



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

February 11, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Ipswich
Charter Number 4774**

**31 Market Street
Ipswich, MA 01938**

**The Office of the Comptroller of the Currency
New England Field Office
20 Winthrop Square, Suite 200
Boston, MA 02110**

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 that support this rating include:

- An excellent distribution of home mortgage and small business loans to borrowers in moderate-income geographies in the Massachusetts (MA) assessment area,
- An excellent distribution of loans to small businesses in the New Hampshire (NH) assessment area,
- A majority of the bank's loans were originated within the bank's assessment areas,
- A reasonable distribution of lending to borrowers of different income levels and businesses of different sizes in the Massachusetts assessment area, and
- A reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

The First National Bank of Ipswich (FNBI or "the bank") is a federally chartered bank incorporated in 1892 and headquartered in Ipswich, Massachusetts. The institution had assets of \$304 million as of December 31, 2002, and as of December 31, 2003, total assets reached \$341 million. The bank is 100% owned by Ipswich Bancorp, a Massachusetts corporation organized in 1985 as a holding company.

FNBI has grown significantly, since the prior evaluation of November 16, 1998, when total assets were \$132 million and the bank had only six branches, all in the northeast section of Massachusetts. FNBI became an interstate bank in 2001 when it opened three Wal-Mart branches in New Hampshire as well as a stand-alone branch in Londonderry, New Hampshire. The bank now operates ten branches. Six branches are located in the Massachusetts communities of: Ipswich, Gloucester, Essex, Newburyport, and 2 offices, downtown and along Route 1, in Rowley. Four branches are located in the New Hampshire communities of: Newington, Manchester, Salem, and Londonderry. Only the Londonderry branch is not located in a Wal-Mart Store. The ten branches are full service banking offices and each supports a deposit-taking automated teller machine (ATM). Two bank branches also support a second ATM in the drive-up facility.

The bank operates eight remote ATMs in Ipswich, Gloucester, East Gloucester, Essex, Rowley and Topsfield. There are no remote ATMs in New Hampshire and none of the FNBI remote or drive-up ATMs accept deposits. No branches were closed since our last CRA examination in 1998, when the bank received a **Satisfactory** rating. FNBI faces no impediments, legal or

otherwise, that hinder its ability to help meet the credit needs of its assessment areas.

FNBI is primarily a residential and commercial real estate lender. The bank offers a standard variety of consumer and commercial credit products. As of December 31, 2002, the bank had \$138 million in loans and \$190 million in deposits, representing 46% and 63% of total assets, respectively. See **Table 1** for detailed information on the composition of the bank's loan portfolio.

Table 1. Loan Portfolio Categories for FNB Ipswich	\$ (000)	%
Commercial Real Estate Loans	59,840	43%
Commercial Loans	14,837	11%
Residential Real Estate Loans	60,954	44%
Consumer Loans	2,388	2%
Total	\$138,019	100%

Source: December 31, 2002 Report of Condition.

FNBI also offers a wide variety of deposit products to meet consumer and commercial banking needs. The bank's Internet website, www.fnbi.com, provides detailed information on products and services for both consumers and businesses. Banking services are standard with the addition of 24 Hour Banking by Telephone and on-line banking with bill payment options. The bank also offers trust services and investment advisory programs.

DESCRIPTION OF FNBI'S ASSESSMENT AREAS

CRA regulations require a financial institution to identify one or more assessment areas (AA) in which it intends to meet that area's credit needs. FNBI management identified three different AA(s) in two states. The AAs were developed around the bank's branches and included all contiguous towns.

