

**PUBLIC DISCLOSURE**

APRIL 22, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

NEWTON MUNICIPAL CREDIT UNION

1000 COMMONWEALTH AVENUE  
NEWTON, MA 02459

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 neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **NEWTON MUNICIPAL CREDIT UNION (or the "Credit Union")** prepared by the Division, the institution's supervisory agency, as of **April 22, 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 Newton Municipal 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. On May 16, 1997, the state CRA regulation 209 CMR 46.00 became effective. Credit unions whose membership by-laws provisions are not based upon residence were now permitted to designate its membership as its assessment area. Therefore, since the Credit Union has defined its membership as its assessment area, as opposed to a geographic area, an evaluation of credit extended within defined geographic areas was not conducted as such an analysis would not be meaningful. 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**

Newton Municipal Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1941, for the purpose of promoting thrift among its members and the loaning of such savings to its members.

The Credit Union does not originate residential mortgage loans. The Credit Union offers unsecured personal and auto loans. The Credit Union has one office located at Newton City Hall, 1000 Commonwealth Avenue Newton, Massachusetts.

As of December 31, 2007, the institution had total assets of \$9,750,783. As of December 31, 2007, the Credit Union's loan portfolio totaled \$2,070,669 or 21.2 percent of the Credit Union's total assets. The largest portion of the loan portfolio is comprised of unsecured loans with 52.8 percent of total loans outstanding, followed by new vehicle loans with 26.1 percent, used vehicle loans with 20.8 percent and real estate loans/lines of credit with 0.3 percent.

The Division last examined the Credit Union for compliance with the CRA on January 23, 2003. That examination resulted in a CRA rating of "Satisfactory".

### **Description of Assessment Area**

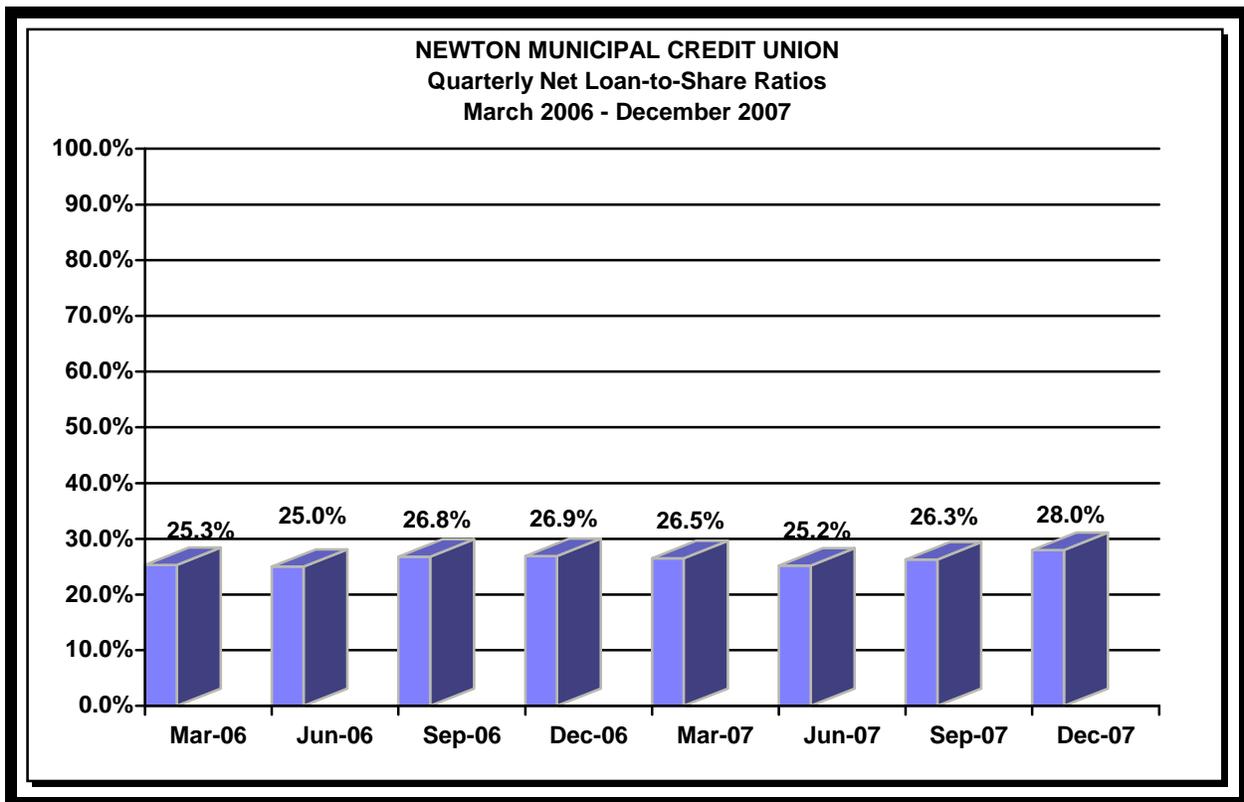
In accordance with the requirements of 209 CMR 46.41, the Credit Union defines its membership as its assessment area. According to the Credit Union's bylaws: "Membership is limited to those who are permanent employees of the City of Newton other than employees of the School department and members of their immediate families for the purpose of joint accounts only." The Credit Union has a current membership of 1,192 individuals.

