



## **PUBLIC DISCLOSURE**

September 17, 2018

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The National Iron Bank  
Charter Number 1214

195 Main Street  
Salisbury, CT 06068

Office of the Comptroller of the Currency

343 Thornall Street  
Suite 610  
Edison, NJ 08837

**NOTE:** 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major factors supporting this rating include:

- A majority of the bank's 1-4 family mortgages were originated within the bank's assessment area (AA) during the evaluation period;
- The bank's quarterly average net loan-to-deposit ratio is reasonable given the size and financial condition of the institution;
- Based on the data in the Tables in the Appendix and applicable performance context discussed in this evaluation, the overall geographic distribution of loans is good; and
- The bank did not receive any CRA-related complaints during the evaluation period.

**SCOPE OF EXAMINATION**

The evaluation period for this CRA assessment is January 1, 2015 through December 31, 2017. The bank's lending test performance for the years 2015 and 2016 were evaluated on a combined basis. Due to changes in census data effective in 2017, the 2017 lending performance was evaluated separately. The bank's primary loan category during this evaluation period were 1-4 family mortgages, which includes home purchase loans, home improvement loans, and home refinance loans. We combined loan types (home purchase, home improvement and refinancing) together making the geographic and borrower home mortgage lending analysis more meaningful.

Outreach with several community development organizations serving the Litchfield County Non-MSA AA indicate a need for financial institution involvement in the areas of economic development, small business loans, education programs for LMI students, and affordable housing loans.

**DESCRIPTION OF INSTITUTION**

The National Iron Bank was first established in 1847 in Salisbury, Connecticut and has operated under a national banking charter since 1865. The bank is wholly-owned by Iron Bancshares, Inc., a one-bank holding company.

The bank operates four retail branches within its local market of Litchfield County in northwestern Connecticut, all located in middle-income census tracts. All branches offer a full-line of banking services for both consumer and commercial customers. Branches offer traditional banking hours Monday through Friday with two branches offering Saturday hours as well.

National Iron Bank had total assets of \$123 million as of June 30, 2018. Total loans amounted to \$90.88 million while deposits totaled \$112.80 million. The bank's loan portfolio is primarily secured by 1-4 family residential real estate; \$89.10 million in real

estate loans, \$1.07 million in individual loans, \$694 thousand in commercial and industrial, and \$23 thousand in other loans. National Iron operates as a traditional community bank offering a variety of loan products for individuals and businesses. A large majority of the bank’s loan originations and purchases during the evaluation period were 1-4 family mortgages.

National Iron operates in a competitive financial services market in the northwestern Connecticut area with multiple national, regional, and local institutions. There are no financial or legal impediments to hinder the bank’s ability to help meet the credit needs of the communities it serves. The bank received a “Satisfactory” rating on its prior CRA Performance Evaluation dated July 18, 2013.

## DESCRIPTION OF ASSESSMENT AREA

National Iron Bank’s one assessment area consists of eleven census tracts within Litchfield County, Connecticut. Litchfield County is not located in a Metropolitan Statistical Area (MSA). National Iron’s assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The assessment area is described below:

### Litchfield County Non-MSA Assessment Area

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	0.0	81.8	18.2	0.0
Population by Geography	29,951	0.0	0.0	75.7	24.3	0.0
Housing Units by Geography	17,456	0.0	0.0	75.8	24.2	0.0
Owner-Occupied Units by Geography	10,003	0.0	0.0	77.4	22.6	0.0
Occupied Rental Units by Geography	2,495	0.0	0.0	69.5	30.5	0.0
Vacant Units by Geography	4,958	0.0	0.0	75.9	24.1	0.0
Businesses by Geography	3,455	0.0	0.0	75.5	24.5	0.0
Farms by Geography	296	0.0	0.0	85.1	14.9	0.0
Family Distribution by Income Level	8,333	17.4	16.9	21.7	44.1	0.0
Household Distribution by Income Level	12,498	21.5	15.0	17.7	45.8	0.0
Median Family Income Non-MSAs - CT		\$89,735	Median Housing Value			\$369,747
			Median Gross Rent			\$1,013
			Families Below Poverty Level			4.7%

Source: 2015 ACS Census and 2017 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.

