	<b>67.2</b>	<b>824</b>	<b>32.8</b>	<b>2,509</b>
<b>Grand Total</b>	<b>130</b>	<b>46.0</b>	<b>152</b>	<b>54.0</b>	<b>282</b>	<b>26,758</b>	<b>56.6</b>	<b>20,528</b>	<b>43.4</b>	<b>47,286</b>

Source: 2012, 2013, & 1<sup>st</sup> Qtr 2014 Credit Union HMDA LARs.

Overall, less than a majority of the Credit Union's residential loans, by number were inside the designated assessment area. As show in Table 4, the Credit Union made 46.0 percent of its total loans by number, and 56.6 percent, by dollar amount, inside the assessment area.

Home mortgage refinances were the highest volume of loans by loan purpose for each year. From 2012 to 2013, the overall loan volume decreased, as well as the percentage of home mortgage loans in the assessment area. Management indicated this was primarily due to several performance context factors which are further explained below.

The low percentage of lending inside the assessment area can be primarily due to the Credit Union's current membership requirements. The membership requirements expand the lending footprint to other cities and towns outside the assessment area. The cities and town outside the assessment area that experienced loan growth include the municipalities of Billerica, Hopkinton, Woburn, Melrose, Stoneham, Everett, Belmont, Lexington, Waltham, Watertown, Newton, Natick, and Holliston.

Another factor that contributes to the low level of lending inside the assessment area is due to the fact that the housing prices in the assessment area's towns of Cambridge Somerville and Medford have increased significantly over the last few years as noted in the "Description of the

Assessment Area” section. Management explained the Credit Union’s members have moved to other communities outside the assessment area where home values are lower and more affordable. The members have maintained lending relationships with the Credit Union despite relocating to other communities.

The percentage of lending has decreased from the previous CRA Evaluation of 54.0 percent to an overall 46.0 percent. The Credit Union’s demonstrates strength in addressing the needs of the assessment area through community development services and investments.

Management continues to monitor the lending within the assessment area and provide outreach and future marketing initiatives. Overall, the lending inside the assessment area does not meet the standards for satisfactory performance.

### 3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans by borrower income was reviewed to determine the extent to which the Credit Union addressed the credit needs of its residents within the assessment area during the review period. 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’s distribution of residential loans by borrowers’ reported income for 2012 was compared to 2012 HMDA aggregate lending data. Additionally, borrowers’ reported incomes were compared to demographic data for the 2010 Census.

<b>Table 5 – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Income Level</b>	<b>% of Total Families</b>	<b>2012 Aggregate Lending Data (% of #)</b>	<b>2012 Credit Union</b>		<b>2013 Credit Union</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	22.3	5.4	6	8.5	12	19.2
<b>Moderate</b>	16.3	18.6	24	34.3	11	28.8
<b>Middle</b>	21.6	26.8	20	28.6	13	27.4
<b>Upper</b>	39.8	36.8	19	27.1	15	23.3
<b>NA</b>	0.0	12.4	1	1.4	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data, 2012 and 2013 Credit Union HMDA Data, and 2012 Aggregate HMDA Data*

The Credit Union achieved a good penetration of residential mortgages among borrowers of different incomes based on the area’s demographic characteristics and the performance of the aggregate. The above table shows the distribution of the Credit Union’s residential mortgage loans originated during the calendar year of 2012 and 2013 among the assessment area’s low-, moderate-, middle- and upper- income families. The Credit Union outperformed the aggregate lending figures to low- and moderate-income borrowers in 2012. The trend into 2013 demonstrates an overall decrease in lending volume which impacted the moderate income category with a decrease in lending in this category. However, loans to low-income borrowers doubled in 2013. Management indicated the overall loan volume decrease is indicative of the

economy and competition in the assessment area.

Naveo Credit Union offers an array of home mortgage loan programs to address the credit needs of the assessment area. The options include traditional fixed and adjustable rate home mortgage loans and home equity loans and lines of credit. The Credit Union offers more flexible lending products that address the needs of the assessment area’s low and moderate-income borrowers and include the MassHousing loan programs, first time homebuyer programs and the Mass Save Heat Loan.