## PERFORMANCE CRITERIA

### 1. LOAN TO SHARE (“LTS”) ANALYSIS

Based upon the Credit Union’s asset size, its capacity to lend, and the credit needs of the membership, the analysis of the Credit Union’s net LTS ratio indicates that the Credit Union meets the standards for satisfactory performance.

An analysis of the Credit Union’s net LTS ratio was performed using National Credit Union Administration NCUA quarterly call report data for the period March 31, 2006 through December 31, 2007. The analysis was conducted to determine the extent of the Credit Union’s lending compared to shares received from its membership. The average net LTS for the period reviewed was 26.2 percent. The Credit Union’s net loan-to-share ratio as of December 31, 2007 was 28 percent, which was the highest net loan-to-share ratio for the time period evaluated, while the lowest was 25 percent as of June 30, 2006. There are many elderly members who have substantial savings in the Credit Union who do not borrow. This results in share accounts outpacing lending activity.



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

## **PERFORMANCE CRITERIA (CONTINUED)**

### **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 calendar years 2006 and 2007 was analyzed in order to determine the distribution of credit 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 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 ("MFI"). Moderate-Income is defined as income level or area that earns 50 percent to less than 80 percent of the MSA's MFI. Middle-income is defined as income level or area that earns 80 percent to less than 120 percent of the MSA's MFI. Upper-income is defined as income level that is equal to or greater than 120 percent of the MSA's MFI.

A review of twenty loan files originated in 2006 and 2007 was conducted to determine the borrower's income level. Of the 20 files reviewed, 2 or 10 percent were granted to low-income members; 11 or 55 percent were granted to moderate-income members; 7 or 35 percent were granted to middle-income members; and none were granted to upper-income members. The borrower income analysis was based on the median family incomes for the Cambridge-Newton-Framingham MSA for 2006 and 2007 which were \$90,900 and \$88,900, Worcester MSA for 2006 and 2007 which was \$71,700 and \$72,800, and the Boston-Quincy Metropolitan Statistical Area (MSA) for 2006 and 2007 was \$77,700 and \$76,900 respectively. It should be noted that consumer loans typically consider the income of only one borrower. For the purposes of this analysis, however, they are compared to MFI which slightly inflated the originations of the lower income categories.

Based upon the analysis of borrower income, the Credit Union demonstrates satisfactory performance in providing loans to borrowers of different incomes.

## **PERFORMANCE CRITERIA (CONTINUED)**

### **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***

Newton Municipal Credit Union has not received any CRA-related complaints in the period under review. The Credit Union has a written loan policy, which addresses fair lending objectives.

#### ***Fair Lending Policies and Practices***

The Credit Union's fair lending policies and practices are considered satisfactory. No discriminatory lending practices were noted.

# 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 1000 Commonwealth Avenue, Newton, 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.