

# **PUBLIC DISCLOSURE**

April 1, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Polish National Credit Union  
Charter Number: 66597

46 Main Street  
Chicopee, MA, 01020

Division of Banks  
1000 Washington St  
Boston, MA 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 concerning the safety and soundness of this financial institution.

# TABLE OF CONTENTS

Institution Rating .....	2
Scope of Evaluation .....	3
Description of Institution .....	5
Description of Assessment Area .....	7
Conclusions on Performance Criteria .....	10
Glossary .....	23

## INSTITUTION RATING

**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.

Polish National Credit Union's Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the credit union's Lending Test and Community Development Test performance.

**The Lending Test is rated Satisfactory.**

- The loan-to-share ratio (LTS) is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The credit union made a substantial majority of its home mortgage loans and small business 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 and businesses of different sizes.
- The credit union did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated High Satisfactory.**

- The credit union demonstrated good responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 10, 2013 to the current evaluation dated April 1, 2019. Examiners used the Interagency Intermediate Small Institution Credit Union Examination Procedures. An institution with this designation has assets of at least \$321 million as of December 31 of both of the prior two calendar years, and less than \$1.284 billion as of December 31 (adjusted annually) of either of the prior two calendar years. These procedures require two performance tests: the Lending Test and the Community Development Test.

The evaluation references demographic and economic information from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS), and the U.S. Bureau of Labor Statistics (BLS). Credit Union financial data reflects the December 31, 2018 Consolidated Reports of Condition and Income (Call Report).

The Lending Test considered the institution's performance according to the following criteria

- Loan-to-share ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Institutions must achieve at least a "Satisfactory" rating under each test to obtain an overall Satisfactory rating.

### **Loan Products Reviewed**

Examiners determined that the credit union's major product lines are home mortgage and small business loans. This conclusion considered the credit union's business strategy and number and dollar volume of loans originated during the evaluation period. The credit union originated significantly more home mortgage loans by both number and dollar amount than small business loans during the evaluation period. Therefore, home mortgage lending contributed more weight in assigning the overall Lending Test rating. In addition, no other loan types, such as small farm or consumer loans, represent a major product line. As a result, the evaluation does not include an analysis of these products.

Examiners reviewed all originated and purchased home mortgage loans reported on the credit union's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2017 and 2018. The LARs contain data about home purchase and home improvement loans, including refinances of

one-to-four family and multi-family properties. The credit union reported 363 originated loans totaling approximately \$57.7 million in 2017 and 538 loans totaling approximately \$75.1 million in 2018. Examiners compared the credit union's home mortgage lending performance against 2017 aggregate lending data. Additionally, the credit union's 2017 and 2018 performances were compared to 2015 ACS data.

Examiners also reviewed small business loans originated by the credit union in 2017 and 2018. These are originated commercial real estate and commercial and industrial loans with original balances of \$1.0 million or less. The credit union originated 31 small business loans totaling approximately \$5.4 million in 2017 and 26 small business loans totaling approximately \$4.4 million in 2018. Examiners compared the credit union's small business lending performance to Dun & Bradstreet (D&B) demographic data. While the credit union is not a small business reporter, 2017 aggregate small business data was also utilized to compare to credit union performance for the same year.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although this evaluation includes both the number and dollar volume of loans, examiners emphasized performance by number of loans, because the number of loans better indicates the number of individuals and businesses served.

The Community Development Test included an analysis of the credit union's qualified community development loans, investments, and services from June 10, 2013 through April 1, 2019. For the purpose of this evaluation, a community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the credit union's assessment area. A qualified investment is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. A community development service is a service that has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance.

## DESCRIPTION OF INSTITUTION

### **Background**

Polish National Credit Union is a community-based credit union incorporated in 1921. The credit union's membership is limited to individuals who live, work, or attend school in the Massachusetts counties of Hampden, Hampshire, Berkshire, or Franklin or the Connecticut counties of Hartford, Litchfield, or Tolland. Hartford, Litchfield, and Tolland counties have been added to the credit union's membership since the previous examination. As of December 31, 2018, the credit union had 24,329 members.

The credit union received a "Satisfactory" rating during the previous evaluation by the Division of Banks dated June 10, 2013. The credit union has been designated as a Low-Income Credit Union by the Division of Banks and the National Credit Union Administration. Eligibility is based on the majority of the credit union's membership qualifying as low- and moderate-income.

