

PUBLIC DISCLOSURE

JUNE 4, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PREMIER SOURCE CREDIT UNION

232 NORTH MAIN STREET
EAST LONGMEADOW , MA 01028

DIVISION OF BANKS
1000 WASHINGTON STREET
BOSTON, MA 02118

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Massachusetts Division of Banks (“Division”) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **PREMIER SOURCE CREDIT UNION (or the “Credit Union”)** prepared by the Division, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

Based on the Small Institution CRA evaluation procedures specified for institutions with assets under \$250 million, adjusted annually, Premier Source Credit Union's overall CRA performance is considered satisfactory. The rating of this institution is established upon a review of the Performance Criteria as detailed in this public evaluation.

The Credit Union's net loan-to-share ratio for the previous eight quarters is reasonable given the Credit Union's size, financial condition, and the credit needs of its assessment area.

A vast majority of the Credit Union's lending activity was within the assessment area.

The Credit Union demonstrates a reasonable level of lending to members of different income levels.

The geographic distribution of the Credit Union's loans equity loans reflects a reasonable dispersion throughout the assessment area.

Fair lending policies and practices are considered satisfactory. No weight was given to complaints, as none have been received by the Credit Union since the prior examination.

PERFORMANCE CONTEXT

Description of Institution

Premier Source Credit Union, formerly Kelko Credit Union, was founded in 1941 for employees of the Kellogg Envelope Company. On January 1, 2004 Kelko Credit Union became Premier Source Credit Union, its current name. On February 24, 2006 Premier Source Credit Union became a community-based credit union, serving individuals that live, work or attend school in Hampden and Hampshire counties.

In October of 2006, Embeco Credit Union of Hasbro merged into Premier Source Credit Union. Subsequent to the merger, in May of 2007, the Credit Union's main office was moved to a new facility in East Longmeadow that also houses its back room operations.

In January 2008 Premier Source Credit Union relocated its 450 Cottage Street, Springfield office, which was the former main office, to 254 Cottage Street, Springfield. This office now remains a branch location.

In May 2009, the Credit Union closed its Callaway Office in Chicopee, the Springfield College Office and the Western New England College Office. These offices were experiencing less lobby traffic since the Credit Union brought in On-Line services including Bill Payer and live ATM/Debit card transactions to the list of products and services offered to its members. In 2010 the Credit Union added Overdraft Line of Credit and Courtesy Pay services to its members.

The main office is located at 232 North Main Street, East Longmeadow, an upper-income census tract. Business hours are from 8:30 a.m. to 5:00 p.m., Monday through Wednesday, with extended hours on Thursdays and Fridays until 6:00 p.m. and Saturdays 9:00 a.m. to noon. The drive through window opens every day one half hour prior to the office opening. The Cottage Street office located in Springfield, a middle-income census tract, is open Monday through Friday 9:00 a.m. to 4:00 p.m. with extended hours till 6:00 p.m. on Thursdays. The Hasbro office located on Shaker Road in East Longmeadow, an upper-income census tract, is open Fridays only from 9:00 a.m. to noon and 1:00 p.m. to 3:30 p.m. The main office has an ATM and the Hasbro building has a free standing ATM and the Callaway location, formally the world headquarters of Spalding Co., also has a free standing ATM.

Some of the services and products the Credit Union offers are: share savings accounts, share checking accounts, ATM/debit cards tied to the SUM network, money market accounts, certificates of deposit, IRA accounts, auto loans, personal loans, mortgages, online banking, home equity lines of credit, and home equity loans. To better serve the Credit Union's members, additional services are offered through referrals to third parties. The services offered are first mortgages the Credit Union does not offer, insurance services and non-insured diverse investment services.

The Credit Union's asset size has increased from \$26.1 million to \$38.0 million since the previous examination conducted as of May 16, 2005. As of March 31, 2012, the Credit Union's asset size was \$38,964,000 with total gross loans of \$21,875,000 or 56.1 percent, of total assets. First mortgage equity loans and lines of credit represent the

largest portion of loans, at 58.4 percent, followed by new vehicle loans, at 15.1 percent, followed by used vehicle loans with 14.0 percent. Unsecured and other loans represent the remainder of the loan portfolio.

