

PUBLIC DISCLOSURE

June 10, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Credit Union of the Berkshires
Certificate Number: 67758

744 Williams St
Pittsfield, MA

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

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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.

INSTITUTION RATING

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the Credit Union of the Berkshires (Credit Union) prepared by the Division of Banks, the institution's supervisory agency, as of June 10, 2019. The Division of Banks rates the CRA performance of the Credit Union as per the provisions set forth in 209 CMR 46.00.

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 and in low- and moderate-income geographies, in a manner consistent with its resources and capabilities.

The following items summarize the Credit Union's performance.

- The average loan-to-share (LTS) ratio is reasonable.
- The Credit Union made a substantial majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

SCOPE OF EVALUATION

General Information

The Credit Union's prior evaluation was performed on September 5, 2013. This evaluation covers lending activity from January 1, 2017 to the current evaluation dated June 10, 2019. Examiners used the Interagency Small Institution Examination Procedures to evaluate the Credit Union of the Berkshire's CRA performance. A "Small Institution" is an institution that, as of December 31 of both the two prior calendar years, had assets of less than \$321 million. The Small Institution evaluation includes an analysis of five performance criteria: (1) loan-to-share ratio, (2) assessment area concentration, (3) geographic distribution, (4) borrower distribution, and (5) response to written complaints.

Loan Products Reviewed

The Credit Union's primary lending focus is consumer lending. Examiners considered the Credit Union's lending activity during the evaluation period, the composition of the loan portfolio, and discussions with management in reaching this conclusion. The CRA evaluation includes an analysis of the Credit Union's consumer loan data for 2017 and 2018.

All consumer data was derived from internal loan records. The focus is on comparisons to the area demographics. Demographic information referenced in this evaluation was obtained using the 2015 American Community Survey (ACS) data, against which 2017 and 2018 lending data is compared. Financial information was obtained from the March 31, 2019 Report of Condition and Income (Call Report).

DESCRIPTION OF INSTITUTION

Background

Credit Union of the Berkshires is a state-chartered community credit union founded in 1939. Membership is limited to those who live, work, or attend school in Berkshire County. There has been no change to the Credit Union's membership criteria since the last examination. As of March 31, 2019, the Credit Union has 1,922 members.

The Credit Union received a "Satisfactory" rating during the previous evaluation by the Division of Banks dated September 5, 2013.

Operations

The Credit Union's sole branch is located at 744 Williams Street in Pittsfield. Business hours are from 9 AM to 4:30 PM on Mondays through Fridays and from 9 AM to noon on Saturdays.

The Credit Union offers several varying products and services to its members. The Credit Union's loan products include personal loans, new and used auto loans, home equity loans, and home equity lines of credit. The Credit Union's deposit products include savings accounts, checking accounts, money market accounts, club accounts, and individual retirement accounts.

Ability and Capacity

Assets totaled approximately \$19.4 million as of the March 31, 2019 quarterly call report, including total loans of approximately \$7.0 million. Total loans have increased by 10.3 percent since the last examination dated September 5, 2013, while total assets have decreased by 17.1 percent.

The Credit Union is primarily a consumer lender by dollar volume, with a majority of the loan portfolio being unsecured by residential properties. Approximately 40.8 percent of total loans are used vehicle loans, followed by new vehicle loans at 23.1 percent and unsecured loans or lines of credit at 16.9 percent. Real estate secured loans make up 12.9 percent of the loan portfolio. The following table illustrates the current distribution of the Credit Union's loan portfolio.

Loan Portfolio Distribution as of March 31, 2019		
Loan Type	Dollar Amount (\$)	Percent of Total Loans
All Other Unsecured Loans/LOCs	1,185,198	16.9
New Vehicle Loans	1,620,718	23.1
Used Vehicle Loans	2,867,079	40.8
All Other Secured Non-Real Estate Loans/LOCs	446,012	6.3
Total Loans/LOCs Secured by 1 st Lien 1-4 Family Residential Properties	217,673	3.1
Total Loans/LOCs Secured by Junior Lien 1-4 Family Residential Properties	690,203	9.8
Total	7,026,883	100.0

Other than the Credit Union's size, examiners did not identify any financial, legal, or other impediments that affect the Credit Union's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The Credit Union designated a single assessment area within the Pittsfield, MA MSA (38340) consisting of Berkshire County. The following sections discuss demographic and economic information for the assessment area.

The census tracts reflect the following income designations according to the 2015 ACS data:

- 3 low-income tracts,
- 4 moderate-income tracts,
- 20 middle-income tracts, and
- 12 upper-income tracts.