### **Operations**

The credit union's main branch is located at 46 Main Street in Chicopee. The credit union operates eight full-service branches. In addition to the main branch, there are branches located in Chicopee (2), Granby, Westfield, Southampton, Hampden, and Wilbraham. Since the last examination, the credit union closed a limited access branch in Springfield in 2013. In 2016, the credit union merged with Chicopee Municipal Employees Credit Union.

The credit union offers a wide variety of products and services to its members and businesses. The credit union offers loan products including home mortgage, commercial, and consumer loans, with a primary focus on residential lending. The credit union also provides various deposit services, such as checking, savings, money market accounts, certificates of deposit, and club accounts. Alternative services include online banking, mobile banking, electronic bill pay, and mobile deposits. The credit union is a member of the SUM network, and as a member, the credit union's customers can use any SUM program ATM surcharge-free.

### **Ability and Capacity**

Assets totaled approximately \$602.9 million as of the December 31, 2018 quarterly call report, including total loans of approximately \$490.3 million. Total loans and assets have increased since the last examination dated June 10, 2013. Total loans have increased by 99.0 percent and total assets have increased by 23.6 percent. Residential loans account for the largest portion of the loan portfolio at 67.9 percent. Collectively, loans secured by commercial real estate and commercial and industrial loans represent 25.1 percent of the loan portfolio. The loan portfolio distribution has shown a substantial increase in commercial lending since the last examination.

The following table shows the loan portfolio distribution as of December 31, 2018.

<b>Loan Portfolio Distribution as of December 31, 2018</b>		
<b>Loan Type</b>	<b>Dollar Amount (\$)</b>	<b>Percent of Total Loans</b>
Unsecured Credit Card Loans	188,167	0.0
All Other Unsecured Loans/LOCs	1,803,778	0.4
New Vehicle Loans	12,067,586	2.5
Used Vehicle Loans	19,899,809	4.1
All Other Secured Non-Real Estate Loans/LOCs	407,774	0.1
Total Loans/LOCs Secured by 1 <sup>st</sup> Lien 1-4 Family Residential Properties	295,625,985	60.3
Total Loans/LOCs Secured by Junior Lien 1-4 Family Residential Properties	37,209,144	7.6
All Other Real Estate Loans/LOCs	17,984	0.0
Commercial Loans/LOCs Real Estate Secured	16,806,487	3.4
Commercial Loans/LOCs Not Real Estate Secured	106,232,176	21.7
<b>Total</b>	<b>490,258,890</b>	<b>100.0</b>

Source: Credit Union records

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Polish National Credit Union designated its assessment area to include the Massachusetts counties of Hampden and Hampshire. The assessment area has changed since the previous examination, with the counties of Berkshire and Franklin having been removed.

### Economic and Demographic Data

The assessment area includes 139 census tracts in Hampden and Hampshire counties and includes the following tract income designation according to the 2015 American Community Survey (ACS) data:

- 24 low-income tracts,
- 22 moderate-income tracts,
- 43 middle-income tracts,
- 46 upper-income tracts, and
- 4 tracts with no income designation

The low-income census tracts are located in Holyoke (8) and Springfield (16). The moderate-income census tracts are located in Chicopee (6), Ludlow, Springfield (12), Ware, West Springfield, and Westfield.

Demographic information for the assessment area is displayed in the chart below.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	139	17.3	15.8	30.9	33.1	2.9
Population by Geography	628,800	14.3	15.3	31.8	35.7	2.9
Housing Units by Geography	254,960	14.1	16.0	34.5	35.2	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	36.2	46.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.4	17.9	0.3
Vacant Units by Geography	19,429	20.9	20.7	31.2	26.8	0.4
Businesses by Geography	35,634	14.3	15.3	29.5	40.0	0.9
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Household Distribution by Income Level	235,531	27.1	14.5	15.5	42.9	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$209,221
			Median Gross Rent			\$856
			Families Below Poverty Level			12.0%
<small>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2017 D&amp;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.</small>						



The 2017 FFIEC-updated median family income level is used to analyze home mortgage loans under the borrower criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the FFIEC-updated median family income of \$66,000 in 2017 in the Springfield, MA MSA.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Springfield, MA MSA Median Family Income (44140)</b>				
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
2018 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
<i>Source: FFIEC</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

The assessment area consists of 254,960 housing units with a median value of \$209,221. Of these, 57.9 percent are owner-occupied, 34.5 percent are occupied rental units, and 7.6 percent are vacant.