A description of each AA follows:

Assessment Area #1 (AA#1) includes the following towns in Essex County, Massachusetts: Amesbury, Andover, Boxford, Essex, Georgetown, Gloucester, Hamilton, Ipswich, Manchester, Newbury, Newburyport, North Andover, Rockport, Rowley, Salisbury, Topsfield, Wenham, and West Newbury. AA#1 includes parts of two multistate Metropolitan Statistical Areas (MSAs):

- Boston, MA-NH Multistate MSA#1120
- Lawrence, MA-NH Multistate MSA#4160

The Massachusetts economy suffered a larger percentage decline in employment from the 2001 recession than any state in New England or the country. All industries experienced declines in job growth. The worst job losses were in natural resources and manufacturing. Unemployment rate was 5.3% at December 31, 2002, only slightly less than the national rate of 5.8%. AA#1 has been insulated somewhat from the recession due to its diverse economy that includes tourism,

farming, and fishing, as well as businesses that serve communities in AA#1.

The dramatic increase in home sales prices is consistent with regional growth pressure and demand for a limited inventory of affordable homes. Rental housing in eastern Massachusetts has become more expensive in recent years. Pressure on suburban rental markets increased, as housing availability grew tighter in the city.

The bank's AA#1 includes no low-income and five moderate-income census tracts, all located in Gloucester, Massachusetts. Credit needs in AA#1 include increasing the inventory of affordable housing, units for purchase and rental. Low interest rates intensified refinancing activity and competition for loans. Commercial lending demand cooled during the current recession.

A community contact was made with a non-profit organization that promotes affordable housing for northeast Massachusetts. The contact had no specific criticism of area banks but stated banks could become more involved in the financing of affordable housing development projects. The demand for housing has steadily increased while there has not been a notable volume of new development in several decades. There is also a need for mortgage financing for low- and moderate-income first time homebuyers with flexible underwriting and low down payment requirements. Banks could participate by providing more grants and donations.

Assessment Area #2 (AA#2) includes the following towns in Rockingham, Hillsborough, and Merrimack Counties in New Hampshire: Atkinson, Auburn, Bedford, Derry, Goffstown, Hooksett, Hudson, Londonderry, Litchfield, Manchester, Merrimack, Pelham, Pinardville, Salem, South Hooksett and Windham. AA#2 includes parts of two multistate MSAs and two state MSAs:

- Manchester, NH State MSA#4760
- Lawrence, MA-NH Multistate MSA#4160
- Nashua, NH State MSA#5350
- Lowell, MA-NH Multistate MSA#4560

The New Hampshire economy was not as severely impacted as Massachusetts and exceeds that of the New England region. Unemployment at 4.7% was lower than the national rate of 5.8%. Much of the weakness within the economy occurred in manufacturing, where employment fell by over 20%. The manufacturing job losses were from firms in electronics manufacturing as well as more traditional paper production industries. Positive impacts should be realized from anticipated increases in defense industry spending. Outlays for military spending are scheduled to rise over the next several years and will benefit military contractors in the state.

Geographically, signs of improvement are most notable in Manchester. Conditions in Nashua have failed to improve. The situation in Nashua may be a result of its closer association with the larger Boston market, which continues to show considerable weakness.

During the past two years, New Hampshire has seen some of the strongest real estate price gains in New England. Housing prices were appreciating at a 10.6% pace at the beginning of 2003. House price appreciation has outpaced income growth for the last two years in the state, despite an increase of the supply of apartments.

The bank's AA#2 includes two low-income and eleven moderate-income census tracts, all located in Manchester, New Hampshire. The two low-income tracts contain primarily multifamily rental properties with minimal opportunities for residential real estate lending. In general, needs of AA#2 include small business lending and affordable housing. Low interest rates intensified refinancing activity and competition for loans. Commercial loan demand has been stronger than in Massachusetts.

We made a community contact to gain a better understanding of the credit needs in the AA. The contact was a non-profit organization that provides financing to small businesses and cottage industries that would not qualify for bank financing. The contact stated there is a need for loans to self-employed individuals and micro-businesses. Our contact named two large New Hampshire banks noted for their efforts to assist small businesses and low- and moderate-income areas. Banks could provide more assistance to non-profit organizations with grants and donations. In addition, gentrification in Portsmouth, New Hampshire is pricing people out of their rental units creating a need for more affordable housing projects.