The following table provides additional details regarding the Credit Union's loan portfolio:

Loan Portfolio as of March 31, 2012		
Type of Loans	\$(000's)	% of Total Loans
Residential Real Estate		
Home Equity Loans/Lines of Credit	12,783	58.4
Consumer Loans		
a. New Auto Loans	3,300	15.1
b. Used Auto Loans	3,056	14.0
c. Unsecured Loans	1,878	8.6
d. All Other	858	3.9
Total	21,875	100.0

Source: NCUA Call Report (5300) 03/31/12

The Division last conducted a CRA examination of Premier Source Credit Union, as an industrial based credit union on May 16, 2005. This examination resulted in the institution receiving a "Satisfactory" CRA rating.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Office of Management and Budget establishes Metropolitan Statistical Areas (MSAs) for statistical reporting purposes by federal agencies. The Credit Union's assessment area contains all the cities and towns in Hampden and Hampshire Counties.

The assessment area contains 124 census tracts. Of those tracts, 17, or 13.7 percent, are low-income; 20, or 16.1 percent, are moderate-income; and 54, or 43.6 percent, are middle-income, 32 or 25.8 percent are upper-income census tracts and 1 or 0.8 track is designated N/A.

The following data provides demographic information pertaining to the Credit Union's assessment area. According to 2000 US Census data, the assessment area contains 244,520 housing units, of which 144,891, or 59.3 percent, are owner-occupied; 86,388, or 35.3 percent, are occupied rental units; and 13,241, or 5.4 percent, are vacant units.

Of the total housing units, 9.7 percent are located in low-income census tracts, 17.1 percent are located in moderate-income census tracts, 49.7 percent are located in middle-income census tracts and 23.5 percent are located in upper income census tracts. Based on 2000 Census data, the assessment area has a total population of 608,479 individuals, of which 150,449 are households that are families.

Of the total population, 9.4 percent reside in the assessment area's low-income census tracts, 17.9 percent in the moderate-income census tracts, 46.9 percent in the middle-income census tracts and 25.8 percent are in upper income census tracts. Of the total households, 150,449 are families and of these families, 8.3 percent are low-income, 15.7 percent are moderate-income, 49.3 percent are middle-income and 26.7 percent are upper-income families. Refer to the following table for more information:

Assessment Area Demographic Information						
Demographic Characteristics	#	% of #				
		Low	Moderate	Middle	Upper	N/A
Census Tracts	124	13.7	16.1	43.6	25.8	.8
Population by Geography	608,479	9.4	17.9	46.9	25.8	--
Owner-Occupied Housing by Geography	144,891	2.6	11.2	54.7	31.5	--
Family Distribution by Income	150,449	8.3	15.7	49.3	26.7	--
Distribution of Households by Geography	231,534	23.1	15.2	18.6	43.1	--
Median Family Income (2010)	\$67,400		Median Housing Value		\$128,225	
Median Family Income (2012)	\$69,300					
<i>Source: 2000 US Census, 2010 and 2012 HUD updated Median Family Income</i>						

The Credit Union's membership assessment area is situated within the Springfield, MA MSA. The Median Family Income ("MFI") (or area median income) was \$67,400 in 2010 and \$69,300 in 2012.

As of March 31, 2012, Premier Source Credit Union had 4,757 active members with an estimated 635,000 potential members.

Scope of the Evaluation

Premier Source Credit Union is evaluated for its CRA performance as community credit union. The Credit Union's performance is based on the analysis of five lending criteria. The lending criteria upon which this evaluation is based include: an analysis of net loans to share deposits; an analysis of loans made inside and outside of the Credit Union's assessment area; the distribution of lending among borrowers of different income levels; the geographic distribution of the loans; and the Credit Union's fair lending policies and practices and any CRA related complaints received. The evaluation period covered the calendar years 2011 and 2012.