According to Warren Group Housing, assessment area municipalities had an average median sales price of \$215,242 from 2017 – 2018. Chester was the least expensive area, with an average median sales price of \$113,866, while Hadley had the most expensive sales price at \$335,500. Median home sales prices demonstrated a rising trend over the evaluation period, rising to an average price of \$220,218 in 2018. These factors suggest a moderately expensive housing area, which may present challenges for low- and moderate-income borrowers to obtain home purchase loans, especially with 12.0 percent of families below the poverty level.

According to 2017 D&B data, 35,634 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the credit union’s lending to the distribution of businesses by Gross Annual Revenue (GAR) level. Percentages of businesses in each GAR category in the assessment area are as follows:

- 81.8 percent have \$1 million or less
- 6.4 percent have more than \$1 million
- 11.8 percent did not report revenues

Service industries represent the largest portion of businesses at 47.2 percent; followed by retail trade at 15.2 percent; and finance, insurance, and real estate at 9.0 percent. In addition, 71.4 percent of businesses in the area employ four or fewer people, and 89.5 percent of businesses in the area operate from a single location. These particularly small businesses may use alternative financing, such as home-secured or credit card loans, to fund business operations.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the 2017 year-end unemployment rate was 3.5 percent for the state of Massachusetts compared to 4.1 percent in Hampden County and 2.6 percent in Hampshire County.

### ***Competition***

There is a high level of competition for home mortgage loans among many banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2017, 322 lenders reported 14,820 originated or purchased residential mortgage loans. Polish National Credit Union ranked 15<sup>th</sup> out of this group with a 2.2 percent market share.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties who are active in community affairs to assist in assessing the credit and community development needs of the assessment area. Information collected from these community organizations aids in determining how well local institutions respond to the needs of the community.

Examiners contacted a representative of a community development organization that serves western Massachusetts. The contact noted a need for financial institutions to offer financial literacy programs and services. The contact noted that one of the major blocks for their clients was a lack of understanding of credit. The contact suggested that an increase in financial literacy classes, especially online offerings, would prove to be a major benefit to the area. The contact also noted that financial institutions could also benefit the area by increasing consideration of alternative credit histories.

### ***Credit and Community Needs and Opportunities***

Considering information from the community contact, institution management, and demographic and economic data, examiners determined that loans for affordable housing and financial education represent the primary credit and community needs of the area. The real estate market in the area is competitive. This has led to a rise in housing prices across the assessment area. Examiners also determined that financial literacy classes, particularly those targeted towards low- and moderate-income individuals, represent a significant need in the assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### Lending Test

The credit union's overall Lending Test performance is rated Satisfactory. The Lending Test evaluates the credit union's record of helping to meet the credit needs of its assessment area by considering home mortgage and small business lending. The following sections address the credit union's performance throughout the assessment area under each Lending Test factor.

### Loan-to-Share Ratio

The average LTS ratio is more than reasonable given the credit union's size, financial condition, and the credit needs of its assessment area. The average LTS ratio is calculated from Call Report data over the past 8 quarters, from March 30, 2017 to December 31, 2018. The average LTS ratio is 91.6 percent, ranging from a low of 84.8 percent on March 30, 2017 to 101.8 on December 31, 2018. The LTS ratio has steadily risen over the last several years.

Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The credit union's average LTS ratio is similar to that of comparable institutions. Please refer to the table below.

<b>Loan-to-Share Ratio Comparison</b>		
<b>Institution</b>	<b>Total Assets as of December 31, 2018</b>	<b>Average LTS Ratio (%)</b>
Greater Springfield Credit Union	\$170,643,202	58.9
Holyoke Credit Union	\$202,796,531	92.2
Freedom Credit Union	\$477,578,498	83.5
<b>Polish National Credit Union</b>	<b>\$602,874,739</b>	<b>91.6</b>