Assessment Area #3 (AA#3) includes the following towns in Rockingham and Strafford Counties in New Hampshire: Dover, Durham, Greenland, Newington, and Portsmouth. AA#3 includes parts of one multistate MSA:

- Portsmouth-Rochester, NH-ME Multistate MSA#6450

AA#3 has experienced the same economic trends as in AA#2. The Portsmouth-Rochester MSA is showing signs of improvement, but less than in Manchester, New Hampshire. The area includes no low-income and 4 moderate-income census tracts in sections of Portsmouth and Dover, New Hampshire.

Demographic information of FNBI's three assessment areas is broken out in **Table 2** below.

Table 2. Demographic and Economic Characteristics of AAs			
	AA#1	AA#2	AA#3
<u>Population</u>			
Number of Families	49,255	69,709	15,118
Number of Households	68,353	95,931	24,334
<u>Geographies</u>			
Number of Census Tracts/BNA	41	47	16
% Low-Income Census Tracts/BNA	0%	4%	0%
% Moderate-Income Census Tracts/BNA	12%	21%	25%
% Middle-Income Census Tracts/BNA	56%	64%	62%
% Upper-Income Census Tracts/BNA	32%	11%	13%
<u>Median Family Income (MFI)</u>			
1990 MFI for AA	\$55,788	\$47,661	\$39,965
2002 HUD-Adjusted MFI	\$71,878	\$64,521	\$57,300
<u>Economic Indicators</u>			
2002 Median Housing Value	\$206,326	\$135,697	\$136,322
Median Age of Housing	50 years	39 years	49 years
Weighted Average of Monthly Gross Rents	\$618	\$578	\$545
% of Households Below Poverty Level	5%	6%	9%
Unemployment Indicators	5.3%	4.7%	4.7%
<u>Percentage of Families in All Tracts By Income</u>			
Low-income Families	15%	14%	17%
Moderate-income Families	16%	18%	22%
Middle-income Families	23%	30%	25%
Upper-income Families	46%	38%	36%

Source: 1990 Census Data, 2002 HUD Data.

There are similarities between AA#2 and AA#3 due to their close proximity in New Hampshire and similar economic conditions. All three of the assessment areas have a fairly high volume of rental units. Affordable housing for low- and moderate-income families remains a concern. Occupied rental units comprise a high percentage of total rental units and reflect limited availability of affordable housing. As pointed out by a community contact, apartment units in Portsmouth are being renovated and sold as condominiums for over \$500 thousand, thereby pricing renters out of the market.

There are numerous other institutions that operate within each of the AA(s) and compete for loans and deposits. Banks in competition in each AA are too numerous to list. The Home Mortgage Disclosure Act (HMDA) requires banks in an MSA to record details on mortgage lending activity and submit the results to the Federal Financial Institutions Examining Council (FFIEC) annually. The 2002 Lender Market Share Report reflected 54 and 42 HMDA reportable financial institutions in AA#1 and AA#2, respectively. This volume is indicative of the high volume of financial institutions competing for loans.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's lending performance meets the standards for a **Satisfactory** rating.

FNBI's lending rating is based on five performance criteria that are described in this section. We evaluated the volume of lending since the previous CRA examination. The heaviest volume of activity was in residential mortgage products as sustained low interest rates created a demand for refinance mortgages. Commercial loans, including real estate, reflected a heavier dollar volume of activity in loan originations. We focused our lending sample on residential mortgage originations (home purchase and refinance mortgages) and commercial loans.

The residential mortgage loan sample included all mortgages originated in AA#1 and AA#2. A limited review of New Hampshire was conducted based on AA#2, due to similarities in the demographics, as well as economic and lending opportunities in both assessment areas with results that would be representative of AA#3. All residential HMDA reportable loans were included in the review for the period January 1, 1999 to December 31, 2002. We used an internally generated report of all commercial loans for the period January 1, 2000 to December 31, 2002. In New Hampshire, commercial lending began April 1, 2001. We tested data integrity by sampling loans and found no errors.

