

PUBLIC DISCLOSURE

OCTOBER 1, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CABOT BOSTON CREDIT UNION

67891

**TWO SEAPORT LANE
BOSTON MA, 02210**

**DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110**

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

GENERAL INFORMATION

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

This document is an evaluation of the CRA performance of **CABOT BOSTON CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **October 1, 2008**. The Division evaluates performance in the assessment area(s), as they are defined by the institution. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The assessment of Cabot Boston Credit Union's record takes into account its financial capacity and size, legal impediments and local economic conditions, including the competitive environment in which it operates.

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community 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. Therefore, 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.

Shares from the membership are returned to members in the form of consumer installment loans. Loan-to-share ratios are at a satisfactory level. The distribution of loans to borrowers of different income levels is considered reasonable and is representative of the membership.

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

PERFORMANCE CONTEXT

Description of Institution

Cabot Boston Credit Union is a financial institution for Massachusetts-based employees of the Cabot Corporation. The Credit Union was established in 1941 as a state-chartered credit union. The Credit Union has one office located at Two Seaport Lane Suite 1300, Boston, Massachusetts.

As of June 30, 2008, the institution had total assets of \$7,508,349 and its loan portfolio totaled \$3,833,082 or 51.1 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of new and used auto loans with 63.1 percent of total loans outstanding, followed by unsecured loans with 24.6 percent, all other loans/lines of credit with 9.4 percent and 1st Mortgage Real Estate with 2.9 percent.

The hours of operation are Monday through Friday from 9:00am- 4:00pm, last closing day of the month 2:00pm.

The Division last examined the Credit Union for compliance with the CRA on March 22, 2004. That examination resulted in a CRA rating of "Satisfactory".

Description of Assessment Area

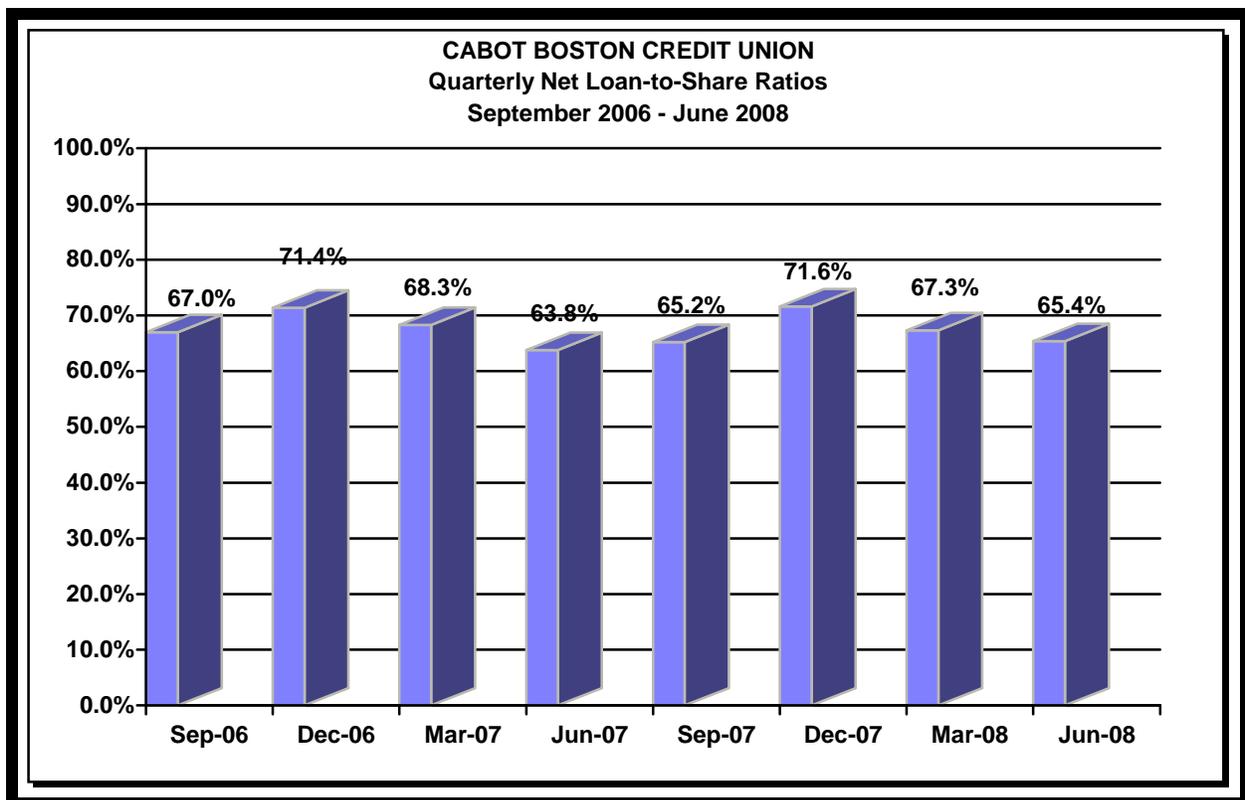
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws: "Membership is limited to those who are (a) Employees of Cabot Corporation, a Delaware corporation, and its subsidiaries, (b) Member of immediate families of such employees. Notwithstanding the above, the Board of Directors may further limit membership to persons specified in (a) and (b) above who are included in a group or classification which the Board of Directors shall have specifically designed from time to time as eligible for membership." The Credit Union has a current membership of 1,095 members out of a potential 1,200 members.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

Based upon the Credit Union's asset size, its capacity to lend, and the credit needs of the membership, the Credit Union's net loan-to-share ratio meets the standards for satisfactory performance.