The Litchfield County AA for Year 2015 and 2016 consists of nine middle-income tracts, one moderate-income tract, and one upper-income tract; no low-income tracts and no designated distressed or underserved middle-income tracts in the AA for this time period. The 2015 American Community Survey U.S. Census data re-assigned the income census tracts for Litchfield County, CT, which took effect January 1, 2017. For the Year 2017, the Litchfield County AA consists of, nine middle-income tracts, and two upper-income tracts. There are no low- or moderate-income tracts and no designated distressed or underserved middle-income tracts in this AA.

In 2017, the AA census tracts were spread among 0.0 percent low-income, 0.0 percent moderate-income, 81.8 percent middle-income, 18.2 percent upper-income and 0.0 percent listed as “unknown” by the 2015 ACS U.S. Census Bureau. National Iron Bank operates four branches and four ATMs within the AA. All branches and ATMs are located within the AA and are located in middle-income geographies.

The 2015 ACS Census Data reports a total population of 29,951. This AA contains 12,498 households and 8,333 households that are families. Approximately 17.4 percent of the families are categorized as low-income, 16.94 percent as moderate-income, 21.7 percent as middle-income, and 44.1 percent as upper-income. Approximately 4.7 percent of households are below the poverty level. The FFIEC 2017 estimated median family income (MFI) for Litchfield County Non MSA was \$89,735.

As of June 30, 2017, National Iron had a deposit market share in Litchfield County of 2.44 percent, which ranked 12<sup>th</sup> out of 16 financial institutions gathering deposits in the county. Webster Bank, Torrington Savings Bank, and Thomaston Savings Bank held the top three market shares, which together constituted nearly 41 percent of the deposit market in the county.

Based on data from the US Bureau of Labor Statistics, the 2017 annual unemployment rate for Litchfield County was 4.3 percent, compared to the national rate of 4.4 percent. The primary industry sectors in Litchfield, CT Non-MSA include healthcare, social assistance, educational service, and manufacturing. Litchfield, CT Non-MSA top employers included Wal-Mart stores, Inc., St. Frances Hospital, Litchfield Community School District, Affinia Brake Part, Inc., and Schutt Sports Group.

Connecticut’s current economy is on a stronger footing than it was a year ago, but the state is a clear laggard among its New England peers. The pace of job gains has picked up in 2018, however, as robust growth in manufacturing, professional and business services, and healthcare has more than offset persistent drag from the public sector. Personal income growth has accelerated as the distribution of job creation has shifted toward higher-paying industries. House price appreciation has also picked up, but not by enough to spur new single-family building as home sales slip. The state’s recovery has been among the slowest in the country; job growth over the past year ranks among the slowest not only in New England, but also in the entire Northeast.

It is expected that Connecticut’s economy will gradually gain ground, but the state will have barely recovered its prerecession employment peak by the time the U.S. economy

is expected to stall in 2020. Softness in consumer-driven industries will remain a major obstacle as Connecticut struggles with an older and rapidly aging population.

Based on Moody's Analytics, Connecticut's strengths are large healthcare and financial industries, highly educated labor force, strong roster of universities, hospitals and an expanding biotechnology industry. However, among the area's weaknesses are strained state finances, older population and high domestic outmigration and very high-energy cost.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Lending Activity**

Based on the data in Lending Volume Tables in Appendix A and the following performance context considerations, we concluded lending activity is good. The bank originated an adequate volume of loans in the AA relative to its capacity based on deposits, competition, and market presence.