#### 4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess how well the Credit Union is addressing the credit needs throughout the assessment area. The geographic distribution of loans reflects good dispersion throughout the assessment area based on the area’s demographics, aggregate lending, and the institution’s size and product offering.

The Credit Union’s distribution of residential loans by census tract income level for 2012 was compared to 2012 HMDA aggregate lending data. Additionally, the distributions of the census tract income levels were compared to demographic data for the 2010 Census. Refer to the table below for the distribution of residential loans among the census tract income geographies.

<b>Table 6– Distribution of Home Mortgage Loans by Census Tract Income Level</b>						
<b>Census Tract Income Level</b>	<b>% of Total Owner-Occupied Housing Units</b>	<b>2012 Aggregate Lending Data (% of #)</b>	<b>2012 Credit Union</b>		<b>2013 Credit Union</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	7.8	8.0	9	12.9	8	15.7
<b>Moderate</b>	28.5	27.9	27	38.6	22	43.1
<b>Middle</b>	45.9	47.8	32	45.7	21	41.2
<b>Upper</b>	17.7	16.3	2	2.9	0	0.0
<b>NA</b>	0.0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>70</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>

*Source: 2010 U.S. Census Data, 2012 and 2013 Credit Union HMDA Data, and 2012 Aggregate HMDA Data*

A majority of the Credit Union’s loans were to middle- income census tracts in 2012 followed by moderate-income census tracts which make up the second largest concentration of loans.

The Credit Union outperformed the aggregate in lending to low-income areas. The Credit Union’s performance in low-income tracts increased from 12.9 percent in 2012 to 15.7 percent in 2013. This figure is notable given the Credit Union’s lack of branch presence in low-income geographies and considering that 7.8 percent of owner-occupied housing units are in low-income census. The performance is mitigated by the relatively low volume and the fact this review does not include the majority of the Credit Union’s originations.

The Credit Union made 38.6 percent of loans to borrowers in moderate-income tracts in 2012, which outperformed the aggregate lending figure and the demographics. In 2013, the Credit Union originated increased their percentage of lending in the moderate-income tract to 43.1 percent.

## **5. RESPONSE TO CRA COMPLAINTS AND COMPLIANCE WITH FAIR LENDING LAWS**

Naveo Credit Union's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. No indication of discriminatory or other illegal credit practices inconsistent with helping to meet the membership credit needs were identified during the evaluation.

A review of the public comment file indicated the Credit Union received no complaints pertaining to the institution's CRA performance since the previous examination. In addition, a review of the Credit Union's residential loan application files was conducted to check for fair lending issues. There was no disparate treatment evident in the file review.

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution's performance level is Satisfactory.

### **MINORITY APPLICATION FLOW**

According to the 2010 U.S. Census Data, the Credit Union's assessment area in 2012 contained a total population of 237,089 individuals of which 32 percent are minorities. The assessment areas racial and ethnic minority population is 11.0 percent Asian, 9.0 percent Black/African American, 7.8 Hispanic, 0.1 percent American Indian, and 4.3percent other race.

For 2012 and 2013, the Credit Union received 167 HMDA-reportable loan applications from within its assessment area. Of these applications, 22 or 13 percent were received from racial minority applicants, of which 11 or 50.0 percent resulted in originations.. For the same time period, the Credit Union received 8 applications from ethnic minorities of Hispanic origin and 7 applications were originated.

The Credit Union's level of lending was compared with the aggregate's lending performance level for 2012, the most recent year for which data was available. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Credit Union received from minority residential loan applicants.