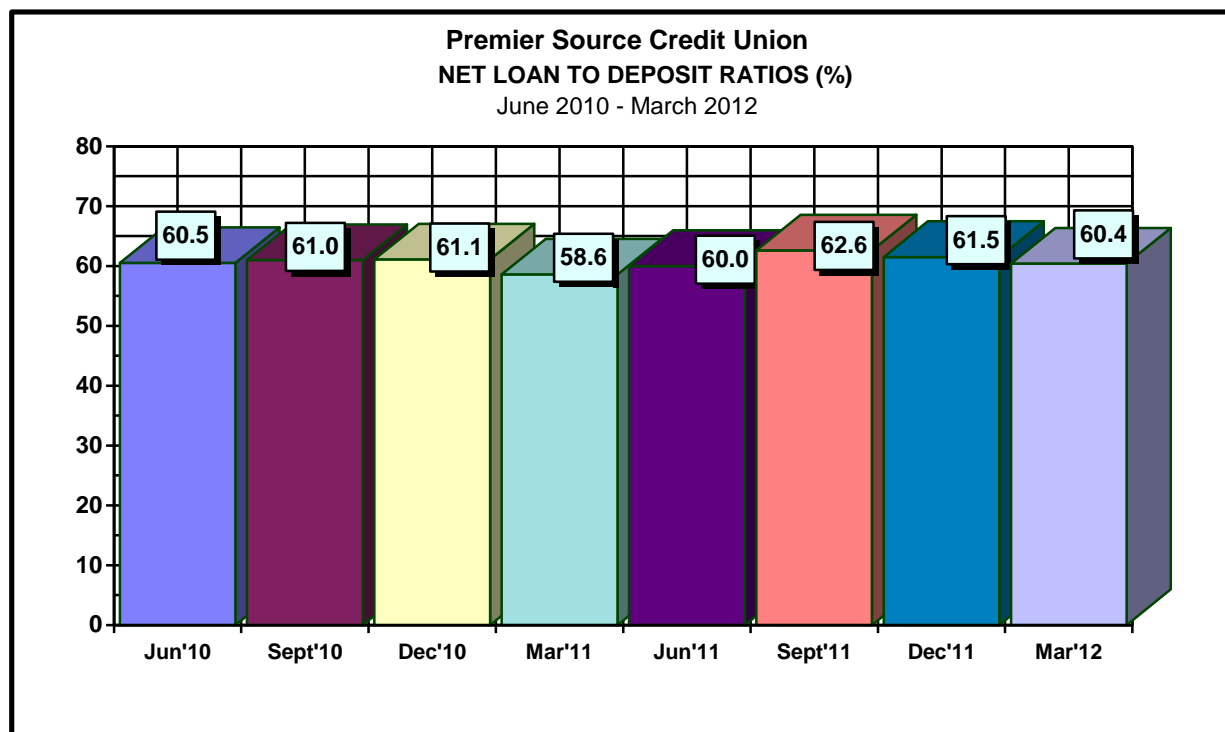
Because the Credit Union's asset size does not meet the minimum threshold, reporting of home mortgage lending data is not required under the Home Mortgage Disclosure Act. Therefore, the analysis of the Credit Union's lending was determined by selecting a random sample of the institution's loan originations in 2011 and 2012. Specifically, the analysis sampled home equity loans, since these loans represented the largest dollar volume of loans granted.

PERFORMANCE CRITERIA

1. LOAN TO SHARE (LTS) ANALYSIS

This first criterion evaluates the level and trend of the Credit Union's net LTS ratio. The average net LTS ratio is 60.7 percent for the period from June 30, 2010 through March 31, 2012. Premier Source Credit Union's performance is considered reasonable, given the institution's lending capacity. The ratio analysis is based on data reported on the Credit Union's National Credit Union Administration ("NCUA") 5300 Call Reports.

The following graph depicts the LTS ratio level and trend for the quarters reviewed.



In the twenty four months ending March 2012, the net LTS ratio fluctuated slightly and then returned to the initial level. During this period, loans declined slightly with a 2 percent decline and deposits experienced a modest growth of 2.3 percent.

The following table compares Premier Source Credit Union's net LTS ratio to four other similarly situated credit unions as of March 31, 2012. The comparison is offered as further evidence that the Credit Union's performance for this lending criterion is considered to be reasonable.

Institution	NLTS	Total Assets \$(000's)
Pioneer Valley Postal Credit Union	90.4	40,521
Premier Source Credit Union	60.4	38,964
Valleystone Credit Union	41.8	66,031

Source: NCUA Financial Performance Reports (FPR's) as of 3/21/2012

Premier Source Credit Union's average net LTS ratio of 60.7 percent is reasonable and meets the standards for a satisfactory performance under this criterion.

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. Based on a review of the sample of Home Equity Loans, a significant majority of the Credit Union's lending activity occurs within the institution's assessment area. The following table illustrates the Credit Union's record of extending residential mortgage inside and outside the assessment area by number and dollar amount over the period reviewed.

Distribution of Loans Inside and Outside of Assessment Area										
YEAR	Number Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
2010	20	100.0	0	0	20	1,184	100.0	0	0.0	\$1,184
2011	18	90.0	2	10.0	20	902	86.8	137	13.2	\$1,039
Grand Total	38	95.0	2	5.0	40	2,086	93.8	137	6.2	2,223

Source: Credit Union records for 2010 and 2011

As previously noted, this analysis is based on a random sampling of home equity loans granted in the calendar years 2010 and 2012.