- The bank's market share and rank in loans is comparable to the bank's share and rank in deposits. The bank's performance in the AA is driven by the fact that this represents a significant market with a limited branch presence and limited marketing of products; and
- The bank has a limited presence in the market relative to the largest depository and lending institutions. Webster Bank, Torrington Savings Bank, and Thomaston Savings Bank are the dominant competitors, comprising the vast majority of loans and deposits in the bank's AA. The concentration of deposits and loans with larger institutions creates constraints for the bank, considering its branch presence, in achieving high volumes of deposits and loans.

### **Loan-to-Deposit Ratio**

National Iron's average loan-to-deposit ratio is reasonable. The bank's quarterly average net loan-to-deposit ratio during the evaluation period was 68.65 percent. During this period, the bank's ratio performance ranged from a low of 63.00 percent on March 31, 2016 to a high of 75.54 percent on December 31, 2017.

National Iron's average loan-to-deposit ratio is comparable to seven peer institutions of similar size, location, and product offerings. National Iron ranks fifth among seven similarly situated banks. The aggregate average net loan-to-deposit ratio for the seven peer institutions over the same time period is 73.52 percent, ranging from a low of 47.33 percent to a high of 95.05 percent.

### **Lending in Assessment Area**

National Iron's record of lending within the designated AA is satisfactory. National Iron originated a majority of 1-4 family loans inside its AA throughout the evaluation period. The bank originated 74.69 percent by numerical volume and 82.07 percent of loans by dollar volume. Refer to Table 1 in Appendix A for details.

### **Distribution of Loans by Income Level of the Borrower**

The distribution of the bank's home mortgage loans to low- and moderate-income borrowers is poor. The proportion of loans was weaker than the percentage of owner-occupied units and generally weaker (except that the 2017 distribution of loans to low-income borrowers in 2017 was comparable to the aggregate) than the aggregate

distribution reported for both low- and moderate-income borrowers in the bank's AA. Although the proportion of loans to LMI borrowers compared to the proportion of LMI families, the bank and industry performance was impacted by the ratio of median housing value (MHV) to income in the AA. The high MHV constrains lending opportunities to LMI borrowers, as the proportion of properties affordable to LMI is limited. The MHV/MFI ratio was very high for low-income borrowers at 8.24x and high for moderate-income borrowers at 5.15x, showing how high housing values are compared to annual incomes for these borrowers. In addition, the bank only offers 15-year and 20-year mortgages. They do not offer 30-year mortgages, which are more affordable due to the lower monthly principal payments. However, the bank does make referrals for applicants looking for 30-year mortgages to local brokers. Refer to Tables 2a and 2b in Appendix A for details.

- The proportion of loans to low- and moderate-income borrowers compared to the proportion of low- and moderate-income families is weaker than the percentage of families in those income levels and negatively impacted by the ratio of median housing value to income in the AA.
- Overall, the bank's home mortgage lending to low- and moderate-income borrowers is weaker than the aggregate distribution reported for both low- and moderate-income borrowers in the bank's AA.
- The bank's home mortgage lending in 2017 for low-income borrowers is weaker than the percentage of families in those income levels but higher than the aggregate, while lending to moderate-income borrowers is comparable to 2015 and 2016 aggregate.

### **Distribution of Loans by Income Level of the Geography**

The distribution of the bank's home mortgage loans in moderate-income geographies is satisfactory. The proportion of loans was weaker than the proportion of owner-occupied housing units in those geographies, and weaker than the aggregate distribution of loans in those geographies. However, there were no low-income geographies located in the bank's AA during the evaluation period and only one moderate-income CT in 2015-2016, which significantly limited the bank's ability to lend in LMI geographies and was taken into consideration during this evaluation. As noted above, the MHV/MFI is very high for both low-income and moderate-income borrowers, which makes lending in these geographies more difficult. The bank originated an adequate volume of loans in the AA relative to its capacity based on deposits, competition and market presence. Refer to Tables 3a and 3b in Appendix A for details.