MINORITY APPLICATION FLOW					
RACE	Credit Union 2012		Aggregate 2012	Credit Union 2013	
	Amt	%	%	Amt	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	4	4.3	7.6	3	4.1
Black/ African American	5	5.3	1.9	9	12.3
Hawaiian/Pac Isl.	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	2.1	1	1.4
<b>Total Minority</b>	<b>9</b>	<b>9.6</b>	<b>12.0</b>	<b>13</b>	<b>17.8</b>
White	67	71.3	61.6	51	70.0
Race Not Available	18	19.2	26.4	9	12.3
<b>Total</b>	<b>94</b>	<b>100.0</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	4	4.3	1.9	3	4.1
Not Hispanic or Latino	71	75.5	70.9	63	86.3
Joint (Hisp/Lat /Not Hisp/Lat)	1	1.1	0.8	0	0.0
Ethnicity Not Available	18	19.1	26.4	7	9.6
<b>Total</b>	<b>94</b>	<b>100.00</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>

Source: 2010 U.S. Census Data, 2012 and 2013 Credit Union HMDA Data, and 2012 Aggregate HMDA Data

The Credit Union's performance was below 2012 aggregate performance level for minority applicants. In 2012, the Credit Union received 9.6 percent of its applications from ethnic minorities while the aggregate was higher at 12.0 percent. In 2012, the Credit Union's racial minority application flow was more favorable at 5.4 percent while the aggregate was at 2.7 percent.

In 2013, applications from racial minority groups increased both in number and as a percentage of the total. Overall, the minority application performance is considered satisfactory. The Credit Union continues to provide outreach initiatives to reach all segments of the population.

## OPTIONAL EVALUATION OF INVESTMENTS AND SERVICES

The CRA regulation for small institutions provides for the review of investments and services at the institution's option. Credit Union management opted for a review of community development, investments and services. The review supports the overall CRA rating. The Credit Union has committed time and resources to partnering with organizations in the community that meet the definition of community development and are qualified for CRA purposes.

### **Employee Services**

#### ***Community Cooks***

Community Cooks is a network of volunteers offering home-cooked meals once a month to vulnerable populations seeking assistance from human service agencies in the Greater Boston area. The Credit Union supports ShortStop, a transition house for young adults in Somerville. The cooking team from the Credit Union consists of the Chief Executive Officer (CEO), Vice President (VP) of Operations & Retail, VP of Human Resources, Operations Manager, Marketing Manager, Loan Servicing Manager, IT Specialist, Operations Specialist, Branch Manager and a teller. In addition to cooking, the CEO speaks to the groups at ShortStop about the importance of banking. The presentations have had positive results where many of those in the group have opened accounts with the Credit Union.

#### ***Mass Alliance for Portuguese Speakers (MAPS)***

The organization's mission is to improve the lives of Portuguese-speaking individuals and families from Massachusetts and help them become contributing, active participants in American society while maintaining strong ethnic identity and a sense of community. The organization works with Brazilian, Cape Verdean, Portuguese and others to increase access and remove barriers to health, education, social services and community development.

MAPS offers a 12 week English speaking course for those that speak another primary language. The Credit Union has an ongoing relationship with MAPS. Members of the Credit Union are eligible to take classes at MAPS for free. A representative from the Credit Union attends MAPS events and explains the role of banking and financial services in the community. The Credit Union also provides a U.S. Citizenship assistance loan program. Due to the financial burden on those obtaining U.S. Citizenship, the Credit Union offers a \$700 loan with 0% interest for 9 months. Two members of the Credit Union's Board of Directors serve on the Board of Directors for MAPS.

In addition, the Credit Union has hosted and sponsored several of MAPS workshops at the Credit Union's branch office. The workshops advocated for stopping domestic violence. A representative from the Credit Union attended the event and spoke about elder financial abuse and scams.

#### ***Walnut Street Center, Inc.***

Walnut Street Center, Inc. is a nonprofit, human service agency that provides comprehensive support services to adults who have developmental disabilities and their families. Walnut Street Center's community-based services include day and employment training programs, residential and respite programs, social service and clinical supports and specialized services including assisted living, Alzheimer's and day habilitation programs.

The agency was founded in 1970 by parents who wanted supports for their children, and other adults who had similar needs, in their community. Walnut Street Center now provides services to people who live in the communities of Somerville, Cambridge and Arlington, Massachusetts.

The Mission of the Walnut Street Center is to provide adults, with development disabilities, with opportunities to live engaged and meaningful lives. The agency accomplishes this mission by offering a variety of support services that provide opportunities to live, work, volunteer and socialize in the community. The Walnut Street Center is currently developing and enhancing support services to meet the changing needs of the people who are served by this agency.