We took the loans identified as being inside the assessment areas and then used the same sample for two lending tests:

1. To determine the distribution of borrowers by income level, and
2. The distribution of lending to geographies of different income levels.

We compared the results of both tests with AA demographics. A summary of the borrower distribution by income and geographic distribution of lending is presented below. More detailed results can be found in each state rating at the end of the report. The AA#1 corresponds to the Massachusetts state rating. The New Hampshire limited review using AA#2 corresponds to the New Hampshire state rating. The overall bank CRA rating is derived by placing more weight on Massachusetts's results, as 91% of the bank's assets are located in that state.

Loan-to-Deposit Ratio

FNBI's loan-to-deposit (LTD) ratio is reasonable at 72% as of December 31, 2002. The 18-quarter average LTD ratio was 73%. This ratio has experienced volatility since the last CRA examination reaching a high of 80% at June 30, 2001 and a low of 66% at December 31, 2001. The LTD ratio has continued to rise and was 79% at year-end 2003. The bank's LTD ratio falls in the mid-range of similarly situated institutions located primarily in northeast Massachusetts. The similar banks also had sizeable residential mortgage portfolios and a similar mix of loans.

Several factors have contributed to volatility of the LTD ratio. In 2001, the bank opened four branches in New Hampshire, which increased deposit holdings. Deposits inflows also came in from financial markets as investors reduced holdings of stocks and mutual funds and placed deposits in financial institutions.

Lending in Assessment Area

The volume of loans originated in the bank’s AA is reasonable. A majority of the bank’s loans were made to borrowers within the AA. We reviewed the distribution of loan originations for all HMDA reported loans and from the internally generated report of commercial loans. Loan products sampled and the results of our analysis are detailed in **Table 3**. We concluded that 67% of the number and 64% of the dollar volume of loans were originated in the bank’s AA.

Table 3. Total Loans Reviewed (January 1, 1999 to December 31, 2002)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Mortgages	230	67%	\$46,972	64%	115	33%	\$26,447	36%
Business Loans	15	75%	\$ 2,794	66%	5	25%	\$ 1,438	34%
Total Reviewed	245	67%	\$49,766	64%	120	33%	\$27,885	36%

Source: Data reported under HMDA; internally generated list of commercial loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Overall, lending to borrowers of different incomes and to businesses of different sizes is reasonable and meets standards for a **Satisfactory** rating. This assessment is based on a review of loans in AA#1 and AA#2.

(For a narrative and tables reflecting the results by AA, please refer to the state ratings at the end of the report.)

Geographic Distribution of Loans

Overall lending to geographies of different income levels for residential and business loans is reasonable and meets standards for a **Satisfactory** rating. This assessment is based on a review of loans in AA#1 and AA#2.

(For a narrative and tables reflecting the results by AA, please refer to the state ratings at the end of the report for details.)

Responses to Complaints

Neither the bank nor the OCC received CRA related complaints on FNBI since the prior examination of November 16, 1998.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.

State Rating

CRA Rating for Massachusetts is: Satisfactory
The lending test is rated: Satisfactory

The major factors that support this rating include:

- An excellent geographic distribution of home mortgage and small business loans among geographies of different income levels.
- A reasonable distribution of lending to borrowers of different income levels and businesses of different sizes.

Description of FNB Ipswich's Operations in Massachusetts

FNBI has one assessment area within the State of Massachusetts and includes part of two multistate MSAs. The AA was defined using the location of six bank branches and contiguous towns. The branches are all located in northeast Massachusetts and in Essex County. The bank's deposit and loan products are standard. The overall CRA performance of the bank received more weight from Massachusetts operations, as it held 91% of the bank's assets. The lending focus has been equally distributed between residential and commercial real estate lending.

