

PUBLIC DISCLOSURE

AUGUST 5, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**WALTHAM MUNICIPAL EMPLOYEES CREDIT UNION
CERT 67838**

**177 LEXINGTON STREET
WALTHAM, MA 02452**

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

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

GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of **Waltham Municipal Employees Credit Union (or the “Credit Union”)**, prepared by the Division, the institution's supervisory agency.

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

The assessment of Waltham Municipal Employees Credit Union’s record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates.

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. This evaluation was based upon an analysis of the Credit Union’s performance in providing loans to its membership; providing loans to individuals of various incomes, including low to moderate-income members; and the Credit Union’s fair lending performance.

The Credit Union’s average net loan-to-share ratio for the period was calculated at 25.0 percent, an adequate performance at this time.

The distribution of loans to members of different income levels is considered satisfactory and is representative of its membership.

The Review of Complaints and the Fair Lending Section indicates the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Waltham Municipal Employees Credit Union was formed in 1949 by a group of city workers after being denied membership in another credit union. The Credit Union is organized solely for the promotion of thrift among its members and by the accumulation of their savings in small amounts and the loaning of such accumulations to its members for provident purposes. Membership is limited to those who are employees of the City of Waltham who are members of the Waltham Contributory Retirement System, permanent employees of the Waltham Housing Authority and former employees who are drawing a retirement pension, employees of the Credit Union, spouses of deceased members who are receiving a pension from the City, except that persons not so eligible to membership may have joint accounts with members of the Credit Union for the purpose of deposit and withdrawal.

The Credit Union has one office located at 177 Lexington Street in Waltham. Office hours are Monday and Friday, 11:00 a.m. to 12: 30 p.m. and Tuesday through Thursday, 11:00 a.m. to 4:00 p.m. The Credit Union is closed Monday and Friday during the month of August. The Credit Union offers a variety of products to its members: new and used vehicle loans, unsecured loans and lines of credit, boat loans and second mortgage loans.

The Credit Union was last examined for compliance with CRA on August 16, 2007. The examination resulted in a CRA rating of Satisfactory. The Credit Union's assets have increased from \$7.5 million to \$8.2 million (9.1 percent) since the previous examination.

As of June 30, 2013, the Credit Union's asset size was \$8,220,847 with total loans of \$1,542,853 or 18.8 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 23.2 percent.

The Credit Union's primary loan base is comprised of all other unsecured loans/lines of credit representing the largest portion of loans with 41.4 percent followed by new vehicle loans at 37.1 percent; used vehicle loans at 11.6 percent and total other loans/lines of credit at 9.9 percent. Table 1 details the Credit Union's loan portfolio:

Table 1 - Waltham Municipal Employees Credit Union Loan Portfolio Distribution		
Loan Type	Dollar Volume	% of Total Loans
All Other Unsecured Loans/Lines of Credit	\$638,134	41.4
New Vehicle Loans	\$572,080	37.1
Used Vehicle Loans	\$178,962	11.6
Total All Other Real Estate Loans/Lines of Credit	\$153,677	9.9
Total	\$1,542,853	100.0

Source: 5300 Report, Statement of Financial Condition as of June 30, 2013

There appear to be no significant financial or legal impediments which would limit the Credit Union's ability to help meet the credit needs of its membership.

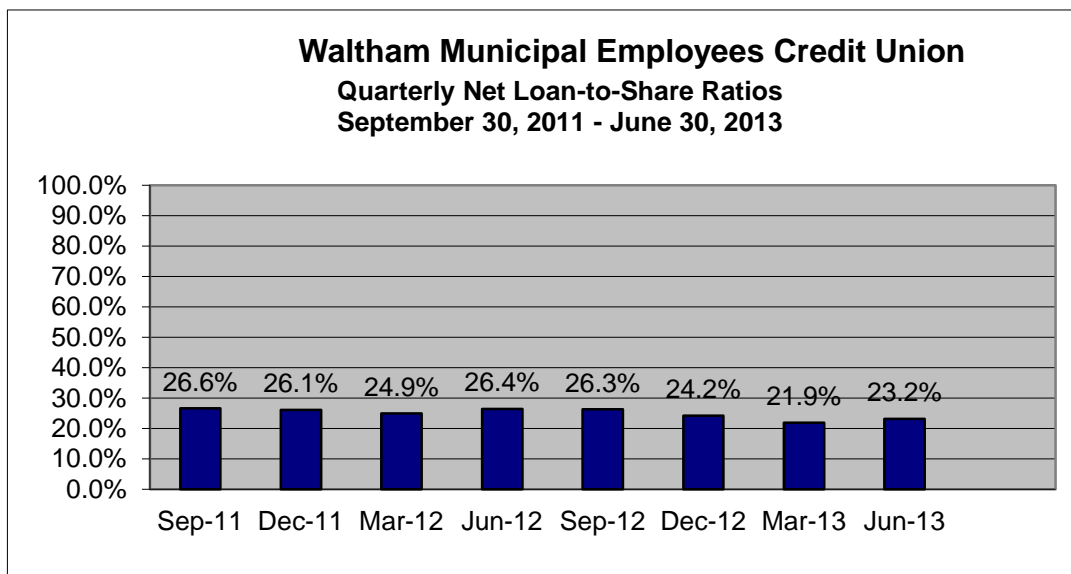
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41(8), the Credit Union defines its membership as its assessment area. As of June 30, 2013, the Credit Union has 938 members.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