*Source: Reports of Income and Condition 3/30/2017 through 12/31/2018*

### Assessment Area Concentration

The credit union made a substantial majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the credit union's lending inside and outside of the assessment area.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	330	90.9	33	9.1	363	47,841	82.9	9,869	17.1	57,710
2018	494	91.8	44	8.2	538	67,343	89.7	7,715	10.3	75,058
<b>Subtotal</b>	<b>824</b>	<b>91.5</b>	<b>77</b>	<b>8.5</b>	<b>901</b>	<b>115,184</b>	<b>86.8</b>	<b>17,584</b>	<b>13.2</b>	<b>132,768</b>
Small Business										
2017	28	90.3	3	9.7	31	4,950	91.4	468	8.6	5,418
2018	24	92.3	2	7.7	26	4,138	94.5	240	5.5	4,378
<b>Subtotal</b>	<b>52</b>	<b>91.2</b>	<b>5</b>	<b>8.8</b>	<b>57</b>	<b>9,088</b>	<b>92.8</b>	<b>708</b>	<b>7.2</b>	<b>9,796</b>
<b>Total</b>	<b>876</b>	<b>91.4</b>	<b>82</b>	<b>8.6</b>	<b>958</b>	<b>124,272</b>	<b>87.2</b>	<b>18,292</b>	<b>12.8</b>	<b>142,564</b>
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable penetration throughout the assessment area. The credit union’s performance in both the home mortgage and small business lending supports this conclusion. Examiners focused on the number and percentage of loans in low- and moderate-income census tracts.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the assessment area. In 2017, lending in low-income census tracts was below both the aggregate and area demographics, trailing the aggregate by 4.7 percentage points and trailing area demographics by 4.1 percentage points. In moderate-income census tracts, the credit union’s performance also trailed both the aggregate and area demographics, trailing the aggregate by 4.4 percentage points and the demographic by 3.0 percentage points.

In 2018, the credit union’s lending to low-income census tracts increased by 1.4 percentage points, trailing the demographic comparator by 2.7 percentage points. The credit union’s lending to moderate-income census tracts increased by 6.6 percentage points, leading the demographic comparator by 3.6 percentage points.

The following table demonstrates the geographic distribution of home mortgage loans.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	4.7	5.3	2	0.6	312	0.7
2018	4.7	--	10	2.0	971	1.4
<b>Moderate</b>						
2017	12.4	13.8	31	9.4	3,609	7.5
2018	12.4	--	79	16.0	8,624	12.8
<b>Middle</b>						
2017	36.2	36.9	119	36.1	15,635	32.7
2018	36.2	--	169	34.2	21,490	31.9
<b>Upper</b>						
2017	46.6	43.9	178	53.9	28,285	59.1
2018	46.6	--	236	47.8		0.0
<b>Not Available</b>						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>330</b>	<b>100.0</b>	<b>47,841</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>494</b>	<b>100.0</b>	<b>67,343</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. In 2017, lending in low-income census tracts trailed the area demographics by 10.7 percentage points. The credit union's performance in moderate-income census tracts in 2017 led the area demographics by 13.3 percentage points.

In 2018, the credit union's performance in low-income census tracts was consistent with the previous year. The credit union's performance in moderate-income census tracks did decrease, however, the level of lending was still comparable to the previous year's demographic levels. The following table illustrates the distribution of small business loans by geography income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2017	14.3	1	3.6	376	7.6
2018	--	1	4.2	175	4.2
<b>Moderate</b>					
2017	15.3	8	28.6	1,123	22.7
2018	--	3	12.5	825	19.9
<b>Middle</b>					
2017	29.5	5	17.9	484	9.8
2018	--	9	37.5	711	17.2
<b>Upper</b>					
2017	40.0	14	50.0	2,968	60.0
2018	--	11	45.8	2,427	58.6
<b>Not Available</b>					
2017	0.9	0	0.0	0	0.0
2018	--	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>4,950</b>	<b>100.0</b>
<b>2018</b>	<b>--</b>	<b>24</b>	<b>100.0</b>	<b>4,138</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>					

## **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, reasonable penetration among individuals of different income levels and businesses of different sizes. Reasonable performance in home mortgage and good performance in small business lending support this conclusion. Examiners focused primarily on the percentage, by number, of home mortgage loans extended to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1 million or less.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income, is reasonable. In 2017, lending to low-income borrowers trailed aggregate data by 2.0 percentage points. Both Credit Union and aggregate lending to low-income borrowers fell significantly below the 24.7 percent of families at this income level. In 2018, lending to low income borrowers increased significantly, to 7.9 percent.

As mentioned under the Description of the Assessment Area, obstacles exist to lending to low-income borrowers. First, approximately 12.0 percent of families have income below the poverty level, a sub-

set of the low-income category. Further, a low-income family, with an annual income of \$33,300 at most, would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$209,221. Last, approximately 34.5 percent of housing units in the assessment are occupied rental units. These factors help to explain the difference between the credit union's lending to low-income borrowers and the percentage of low-income families.

In 2017, the credit union originated 15.5 percent of its mortgage loans to moderate-income borrowers. While this rate was several points behind the aggregate, it was comparable to the demographic comparator. Lending to moderate-income borrowers increased to 19.0 percent in 2018, leading the demographic comparator by 3.3 percent.