Conclusions With Respect to Performance Criteria in Massachusetts

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNBI's borrower income distribution is reasonable and meets standards for a **Satisfactory** rating. This assessment is based on reasonable performance in residential lending to low- and moderate-income families given the limited volume of affordable homes. Lending performance to small businesses is adequate. Competition in the northeastern Massachusetts AA has intensified due to sustained low interest rates and a sluggish economy. Demand for commercial loans has declined and local and national financial institutions increased efforts to capture available market share. In addition, competition for consumer mortgages has risen, as refinancing activity in the bank's assessment area rose to 54 financial institutions.

<p>Table 4. Borrower Distribution of Residential Real Estate Loans FNB Ipswich's AA#1- Massachusetts Census Tracts in Multistate MSAs for MA-NH: Boston and Lawrence Evaluation Period: January 1, 1999 to December 31, 2002</p>
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Borrower Income Level	Low		Moderate		Middle		Upper	
Mortgage Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Refinance	15%	7%	16%	21%	23%	27%	46%	45%
Home Purchase		0%		12%		19%		69%
Total Mtgs.		5%		19%		22%		54%

Source: Data reported under HMDA, U.S. Census data.

The distribution of loans among borrowers of different income levels is reasonable, given the demographics of the assessment area. Our sample was comprised of 199 mortgage originations, 147 refinance and 52 home purchase. FNBI originated 7% of its refinance mortgages to low-income families. Although less than demographics, the volume is reasonable given the limited stock of affordable housing. Census data reflects a median housing price of \$206 thousand and does not reflect dramatic price appreciation from Boston residents seeking relief from city real estate prices. The average price for a home in Ipswich, Massachusetts had risen to \$350 thousand at the time of this CRA examination, with similar appreciation in other AA#1 communities. Limited affordable housing also mitigates the low volume of home purchase originations to low-income families.

Residential real estate lending to moderate-income borrowers is reasonable overall. The percentage of refinance mortgages originated to moderate-income families reflects excellent penetration as it exceeds the percentage of moderate-income families in the AA. Purchase mortgages reflect reasonable penetration given limited affordable housing and intense competition.

Table 5. Borrower Distribution of Loans to Businesses FNB Ipswich's AA#1 – Massachusetts Census Tracts in Multistate MSAs for MA-NH: Boston and Lawrence Evaluation Period: January 1, 2000 to December 31, 2002		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	72%	7%
% of Bank Loans in AA by #	56%	44%
% of Bank Loans in AA by \$	41%	59%

Source: Internally generated list of commercial loans; Dunn and Bradstreet data.

*21% of AA businesses did not report revenues.

Lending to small businesses in AA#1 was determined from our sample of 154 loans. FNBI's percentage of loans to small businesses has declined from levels at the 1998 CRA examination. The sluggish Massachusetts economy has reduced commercial loan demand and competition for available market share from regional and local financial institutions has increased. The penetration of loans is considered adequate given loan demand and competition.

Geographic Distribution of Loans

FNBI's geographic distribution of residential mortgage loans in AA#1 is more than reasonable. All of the moderate-income census tracts, 5 out of 41, are located in Gloucester. The Gloucester

banking market is competitive and includes local institutions that are headquartered there. The bank's overall performance to provide loans for consumer mortgages and businesses in moderate-income census tracts reflects excellent performance overall despite heavy competition. Refer to **Tables 6 and 7** below for sample results for geographic distribution.

Table 6. Geographic Distribution of Residential Real Estate Loans FNB Ipswich's AA#1 - Massachusetts Census Tracts in Multistate MSAs for MA-NH: Boston and Lawrence Evaluation Period: January 1, 1999 to December 31, 2002								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase		0%		12%		62%		26%
Refinancing	0%	0%	5%	14%	57%	61%	38%	25%

Source: Data reported under HMDA, U.S. Census data.

