

PUBLIC DISCLOSURE

APRIL 11, 2016

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**WORCESTER FIRE DEPARTMENT CREDIT UNION
CERT #67683**

**34 GLENNIE STREET
WORCESTER, MA 01605**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

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 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 **WORCESTER FIRE DEPARTMENT CREDIT UNION (the “Credit Union”)**, prepared by the Division, the institution’s supervisory agency as of April 11, 2016.

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 assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

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 loan-to-share (“LTS”) ratio (32.9 percent) is reasonable given the institution’s size, financial condition, product offerings, and membership credit needs.
- The distribution of loans to members of different income levels is reasonable considering the size and nature of the Credit Union.
- The review of complaints and the fair lending section indicated the Credit Union has made reasonable efforts in attracting and servicing all applicants within its membership.

PERFORMANCE CONTEXT

Description of Institution

Established in 1937, Worcester Fire Department Credit Union is a Massachusetts state-chartered industrial credit union. The Credit Union's main office is located at 34 Glennie Street in Worcester, Massachusetts. The Credit Union's membership is limited to current or former members of the Worcester Firefighters Union and their families. The Credit Union defines family members as spouses, children, grandchildren, parents and siblings. The Credit Union offers a small variety of products and services to its members. These include: first and second mortgages, new and used vehicle loans, home equity loans, recreational vehicle and commercial vehicle loans, fixed-rate credit cards, checking accounts, wire transfers, and share accounts. The Credit Union refers its 30-year fixed rate mortgages to Allanach Mortgage.

As of December 31, 2015, the Credit Union's asset size was \$33,391,959 with total loans of \$9,867,976 or 25.4 percent of total assets. The Credit Union's net-loan-to-share ratio, as of the same date, was 29.3 percent. The Credit Union was last examined for compliance with CRA on April 15, 2008. The examination resulted in a CRA rating of High Satisfactory. The Credit Union's assets have increased from \$26.2 million to \$33.4 million since the previous examination due to an expansion in membership criteria to include Credit Union members' families.

The Credit Union's primary loan base is comprised of first mortgage real estate loans/lines of credit at \$3,791,117 or 38.4 percent, followed by new vehicle loans at 18.2 percent and unsecured credit card loans at 13.1 percent. Table 1 provides the loan portfolio distribution as of December 31, 2015.

Table 1 - Loan Portfolio Distribution as of December 30, 2015		
Loan Type	Dollar Volume	Percentage of Total Loans
Unsecured Credit Card Loans	\$1,294,517	13.1%
All Other Unsecured Loans/Lines of Credit	\$1,053,454	10.7%
New Vehicle Loans	\$1,799,667	18.2%
Used Vehicle Loans	\$880,425	8.9%
Total 1 st Mortgage Real Estate Loans/Lines of Credit	\$3,791,117	38.4%
Total Other Real Estate Loans/Lines of Credit	\$697,758	7.1%
Total All Other Loans/Lines of Credit	\$351,038	3.6%
Total	\$9,867,976	100.0%

Source: 5300 Report, Statement of Financial Condition as of December 30, 2015

Competition near the Credit Union includes a variety of credit unions, loan companies, mortgage companies and both large and small national, regional and community based banks. Given its asset size, Worcester Fire Department Credit Union has been successful in helping to meet the credit needs of its assessment

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

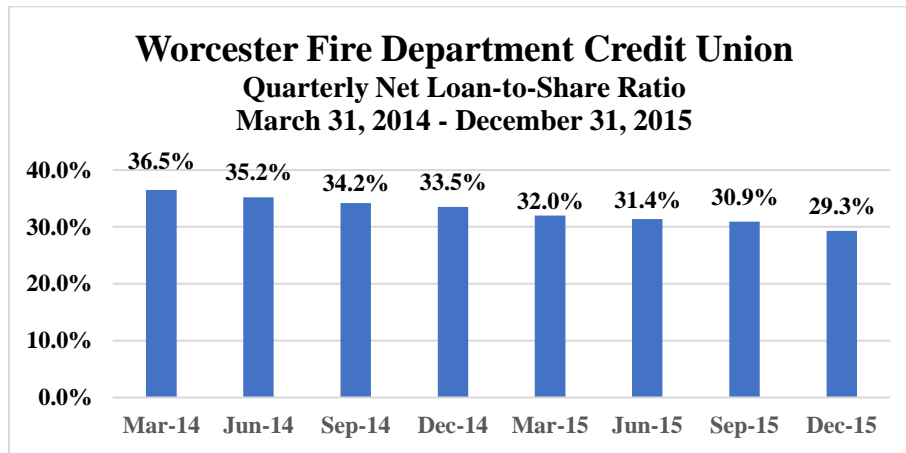
Description of Assessment Area

In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws, membership is limited to current or former members of the Worcester Firefighters Union and their families. The Credit Union defines family members as spouses, children, grandchildren, parents and siblings.

PERFORMANCE CRITERIA

LOAN-TO-SHARE (LTS) ANALYSIS

A comparative analysis of the Credit Union's last eight quarterly net loan-to-share ratios for the period of March 31, 2014 through December 31, 2015 was conducted during the 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's (NCUA) quarterly Call Reports, the average net loan-to-share ratio for this period was 32.9 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 chart is provided for further analysis.



Source: NCUA 5300 Quarterly Call Reports

As shown in the chart above, the Credit Union's net loan-to-share ratio slightly decreased over the review period, ranging from 36.5 percent as of March 31, 2014 to 29.3 percent as of December 30, 2015. During this period, net loans have decreased \$2,760,149 or 22.0 percent, while shares have decreased \$993,468 or 2.9 percent. Additionally, the Credit Union does not keep its referred 30-year loans in its portfolio, thereby reducing total loans. The Credit Union's slight decline in LTS ratio is attributed to annual variation in loan intake. The Credit Union's loan-to-share ratio is reasonable.

DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's real estate loan data from January 1, 2014 through December 31, 2015 was analyzed in order to determine the distribution of credit based upon the income level of borrowers. The loan universe consisted of all eight first and second mortgages originated by the Credit Union in 2014 and 2015. 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 2014 and 2015 for the Worcester MSA, which was \$77,900 and \$81,500 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 the income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as the income level or area that earns 50-79 percent of the MSA's median family income. Middle-income is defined as the income level or area that earns 80-119 percent of the MSA's median family income, while upper-income is defined as the income level that is equal to or greater than 120 percent of the MSA's median family income.

The universe of loans for 2014 and 2015 was reviewed to determine the borrower's income level. Refer to Table 2 for the distribution of loans by borrower income.

Median Family Income Level	2014 Credit Union		2015 Credit Union	
	#	%	#	%
Low	0	0.0	0	0.0
Moderate	0	0.0	0	0.0
Middle	2	66.7	2	40.0
Upper	1	33.3	3	60.0
Total	3	100.0	5	100.0

Source: Credit Union's 2014 and 2015 internal records

In 2014, the Credit Union originated 2 loans to middle-income borrowers and 1 loan to an upper-income borrower. In 2015, the Credit Union originated 2 loans to middle-income borrowers and 3 loans to upper-income borrowers. All eight of the Credit Union's mortgage applications were from Worcester firefighters, whose salaries already put them in a middle- or upper-income level. Therefore, there is limited potential to lend to low- and moderate-income borrowers. Based on the analysis of borrower income and considering the aforementioned contextual factors, the Credit Union demonstrates a reasonable level of performance in providing loans to borrowers of different incomes.

REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES 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 has a written Fair Lending Policy.

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 34 Glennie Street, Worcester, MA 01605."

- 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.