- For 2015 and 2016 combined, the proportion of home mortgage loans in moderate-income geographies was weaker than the percentage of owner-occupied housing units in those geographies;
- The bank's overall performance in home mortgage lending in moderate-income geographies was weaker than the aggregate distribution of loans in those geographies; and
- The distribution of loans in low- and moderate-income geographies was not considered in this evaluation for 2017. Due to census tract changes in 2017, there



were no longer and low- or moderate-income geographies in the bank's AA, therefore this is not considered in the rating, as it would not provide a meaningful analysis.

### **Lending Gap Analysis**

We performed a lending gap analysis that included a review of reports and maps showing the distribution of branches, applications and loans. We did not identify any unexplained conspicuous gaps in the bank's AA.

### **Responses to Complaints**

National Iron did not receive any CRA-related complaints during the evaluation period.

**Appendix A**

<b>Table 1 - Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2015	47	79.7	12	20.3	59	9,661	76.5	2,963	23.5	12,624
2016	44	80.0	11	20.0	55	19,797	87.5	2,831	12.5	22,628
2017	42	70.00	18	30.0	60	11,110	78.4	3,068	21.6	14,178
<b>Subtotal</b>	<b>133</b>	<b>76.4</b>	<b>41</b>	<b>23.6</b>	<b>174</b>	<b>40,568</b>	<b>82.1</b>	<b>8,862</b>	<b>17.9</b>	<b>49,430</b>
<b>Total</b>	<b>133</b>	<b>76.4</b>	<b>41</b>	<b>23.6</b>	<b>174</b>	<b>40,568</b>	<b>82.1</b>	<b>8,862</b>	<b>17.9</b>	<b>49,430</b>
<i>Source: Evaluation Period: 1/1/2015 - 12/31/2016 Bank Data                      Due to rounding, totals may not equal 100.0</i>										

<b>Table 2a – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: 2015-2016 Iron Bank Litchfield County - Non MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2015-2016	20.8	8.2	2	2.53	255	0.87
Moderate						
2015-2016	18.4	16.5	8	10.13	1,429	4.85
Middle						
2015-2016	20.7	18.2	12	15.19	1,985	6.74
Upper						
2015-2016	40.0	48.1	57	72.15	25,789	87.54
Not Available						
2015-2016	0.0	9.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015-2016</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>29,458</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census ; 1/1/2015 - 12/31/2016 Bank Data, 2015 &amp; 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

<b>Table 2b – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Iron Bank Litchfield County - Non MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	17.4	9.3	4	9.52	385	3.47
Moderate						
2017	16.9	14.8	3	7.14	648	5.83
Middle						
2017	21.7	18.6	11	26.19	2,527	22.75
Upper						
2017	44.1	47.3	24	57.14	7,550	67.96
Not Available						
2017	0.0	10.1	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,110</b>	<b>100.0</b>
<i>Source: 2015 ACS Census ; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0</i>						

<b>Table 3a – Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2015-2016 Iron Bank Litchfield County - Non MSA</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>
Low						
2015-2016	0.0	0.0	0	0.0	0	0.0
Moderate						
2015-2016	10.6	7.5	2	2.53	135	.46
Middle						
2015-2016	77.3	80.8	77	97.47	29,323	99.54
Upper						
2015-2016	12.1	11.7	0	0.0	0	0.0
Not Available						
2015-2016	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2015-2016</b>	<b>100.0</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>29,458</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 1/1/2015 - 12/31/2016 Bank Data, 2015 &amp; 2016 HMDA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0</i>						

<b>Table 3b – Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Iron Bank Litchfield County - Non MSA</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>
Low						
2017	0.0	0.0	0	0.0	0	0.0
Moderate						
2017	0.0	0.0	0	0.0	0	0.0
Middle						
2017	77.4	79.4	30	71.43	6,938	62.45
Upper						
2017	22.6	20.6	12	28.57	4,172	37.55
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>11,110</b>	<b>100.0</b>
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.                      Due to rounding, totals may not equal 100.0</i>						