Table 6 reflects AA#1 has no low-income census tracts. FNBI's residential mortgage lending activity reflects more than reasonable performance to originate loans to geographies of different income levels. Our sample consisted of 60 home purchase and 161 refinance mortgages. The percentage of FNBI loans originated in moderate-income census tracts exceeded the percentage of owner-occupied units in that area. In addition, FNBI ranked 11 out of 51 lenders in AA#1 for all refinancing activity in 2002. It ranked 13 out of 36 lenders for all home purchase activity as well. This information is derived from a Lender Market Share Report for 2002 of all HMDA reportable lenders in AA#1. Lenders were national mortgage companies and banks significantly larger in size than FNBI. It also reflects the intense competition by lenders for loan market share.

Table 7. Geographic Distribution of Loans to Businesses FNB Ipswich's AA# 1 - Massachusetts Census Tracts in Multistate MSAs for MA-NH: Boston and Lawrence Evaluation Period: January 1, 2000 to December 31, 2002								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial Loans	0%	0%	7%	20%	60%	70%	33%	10%

Source: Internally generated list of commercial loans; U.S. Census data.

Table 7 reflects AA#1 has no low-income census tracts. FNBI's business lending activity reflects more than reasonable performance to originate commercial loans in geographies of different income levels. The percentage of FNBI commercial loans originated in moderate-income census tracts exceeded the percentage of businesses located in that area.

State Rating

CRA Rating for New Hampshire is: Satisfactory
The lending test is rated: Satisfactory

The major factors that support this rating includes:

- An excellent distribution of loans to small businesses,
- A reasonable distribution of lending to borrowers of different income levels and businesses of different sizes.

Description of FNB Ipswich Operations in New Hampshire

FNBI has two assessment areas within the southeastern section of New Hampshire. AA#2 includes parts of four MSAs, two multistate and two State MSAs, and AA#3 includes part of one multistate MSA. (Refer to page 1 for a detailed description of the bank's assessment area.) The bank opened four branches in 2001. The first three branches were in Wal-Mart Stores in Newington, Manchester and Salem. A stand-alone branch was opened in Londonderry in November 2001. While only the Londonderry branch has a drive up facility, the three branches in Wal-Mart Stores offer Sunday banking hours. The branch offices in New Hampshire offer the same products as FNBI offices in Massachusetts. As AA#3 is similar to AA#2 in demographics and economics, we conducted a limited review with only one New Hampshire AA. The results are considered representative of AA#3.

Conclusions With Respect to Performance Criteria in New Hampshire

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

FNBI's borrower income distribution is reasonable overall, and meets standards for a **Satisfactory** rating. The evaluation period was shorter for AA#2 than Massachusetts as FNBI did not begin New Hampshire branching activities until April 2001. As a result, the loan sample results were based on a significantly smaller volume of loans. The lack of any residential loans to low- and moderate-income borrowers is not reasonable and does not meet standards for a **Satisfactory** rating. Lending to small businesses, however, reflects excellent penetration. The strength of business lending compensates somewhat for weaknesses of residential lending to low- and moderate-income borrowers. The overall CRA performance of the bank received more weight from Massachusetts operations, as it held 91% of the bank's assets.

Table 8. Borrower Distribution of Residential Real Estate Loans FNB Ipswich's AA#2 – New Hampshire Census Tracts in Multistate MSAs: Lawrence & Lowell; State MSAs: Manchester & Nashua Evaluation Period*: April 1, 2001 to December 31, 2002								
Borrower Income Level	Low		Moderate		Middle		Upper	
Mortgage Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Refinance	14%	0%	18%	0%	30%	40%	38%	60%

Source: Data reported under HMDA, U.S. Census data. *Opened first branch in AA#2 April 2001.