The following table illustrates the distribution of home mortgage loans by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2017	24.7	5.0	10	3.0	688	1.4
2018	24.7	--	39	7.9	2,765	4.1
<b>Moderate</b>						
2017	15.7	18.9	51	15.5	5,873	12.3
2018	15.7	--	94	19.0	10,703	15.9
<b>Middle</b>						
2017	17.9	23.2	83	25.2	10,914	22.8
2018	17.9	--	125	25.3	14,173	21.1
<b>Upper</b>						
2017	41.8	37.7	178	53.9	28,940	60.5
2018	41.8	--	224	45.3	34,927	51.9
<b>Not Available</b>						
2017	0.0	15.3	8	2.4	1,426	3.0
2018	0.0	--	12	2.4	4,775	7.1
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>330</b>	<b>100.0</b>	<b>47,841</b>	<b>100.0</b>
<b>2018</b>	<b>100.0</b>	<b>--</b>	<b>494</b>	<b>100.0</b>	<b>67,343</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.</i>						

### ***Small Business Loans***

The distribution of small business loans reflects good penetration to businesses with GARs of \$1 million or less. In 2017, Polish National Credit Union originated 75.0 percent of its loans to

businesses with a GAR of \$1 million or less. This was comparable with the demographic comparator of 81.8 percent. The credit union’s performance in 2018 declined 8.3 percentage points.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2017	81.8	21	75.0	3,539	71.5
2018	--	16	66.7	2,767	66.9
>1,000,000					
2017	6.4	7	25.0	1,411	28.5
2018	--	8	33.3	1,371	33.1
Revenue Not Available					
2017	11.8	0	0.0	0	0.0
2018	--	0	0.0	0	0.0
<b>Totals</b>					
<b>2017</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>4,950</b>	<b>100.0</b>
<b>2018</b>	<b>--</b>	<b>24</b>	<b>100.0</b>	<b>4,138</b>	<b>100.0</b>

*Source: 2017 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; 2017 CRA Aggregate Data; "--" data not available.*

### **Response to Complaints**

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

### **Fair Lending Policies and Procedures**

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. No evidence of disparate treatment was noted based on these procedures. Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution’s overall CRA rating.

### **Minority Application Flow**

The credit union’s HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial groups within the credit union’s assessment area was reflective of the assessment area’s demographics.

According to the 2015 ACS Data, the credit union’s assessment area contained a total population of 628,800 individuals, of which 29.6 percent are minorities. The assessment area’s minority and ethnic population is 6.5 percent Black/African American, 2.9 percent Asian/Pacific Islander, 0.1 percent American Indian, 18.2 percent Hispanic or Latino, and 1.9 percent Other.



The credit union’s level of lending was compared with that of the aggregate’s lending performance level for the year that data was available, 2017. The comparison of this data assists in deriving reasonable expectations for the rate of applications the credit union received from minority residential loan applicants. Refer to the table below for information on the credit union’s application flow as well as the aggregate lenders in the credit union’s assessment area.

<b>MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Credit Union 2017</b>		<b>2017 Aggregate Data</b>	<b>Credit Union 2018</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	2	0.4	0.4	3	0.5
Asian	6	1.2	1.9	6	0.9
Black/ African American	2	0.4	4.1	11	1.7
Hawaiian/Pacific Islander	4	0.8	0.3	0	0.0
2 or more Minority	0	0.0	0.2	3	0.5
Joint Race (White/Minority)	5	1.0	1.2	6	0.9
<b>Total Minority</b>	<b>19</b>	<b>3.9</b>	<b>7.9</b>	<b>29</b>	<b>4.4</b>
White	390	79.9	70.1	489	73.4
Race Not Available	79	16.2	22.1	148	22.2
<b>Total</b>	<b>488</b>	<b>100.0</b>	<b>100.0</b>	<b>666</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>11</b>	<b>2.3</b>	<b>8.3</b>	<b>32</b>	<b>4.8</b>
Not Hispanic or Latino	397	81.4	69.1	486	73.0
Joint (Hisp/Lat /Not Hisp/Lat)	<b>3</b>	<b>0.6</b>	<b>1.2</b>	<b>5</b>	<b>0.8</b>
Ethnicity Not Available	77	15.8	21.4	143	21.5
<b>Total</b>	<b>488</b>	<b>100.0</b>	<b>100.0</b>	<b>666</b>	<b>100.0</b>

In 2017, the credit union received a total of 488 HMDA reportable loan applications from within its assessment area. Of these applications, 19, or 3.9 percent, were received from racial minority applicants, of which 12, or 63.2 percent, resulted in originations. Approximately 7.9 percent of aggregate lender applications were received from racial minority applicants, 57.8 percent of which were originated. For the same time period, the credit union also received 14, or 2.9 percent, applications from ethnic minority applicants within its assessment area, of which 8, or 57.1 percent, were originated versus the aggregate ethnic minority application rate of 9.5 percent and a corresponding origination rate of 59.9 percent.