As shown in the above table, of the sample of home equity loans originated during 2010 and 2011, 95.0 percent were inside the assessment area.

The Credit Union's performance under this criterion is considered good as the vast majority of residential loans by number were originated inside the assessment area.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

This performance criterion evaluates the extent to which an institution lends to borrowers of different income levels inside its membership assessment area. Premier Source Credit Union's lending distribution by borrowers' income levels is considered to be reasonable and meets the standards for a satisfactory performance.

As previously noted, this analysis is based on a random sampling of home equity loans granted in the calendar years 2010 and 2011. A sample size is determined based on the number of loans granted in each calendar year. An analysis of each borrower's income in relation to the MSA's area median income/MFI was then undertaken. The Springfield, MA MSA's MFI was \$67,400 in 2010 and \$69,300 in 2010.

Low income is defined as below 50 percent of the MSA MFI; moderate-income is between 50 percent and 79 percent of MSA MFI; middle-income is between 80 percent and 119 percent of MFI; and upper-income is 120 or more of the MSA MFI. In 2011, a low-income family earned \$35,000 or less, while a moderate-income family household earned no more than \$55,000, annually. Middle income families had incomes ranging from \$56,000 to \$82,000, while upper income family households earned \$83,000 or more, annually.

The following table details the distribution of home equity loans by borrower income levels in years ending 2010 and 2011.

Home Equity Loan Originations by Borrower Income Levels					
Income Levels	2010		2011		Families by Income Level
	#	%	#	%	
Low	3	15.0	5	27.8	8.3
Moderate	5	25.0	5	27.8	15.7
Middle	5	25.0	2	11.1	49.3
Upper	7	35.0	6	33.3	26.7
Totals	20	100.0	18	100.0	100.0

Source: Credit Union Records.

During the period reviewed and from the sample the Credit Union originated 8 equity loans in the assessment area to low-income borrowers representing 21.1 percent of total originations and 10 loans to moderate-income borrowers representing 26.3 percent. Overall, the above analysis indicates a reasonable loan distribution among all borrower income levels, including low and moderate-income borrowers.

The Credit Union's performance in lending to borrower's of different incomes meets the standards for satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of loans based on income category of census tract was reviewed to assess how well the Credit Union is addressing the credit needs throughout the assessment area. As previously mentioned, the Credit Union's assessment area contains 124 census tracts, 17 of which are low-income, 20 are moderate-income, 54 are middle-income, 32 are upper-income, and 1 is N/A.

The overall distribution of the Credit Union's residential mortgage loans reflects a adequate dispersion throughout the assessment area.

Home Equity Loan Originations by Census Tract Income Levels						
Census Tract Income Levels	Assessment Area	2010		2011		Housing Units
		#	%	#	%	
Low	13.7	1	5.0	0	0.0	9.7
Moderate	16.1	2	10.0	1	5.6	17.1
Middle	43.6	6	30.0	10	55.5	49.7
Upper	25.8	11	55.0	7	38.9	23.5
Totals	100.0	20	100.0	18	100.0	100.0

Source: Credit Union Records.

As indicated in the above table the Credit Union originated 2.6 percent of the sample of its home equity loans by number within low-income tracts during calendar years ending 2010 and 2011.

The Credit Union originated 7.9 percent of its home equity from the sample of loans taken by number within moderate-income tracts during 2010 and 2011.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Premier Source Credit Union received no CRA related complaints in the period under review. The Credit Union has an adequate record of implementing fair lending policies and practices. The following discussion of the fair lending review is based on Regulatory Bulletin 2.3-101 guidelines.

Premier Source Credit Union has a total of 20 employees; 13 full-time and 7 part-time. One part-time employee is bilingual in Portuguese. Staff training is conducted bi-monthly. Topics discussed include various consumer compliance issues, the Credit Union's policies and procedures and any policy/procedural changes. The Credit Union's two loan officers attended a three day seminar on lending in April 2012. Additionally, employees attend seminars related to their job responsibilities, as these opportunities are available.

The Credit Union's Board of Directors reviews all lending policies annually and approves any interim changes made, as needed. There are written policies for consumer loans and home equity and home improvement loans, which outline all underwriting guidelines and procedures. Any loans granted as exceptions to loan policy are reviewed by the Credit Committee and ratified by the Board of Directors.

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 local community;
- 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 232 North Main Street, East Longmeadow, MA 01028."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 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 agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.