Table 8 displays the results of the bank's performance to originate residential real estate loans to low- and moderate-income families is not reasonable and does not meet standards for a satisfactory rating. The sample included only five residential mortgage loans for the evaluation period. The volume of mortgages and the results do not reflect a focus to originate residential mortgage loans to low- and moderate-income families. Although FNBI considers all branches to be full service, the location of the two Wal-Mart Store branches in Manchester and Salem are removed from residential areas. In addition, the Londonderry branch is located in an upper-income tract. Despite its small volume of loan originations, FNBI ranked 30 out of the 42 HMDA reportable lenders in AA#2, reflecting heavy competition for mortgage loans.

Table 9. Borrower Distribution of Loans to Businesses FNB Ipswich's AA#2 – New Hampshire Census Tracts in Multistate MSAs: Lawrence & Lowell; State MSAs: Manchester & Nashua Evaluation Period*: April 1, 2001 to December 31, 2002		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses**	63%	6%
% of Bank Loans in AA by #	100%	0%
% of Bank Loans in AA by \$	100%	0%

Source: Internally generated list of commercial loans; Dunn and Bradstreet data. *Opened first branch in AA#2 April 2001. **31% of AA businesses did not report revenues.

The results in **Table 9** reflect all commercial loans originated in AA#2 were originated to small businesses. All of the 21 loans originated or 100% were made to small businesses. This level significantly exceeded the percentage of small businesses in the AA.

Geographic Distribution of Loans

The geographic distribution of lending in AA#2 is reasonable. HMDA reportable loans and business loans are reasonably distributed among LMI census tracts when compared with demographic ratios. AA#2 contains 2 low-income and 11 moderate-income census tracts that are all located in Manchester, New Hampshire. The low-income tracts contain primarily multifamily rental properties with minimal opportunity for single family and refinance mortgages. Demand for lending in the low-income tracts comes primarily from real estate investors. Competition for loans in AA#2 is heavy from national, regional, and local financial institutions.

Table 10. Geographic Distribution of Residential Real Estate Loans FNB Ipswich's AA#2 – New Hampshire Census Tracts in Multistate MSAs: Lawrence and Lowell; State MSAs: Manchester and Nashua Evaluation Period:* April 1, 2001 to December 31, 2002								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Refinancing		0%		17%		33%		50%
Mulfi-Family	1%**	0%	5%	50%	74%	50%	21%	0%

Source: Data reported under HMDA, U.S. Census data. *Opened first branch in AA#2 April 2001.

**(actually 0.3%)

Table 10 reflects limited opportunities to make residential loans in low-income tracts as there are very few owner occupied housing units in the two low-income census tracts in Manchester, New Hampshire. The percentage of FNBI refinance loans originated in moderate-income census tracts exceeded the percentage of owner occupied household units in that area. Our sample consisted of 6 refinance and 2 multifamily mortgages. Although FNBI was operating in New Hampshire for less than 2 years, the bank ranked 30 out of 42 lenders, with 12 institutions originating a smaller volume of mortgage loans. The 2002 Lender Market Share Report includes all HMDA reportable institutions and reflects the intense competition for loans in FNBI's AA#2.

Table 11. Geographic Distribution of Loans to Businesses FNB Ipswich's AA#2 - New Hampshire Census Tracts in Multistate MSAs: Lawrence and Lowell; State MSAs: Manchester and Nashua Evaluation Period:* April 1, 2001 to December 31, 2002								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial Loans	6%	0%	10%	7%	61%	43%	23%	50%

Source: Internally generated list of commercial loans; U.S Census data. *Opened first branch in AA#2 April 2001.

Table 11 reflects FNBI originated no loans to businesses in low-income census tracts and the results do not meet area demographics. Opportunities exist in New Hampshire for small business and micro-credit lending in the low-income tracts. Our sample consisted of 14 commercial loans. The percentage of commercial loans originated in moderate-income census tracts was close to the demographic percentages of businesses located in moderate-income tracts. Overall, lending to businesses in LMI geographies is adequate.