In 2018, the credit union received a total of 666 HMDA reportable loan applications from within its assessment area. Of these applications, 29, or 4.4 percent, were received from racial minority applicants, of which 19, or 65.5 percent, resulted in originations. For the same year, the credit union received 37, or 5.6 percent, applications from ethnic groups of Hispanic/Latino origin within its assessment area and originated 29, or 78.4 percent, of these applications.

The institution’s minority application flow is below the aggregate and demographic levels. However, the improved performance from 2017 to 2018 reflects continued effort to reach out to all individuals within the assessment area. The lack of branch presence in cities with majority-minority census tracts (i.e. Holyoke and Springfield), coupled with significant competition for loans in these same areas,

correlates to the difference between institution and aggregate performance. The credit union continues to market and explore strategies to lend in these areas, commensurate with its size and capability. For these reasons, the minority application flow is deemed adequate.

The credit union is recommended to continue to expand its outreach efforts to ensure that individuals of all backgrounds have an opportunity to obtain credit.

## **COMMUNITY DEVELOPMENT TEST**

Polish National Credit Union demonstrated good responsiveness to the assessment area’s community development needs. The Credit Union was particularly responsive in meeting the needs of its community, exemplified by the innovative community services provided during the evaluation period. While the credit union is not required to participate in community development loans or investments, their performance in these areas supports the overall conclusion. Examiners also considered the institution’s capacity and the need and availability of such opportunities.

### **Community Development Services**

During the evaluation period, credit union employees provided 93 instances of financial expertise or technical assistance to 24 different community development-related organizations in the assessment area. The community development services exhibited significant commitment to meeting area needs, and provided several innovative services in the form of financial education (i.e. the Chicopee Comprehensive High School Branch). The following table illustrates the community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
6/10/13 – 12/31/16	4	31	0	0	35
2017	0	10	0	1	11
2018	1	22	15	1	39
YTD 2019	0	8	0	0	8
<b>Total</b>	<b>5</b>	<b>71</b>	<b>15</b>	<b>2</b>	<b>93</b>
<i>Source: Credit Union records</i>					

### ***Employee Involvement***

Credit Union employees are involved in local community development organizations in multiple capacities. Employees provide service through membership and participation, providing financial expertise to the organizations they serve. The following are some organizations that benefited from the dedicated service of credit union employees.

- *Elms College: Advisory Board of Urban Education* – The Aim of the Urban Education initiative is to close the achievement gap experienced by predominately low-income Black and Hispanic Children in Western Massachusetts. The program aims to make use of local resources to provide a sustainable pool of educators reflective of the area demographics. This initiative makes use of local community and industry leaders to assess local workforce

development and human capital opportunities. The President of the credit union sits on the Advisory Board of this initiative.

- *Buy Chicopee Now* – This collaborative joins the City of Chicopee with local lenders and agents to promote stable home ownership in the area. Qualifying buyers are linked to properties, creditors, and lending programs with discounts. Promoting homeownership is in harmony with aspects of Chicopee’s needed revitalization. The credit union was instrumental in the development of the program in 2017, and an Assistant Vice President (AVP) of Mortgage Origination remains on the Committee.
- *Junior Achievement of Western MA* – This organization aims to provide financial literacy and economic education to youths in Western Massachusetts and Vermont. Programs are offered at no cost to community groups and schools in the area, the majority of which are in Holyoke, Springfield and Chicopee. The credit union’s AVP of Cash Management served as a Board member in 2018. Additionally, three branch managers and four tellers assisted with the organization’s “stock market competition”, held for local schools.
- *United Way of Hampshire County* – The mission of the United Way of Hampshire County is to mobilize individuals in the community through education, economic security, and wellness. This includes supporting community organizations through grant programs. The majority of organizations that received grants had a focus of assisting low- and moderate-income individuals. An AVP of the credit union sits on the Community Investment Committee, and was instrumental in directing funds for recent grant campaigns.
- *Boys and Girls Club of Chicopee* – This organization primarily serves low- and moderate-income youth in the Chicopee area. The credit union’s Marketing Specialist participated on the Resource and Development Committee and the Executive Committee in 2018 and 2019 respectively.
- *Chicopee Chamber of Commerce* – This organization provides education and technical assistance for small businesses within Chicopee. The credit union has multiple employees involved with the local chamber, including the Marketing Specialist (as the Marketing Committee Vice Chair) and the Director of Retail (as a Board Member). Additionally, several credit union tellers and branch members helped organize the “Downtown Get Down” event to raise funds for local small businesses.