The low-income census tracts are all located in Pittsfield. Three of the moderate-income census tracts are located in North Adams with the remaining tract being in Pittsfield. Demographic information for the assessment area is displayed in the chart below.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	7.7	10.3	51.3	30.8	0.0
Population by Geography	129,288	8.4	11.4	50.5	29.7	0.0
Housing Units by Geography	68,385	9.0	10.7	50.5	29.8	0.0
Owner-Occupied Units by Geography	37,899	3.1	10.2	55.5	31.2	0.0
Occupied Rental Units by Geography	17,341	23.9	15.9	40.3	19.9	0.0
Vacant Units by Geography	13,145	6.1	5.5	49.8	38.6	0.0
Businesses by Geography	9,389	12.9	6.6	43.1	37.4	0.0
Farms by Geography	354	2.3	4.5	48.6	44.6	0.0
Family Distribution by Income Level	33,021	21.3	17.6	20.5	40.6	0.0
Household Distribution by Income Level	55,240	25.2	15.3	17.3	42.2	0.0
Median Family Income MSA - 38340 Pittsfield, MA MSA		\$66,604	Median Housing Value			\$227,590
			Median Gross Rent			\$771
			Families Below Poverty Level			9.7%
Source: 2015 ACS Census and 2018 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

Examiners used the 2017 and 2018 FFIEC-updated median family income levels to analyze consumer loans under the Borrower Profile criterion. The following table presents low-, moderate-middle-, and upper-income categories based on the FFIEC updated median family income for both years.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Pittsfield, MA MSA Median Family Income (38340)				
2017 (\$69,000)	<\$34,500	\$34,500 to <\$55,200	\$55,200 to <\$82,800	≥\$82,800
2018 (\$68,800)	<\$34,400	\$34,400 to <\$55,040	\$55,040 to <\$82,560	≥\$82,560
Source FFIEC				

The Credit Union's assessment area consists of 129,288 individuals. Approximately 38.9 percent of families are designated as low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA

Loan-to-Share Ratio

This performance criterion determines what percentage of the Credit Union's share base is reinvested in the form of loans. This ratio is based on total loans as a percentage of total shares. The LTS ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.

The Credit Union's LTS ratio, as calculated from NCUA 5300 Quarterly Call Report data, averaged 38.8 percent over the past nine quarters from March 31, 2017 through March 31, 2019. The ratio ranged from a low of 34.5 percent as of March 31, 2017 to a high of 42.5 percent as of December 31, 2018, showing a steady increase throughout the exam period. Over the past nine quarters, total loans have increased 7.8 percent, assets have decreased 9.0 percent, and shares have decreased 7.8 percent.

Assessment Area Concentration

The Credit Union made a substantial majority of its consumer loans, both by number and dollar amount, within the assessment area. The following table captures the Credit Union's performance by both number of loans and total dollar amount for 2017 and 2018 consumer lending.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Consumer										
2017	292	96.1	12	3.9	304	2,882	95.4	139	4.6	3,021
2018	279	96.5	10	3.5	289	2,976	94.0	189	6.0	3,165
Total	571	96.3	22	3.7	593	5,858	94.7	328	5.3	6,186
Source: Evaluation Period: 1/1/2017 - 12/31/2018 Credit Union Data Due to rounding, totals may not equal 100.0										

Geographic Distribution

The geographic distribution of consumer loans reflects reasonable penetration throughout the assessment area. In 2017, lending in low-income census tracts was below the demographic comparator. The Credit Union's performance in moderate-income census tracts was also below area demographics.

In 2018, the Credit Union's lending to low-income census tracts more than tripled. The Credit Union's lending to moderate-income census tracts was stable.

Distribution of Consumer Loans by Tract Income Level					
Tract Income Level	Population by Geography	#	%	\$	%
Low					
2017	8.4	10	3.4	68,616	2.4
2018	--	35	12.5	298,469	10.0
Moderate					
2017	11.4	17	5.8	112,115	3.9
2018	--	21	7.5	159,431	5.4
Middle					
2017	50.5	211	72.3	1,997,869	69.3
2018	--	164	58.8	1,854,373	62.3
Upper					
2017	29.7	54	18.5	703,733	24.4
2018	--	59	21.1	662,943	22.3
Total					
2017	100.0	292	100.0	2,882,333	100.0
2018	--	279	100.0	2,975,216	100.0
<i>Source: Credit Union Records</i>					

Borrower Profile

The distribution of consumer loans to individuals of different income levels, including low- and moderate-income borrowers, reflects reasonable penetration. In 2017, lending to low-income borrowers trailed the demographic comparator. Lending to low-income borrowers remained stable in 2018.

The Credit Union originated 33.6 percent of its consumer loans to moderate-income borrowers in 2017. Lending to moderate-income borrowers declined but remained ahead of the demographic comparator.

Distribution of Consumer Loans by Borrower Income Level					
Borrower Income Level	% of Families by Income Level	#	%	\$	%
Low					
2017	21.3	46	15.8	346,195	12.0
2018	--	47	16.8	359,170	12.1
Moderate					
2017	17.6	98	33.6	875,122	30.4
2018	--	80	28.7	681,733	22.9
Middle					
2017	20.5	74	25.3	745,817	25.9
2018	--	71	25.4	745,503	25.1
Upper					
2017	40.6	74	25.3	915,200	31.8
2018	--	81	29.0	1,188,809	40.0
Total					
2017	100.0	292	100.0	2,882,333	100.0
2018	--	279	100.0	2,975,215	100.0
<i>Source: Credit Union Records</i>					

Response to CRA-Related Complaints

The Credit Union did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the CRA rating.

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and practices pursuant to Regulatory Bulletin 1.3-106. Based on a review of the Credit Union's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified.

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 744 Williams St., Pittsfield, MA 01201."

- 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.