An analysis of the Credit Union's net loan-to-share ("LTS") ratio was performed using the National Credit Union Administration ("NCUA") quarterly call report data for the period September 30, 2006 through June 30, 2008. The analysis was conducted to determine the Credit Union's lending compared to the shares received from its membership. The average net LTS ratio for the period reviewed was 67.5 percent. The highest ratio was 71.6 percent as of December 31, 2007 and the lowest ratio was 63.8 percent as of June 30, 2007.



The Credit Union historically experiences higher net LTS ratios at the end of the calendar year. This is caused by the Credit Union's members withdrawing funds from share accounts. In addition, members take advantage of loans at discounted rates.

Cabot Boston Credit Union's net loan-to-share was compared to the ratios of other area institutions. The ratios used were as of June 30, 2008. The percentages range from a low of 34.9 percent to a high of 65.4 percent. Please refer to the following table for more details.

Net Loans-to-Share Ratios			
Credit Unions	Net Loans	Shares	Net Loans To Shares Ratio
Cabot Credit Union	3,799,212	5,807,303	65.4%
Malden City Employees Credit Union	5,559,701	8,751,766	64.0%
Lynn Police Credit Union	5,050,171	8,199,559	61.6%
Turnpike Credit Union	1,262,661	3,616,640	34.9%

Source: NCUA Call Report Data as of June 30, 2008

Based on the preceding information, the Credit Union's performance level is considered adequate.

2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

The Credit Union's lending, based upon the analysis of consumer loans by borrower income, meets the standards for satisfactory performance in providing credit to members of all income levels.

A sample of the Credit Union's consumer loan data for 2006 and 2007 was analyzed to determine the distribution of loans based upon the income level of borrowers. The loan sample consisted of unsecured personal loans and auto loans.

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 Metropolitan Statistical Area ("MSA") or Metropolitan Division ("MD").

As defined by the U.S. Department of Housing and Urban Development ("HUD"), low-income is defined as income level or area that earns less than 50 percent of the MSA's median family income. Moderate-income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's median family income. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's median family income. Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's median family income.

The borrower income analysis was based on the median family incomes for the Boston-Quincy MSA and the Cambridge/Newton/Framingham MSA for 2006 and 2007. These figures were \$77,700 and \$76,900, respectively and \$90,900 and \$88,900, respectively. In addition to this analysis, the MSA for Essex County and Worcester County for 2006 and 2007 were also used. These figures were \$78,200 and \$77,200, respectively and \$71,700 and \$72,800 respectively. It should be noted that consumer loans typically consider the income of only one borrower. For the purposes of this analysis, however, they were compared to median family incomes which slightly inflated the originations of the lower income categories.

A review of forty-nine loan files from 2006 and 2007 was conducted to determine the borrower's income level. Of the 49 files reviewed, 3 or 6.1 percent were granted to low-income members, 21 or 42.9 percent were granted to moderate-income members, 11 or 22.4 percent were granted to middle-income members, 14 or 28.6 percent were granted to upper-income members.

3. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

Based upon the review of the Credit Union's performance relative to fair lending policies and practices, the institution meets the standards for satisfactory performance.

Review of Complaints

Cabot Boston Credit Union has not received any CRA-related complaints during the period under review. The Credit Union has a written loan policy, which addresses fair lending laws and regulations.

Fair Lending Policies and Practices

The Credit Union's fair lending policies and practices are considered satisfactory. No practices that would result in disparate treatment were noted. The following discussion is based on the guidelines of Division's Regulatory Bulletin 2.3-101.

The Credit Union has two full time employees who manage the day to day operations at the Credit Union's main office location in Boston. The Credit Union also has a Credit Committee, which consists of three Board members who approve the loans. Loans are approved on a daily basis, which requires two credit committee members' signatures, before the loan is approved. If the applicant is denied credit, then he or she is referred to credit counseling, which is conducted by Consumer Credit Counseling of New England.

Loan products are promoted through statement stuffers to existing members, as well as e-mail advertisements to all Cabot employees. All new employees are given information about the Credit Union's products. Educational seminars on consumer credit and savings ideas are held at the Boston and Billerica locations for present and potential members. The Credit Union partners with Consumer Credit Counseling of New England to conduct the seminars.

The Credit Union meets the standards for satisfactory performance based on its performance relative to fair lending policies and practices.

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 Two Seaport Lane, Boston MA 02110"

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

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