### ***Financial Education and Technical Assistance***

The credit union provided extensive educational workshops and programs to local schools and organizations. The workshops provided financial literacy as well as other areas related to technical expertise. Several examples of such workshops are below.

- *Chicopee High Schools* – The credit union has maintained a strong relationships with Chicopee High School (CHS) and Chicopee Comprehensive High School (CCHS) since 2012. Both high schools are primarily attended by students from low- and moderate-income families. There are multiple facets of training provided by the credit union for local students;
  - CCHS maintains a local branch, and prepares students with on-the-job training in financial services;

- The credit union supports CCHS students in designing basic financial literacy training for middle schoolers;
  - The credit union maintains an Information Technology Internship with a CHS student each year, developing workforce skills;
  - Finally, the credit union assisted in an “Annual Financial Literacy” day for CHS as well as a “Workplace Readiness and Success” seminar in 2014.
- *Chicopee Neighborhood Development* – This organization provides first time homebuyer education and foreclosure prevention assistance for Western Massachusetts. The organization specializes in offering individual counseling sessions through the homebuying process. The credit union collaborated with the organization in providing two homebuyer education sessions in 2014. In addition, the credit union installed a new computer system for this organization and provided continuous IT support during the evaluation period. The educational support, coupled with the needed technical assistance is an example of an innovative and responsive service to a local community organization.
  - *RiverMills Senior Center*– This organization provides essential community services for elderly individuals in Chicopee. The organization is headquartered on Main Street (a moderate-income tract) and the majority of individuals who receive services from the organization are on fixed incomes. The credit union provided multiple classes in 2018 and 2019 at this community organization. One class centered on financial services and resources for aged individuals, and another focused on warning signs of Financial Elder Abuse.
  - *Springfield La Quinta* – PNCU held a free informational session in downtown Springfield in 2018. Topics included the importance of Life insurance and Long Term Care. The area is located in a low-income census tract, and was geared toward members of the community.
  - *First Time Homebuyer Class*– PNCU provided basic education on the home buying process to the public in during the evaluation period. The session was held at their main branch in a moderate-income census tract.

### ***Other Services***

- *Branch Utilization* – The credit union uses its branch locations in collaboration with and for the benefit of local community initiatives. The following are examples of the credit union’s branch utilization:
  - *Big Brothers Big Sisters* – The credit union encouraged customers and employees to bring gently used clothing to its branches for collection on behalf of needy children.
  - *Feeding Financial Literacy* – The credit union’s exchange street branch provided free organic groceries to members of the community (in a moderate-income census tract) coupled with basic financial literacy materials.
  - *MACUL Blanket Drive* – The credit union’s branch network was a designated collection point for individuals to donate blankets in collaboration with the MA Coalition for the Homeless.
- *Massachusetts Interest on Lawyers Trust Accounts (IOLTAs)* – PNCU participates in the

Massachusetts IOLTA Program. This program, mandated by the Supreme Judicial Court, requires lawyers and law firms to establish interest-bearing accounts for client deposits. The interest earned funds law-related public service programs that help low-income clients.

- *Branch Location* – The credit union maintains three branches in moderate-income areas. These branches provide competitive banking services to the community, increasing financial opportunity for low- and moderate-income individuals.

**Community Development Loans**

Polish National Credit Union originated 8 community development loans totaling approximately \$2.6 million during the evaluation period. This level of activity represents 0.5 percent of total loans as of December 31, 2018. Of the 8 community development loans, 5 loans totaling \$2.1 million supported affordable housing in the area.

Community development lending includes one loan for \$224,000 to an entity located in a broader regional area that includes the assessment area. As the credit union has been responsive to assessment area community development needs, examiners considered this loan under the Community Development Test. The following table illustrates the credit union’s community development lending activity by year and purpose.