For the past four years, the CEO has volunteered and supports the Special Olympics held in Somerville in conjunction with Walnut Street Center, Inc. The Credit Union also designs and produces marketing material for this organization. In addition, the Credit Union supports this organization in the form of yearly donations.

#### ***Real Solutions***

Real Solution is a national organization committed to providing basic banking services to the unbanked and underserved segment of the United States population. The CEO provides financial expertise to this organization. The CEO advocates for the awareness and challenges that are faced with numerous check cashing operations in the community.

#### ***Somerville Homeless Coalition***

The Credit Union holds an annual food drive to benefit the Somerville Homeless Coalition. Naveo Credit Union placed collection bins at both their Somerville and Cambridge branches to collect non-perishable food items to benefit the Somerville Homeless Coalition (SHC) this past winter. In 2013, CPCU scheduled the collection to end right before Thanksgiving to ensure the food pantry was properly equipped for the holiday.

#### ***Kiwanis Club of Somerville***

The Kiwanis Club promotes the development of youth through education and community involvement. The Credit Union's CEO is the President of the Kiwanis Club of Somerville and a Board Member of the Credit Union volunteers with the Kiwanis Club.

#### **Educational Seminars**

During the examination period, the Credit Union sponsored and participated in First Time Homebuyers Seminars. Topics discussed included borrower qualifications, the pre-qualification process, private mortgage insurance, products offered, and the legal process. The Credit Union furnished mortgage application packages to all interested attendees.

The Credit Union sponsored and participated in Tools for Buying Your Next Car. Credit Union members were advised on how to purchase a vehicle, from research through the actual purchase from the auto dealership. Some of the topics discussed were purchasing a vehicle versus leasing a vehicle and budgeting issues.

## **Investments**

A qualified investment for the purposes of this CRA evaluation is a lawful investment deposit, membership share or grant that has community development as its primary purpose. During the examination timeframe the Credit Union's granted a total of \$105,736 in donations of which \$76,620 or 72.4 percent were considered qualified donations granted to organizations that qualify as community development. Many of these organizations the Credit Union supports financially are also supported by community service involvement. The CEO of the Credit Union has the philosophy of establishing partnerships with organizations that provide value to the community to create the greatest positive impact. The organizations are highlighted below:

### **Door to Door Transportation/SCM Transportation**

Door to Door Transportation is a not-for-profit organization that focuses primarily on assisting senior citizens and persons with disabilities with transportation to and from doctor's appointments, food shopping, to visit families, and other events. Door2Door's transportation programs help these neighbors maintain healthy, mobile and connected lives. Naveo Credit Union is a partner with Door to Door Transportation. On a yearly basis, the Credit Union donates funds to help run this program. Most recently, the Credit Union has helped fund upgrades to the van.

### **Somerville Homeless Coalition**

The mission of the Somerville Homeless Coalition is to provide homeless and near homeless individuals and families with individualized supportive services and tailored housing solutions with a goal of obtaining and maintaining affordable housing. In addition to the Credit Union's community development services, the Credit Union provides support to this organization in the form of donations.

### **Scholarships**

On a yearly basis, the Credit Union grants four \$1,000 scholarships to members that apply. Scholarships are granted based on academic performance, financial need and community involvement.

The Credit Union provides funds for families who cannot afford to send their child to school at The Portuguese School of Cambridge and Somerville. The philosophy of the Portuguese School is to make it possible for each child to learn the Portuguese language including culture and custom.

### **The Credit Union Community Hope Initiative**

This initiative is being undertaken by Massachusetts credit unions to improve the quality of life for low- and moderate-income families. The Initiative focuses on the financial needs of low- and moderate-income Massachusetts families to find and maintain affordable and permanent homes. The Credit Union has donated funds toward this initiative.

### **Somerville Boys and Girls Club**

The mission of the Boys and Girls Club is to inspire youth and to enable all you to be responsible, caring and productive citizens. During the exam period, the Credit Union donated indoor gym equipment towards the Boys and Girls Club in Somerville.

## **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 493 Somerville Ave, Somerville, MA 02118

- 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.