A comparative analysis of Waltham Municipal Employees Credit Union's last eight quarterly net loan-to-share (LTS) ratios for the period of September 30, 2011 through June 30, 2013, was conducted during this examination. The analysis was conducted to determine the extent of the Credit Union's lending compared to shares received from its membership. Using the National Credit Union Administration (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 25.0 percent. This ratio is based on loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total shares. The following graph is provided for further analysis.



As shown in the graph above, the Credit Union's net loan-to-share ratio has fluctuated from a high of 26.6 percent on September 30, 2011 to a low of 21.9 percent on March 31, 2013. During this time period, net loans have decreased \$115,079 or 7.0 percent, shares have increased \$408,942 or 6.6 percent and assets have increased 4.4 percent or \$347,249. This is consistent with the current economic trends and does not negatively reflect upon the Credit Union's performance. In 2013, the Credit Union offered special interest rates for new car and personal loans resulting in the increase in the loan-to-share ratio.

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

Table 2		
Peer Group Net Loan-to-Share Comparison		
Credit Union Name	Total Assets as of 6/30/13	Average Net LTS Ratio 9/30/11 – 6/30/13
Revere Firefighters Credit Union	5,997,648	15.4
Waltham Municipal Employees Credit Union	8,220,847	25.0
Newton Municipal Credit Union	10,948,913	18.6

Source: NCUA 5300 Statement of Financial Condition as of June 30, 2013

As shown in Table 2, the two other credit unions' average quarterly net LTS ratios were 15.4 percent and 18.6 percent. At 25.0 percent, the Credit Union's average LTS is higher than both of the other similarly situated institutions.

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

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

A sample of the Credit Union's consumer loan data from January 1, 2011 through December 31, 2012 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan sample consisted of unsecured loans and automobile loans. 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 for the Cambridge-Newton-Framingham MSA for 2011 and 2012 which was \$105,000 and \$106,400, respectively.

The four income categories that define the income level of borrowers include low, moderate, middle and upper-income. The analysis of borrower income level was identified as the ratio of borrower income to the Median Family Income for the MSA.

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.

A review of 25 loans for 2011 and 25 loans for 2012 was conducted to determine the borrower's income level. Refer to Table 3 for the distribution of loans by borrower income.

Median Family Income Level	2011 Credit Union		2012 Credit Union		Families
	#	%	#	%	
Low	2	8.0	3	12.0	19.3
Moderate	6	24.0	7	28.0	18.3
Middle	12	48.0	9	36.0	22.7
Upper	5	20.0	6	24.0	39.7
Total	25	100.0	25	100.0	100.0

Source: Credit Union's 2011 and 2012 Internal Records

In 2011 and 2012, the majority of the sampled loans were to borrowers in the middle-income category. In 2011, 68 percent of the sampled loans were to middle- and upper-income borrowers. This is not unexpected as it is consistent with the demographic information for families in the general geographic area. Of the 25 loans sampled for 2012, the Credit Union increased loans to both low and moderate-income borrowers. The Credit Union's loan originations better approximated the distribution of families as reflected in the above chart. The 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 an adequate level of performance in providing loans to borrowers of different incomes and meets the standards for satisfactory performance.

3. REVIEW OF 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 that 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 violations of the anti-discrimination laws and regulations were identified.

The Credit Union does have a written Fair Lending Policy.

The Credit Union has a second review for denied loan applications. All denied loans are reviewed by the Credit Committee. The Credit Committee consists of three Board Members.

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 177 Lexington Street, Waltham, MA 02452
- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing.

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.