<b>Community Development Loans</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize Or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2017	2	800	0	0	3	463	0	0	5	1,263
2018	3	1,344	0	0	0	0	0	0	3	1,344
YTD 2019	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>5</b>	<b>2,144</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>400</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>2,607</b>

*Source: Credit Union records*

Below are notable examples of community development loans:

- In 2017, the credit union made a \$516,000 loan for a mixed use property in Chicopee MA. The average rent of the units was below the fair market value as defined by HUD, and represents a housing opportunity for low- and moderate-income individuals.
- The credit union originated 3 loans totaling \$463,000 with a Springfield based business in 2017. The loans financed equipment and working capital for a moving business employing approximately 25 individuals. These loans qualified as job improvement for individuals located in a low- or moderate-income area.
- In 2018 the credit union financed the purchase of a 9 unit property in Easthampton MA. The units were all rented to tenants at rates below HUDs Fair Market Value in the area. The loan was originated for \$748,000.

## Qualified Investments

Polish National Credit Union made 83 qualified investments totaling approximately \$2.8 million, equal to 0.5 percent of total assets as of December 31, 2018.

The following table details qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize Or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period										
6/10/13 – 12/31/16	1	2,000	24	2,595,150					25	2,597,150
2017	1	1,550	22	74,250	2	16,975	0	0	25	92,775
2018	0	0	22	65,050	1	1,000	5	24,000	28	90,050
YTD 2019	0	0	4	16,900	1	800	0	0	5	17,700
<b>Totals</b>	<b>2</b>	<b>3,550</b>	<b>68</b>	<b>2,751,350</b>	<b>4</b>	<b>18,775</b>	<b>5</b>	<b>24,000</b>	<b>83</b>	<b>2,797,675</b>

Source: Credit Union records

## *Equity Investments*

The credit union obtained 12 investments in low-income credit unions in the form of shares during the evaluation period. These community credit unions primarily serve low- and moderate-income individuals, and therefore qualify as community development. The total amount of these investments equal \$2.5 million.

## *Pledged Grants*

The credit union’s CRA Committee focused their investment strategy to highlight several community organizations by means of multi-year commitments. These commitments provide critical, reliable funds for organizations that serve the community. The total amount of pledges equaled \$195,000. The following are examples of organizations that received commitments during the evaluation period:

- *Chicopee BookMobile* – The credit union extended support to this Chicopee Public Library program to increase literacy in the city. This program utilizes a “Bookmobile”, to provide library services to senior centers, community organizations, and housing developments (e.g. the Chicopee Boys and Girls Club and the Valley Opportunity Council). The majority of locations primarily serve low- and moderate-income individuals.
- *World is Our Classroom* – This Springfield-based organization aims to connect students with local businesses to generate interest in the STEM field. The program provides hands on learning at manufacturing and municipal centers. The program’s original focus is on low- and moderate-income areas, including Springfield and Holyoke Public Schools.
- *Nash Field Project* – The Nash Field Project is an initiative to revitalize a Chicopee Park in coordination with a special community renovations grant from the Executive Office of

Energy and Environmental Affairs. The park is located in a moderate-income area, and will provide a service to families in the area in harmony with local city plans.

### ***Other Qualified Donations***

Below are notable examples of the credit union's qualified donations:

- *Lorraine's Soup Kitchen* – This organization exists to be a resource of food security to the Greater Chicopee Community. In addition to conventional pantry and hot meal services, the organization coordinates with community agencies to create “pop-up pantries” to further increase access to food security.
- *Boys and Girls Club of Chicopee* – The mission of this organization is to enrich and positively impact the lives of Chicopee youths. Programs include an afterschool, a summer program, and a learning center coordinated with a local public housing development. The organization is located in a moderate-income tract and serves individuals in the area.
- *Chicopee Chamber of Commerce* – This chamber facilitates opportunities for growth among businesses of different sizes within Chicopee. The services provided include technical assistance and training in the areas of Regulation, Human Resources, and Workforce Development. The credit union has sponsored several events held by the organization during the evaluation period.
- *Big Brother/ Big Sisters of Hampden County* – This mentoring organization focuses on providing children facing adversity with strong support and relationships. Programs include mentoring within the community, at school and community organizations, and at workplaces to provide professional development. The organization is located in a low-income census tract in Springfield MA, and serve a large proportion of individuals in the area. .
- *Link to Libraries* – The non-profit organization's mission is to collect and distribute books to schools and other non-profit organizations. This Hampden-based organization is the largest regional distributor of books in Western Massachusetts. The majority of individuals impacted by the organization's programs come from low- and moderate-income families, some of whom have never owned a book.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.



**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home

purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by

providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **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 46 Main Street Chicopee, MA."

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

- 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.