



Comptroller of the Currency
Administrator of National Banks

Boston Duty Station
150 Federal Street Second Floor
Boston, Massachusetts 02110

PUBLIC DISCLOSURE

May 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Connecticut River Bank, N. A.
Charter Number 23137**

**242 River Street
Springfield, Vermont 05156**

**Office of the Comptroller of the Currency
Boston Duty Station
150 Federal Street
Boston, Massachusetts 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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Connecticut River Bank, N.A.** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 12, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The following factors support the bank's overall rating:

- ▶ A strong average loan to deposit ratio over the past eight quarters of 85%.
- ▶ A substantial majority of loan originations between January 1, 1996 and May 10, 1997 were within the assessment area.
- ▶ The distribution of originations among borrowers of different income levels is excellent.
- ▶ A good record of lending to small businesses.

The following table indicates the performance level of Connecticut River Bank, N. A. with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CONNECTICUT RIVER BANK, N. A.</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	Not meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Connecticut River Bank, N. A. (CRB) is a \$91.6 million community bank with its main office in Springfield, VT. The bank is wholly owned by the Connecticut River Bancorp, Inc., of Charlestown, NH. Total assets of the holding company amount to \$138 million as of December 31, 1996. In October 1996, the bank changed its New Hampshire state charter to a national charter. In November 1996, the bank relocated its main office from Charlestown, NH to Springfield, VT to take advantage of bank branching legislation. The bank has six full service branches which serve towns in the counties of Sullivan, Cheshire and Grafton, NH as well as portions of Windham and Windsor counties in VT. Branches are located in Charlestown, Claremont, Keene, Langdon, and Walpole, NH and Springfield, VT. Automatic Teller Machines (ATM) are located in Charlestown, Claremont, Keene, and Springfield.

Competition consists of several local community banks and offices of regional banks located in both VT and NH including Claremont Savings Bank, Granite Bank, Vermont National Bank, Fleet Bank, N. A. and Citizens Bank.

CRB offers a wide variety of loan products. As of March 31, 1997, the loan portfolio totaled \$71 million or 77% of total bank assets. The portfolio was segmented as follows: 43% or \$31 million in residential mortgages, 41% or \$29 million in commercial and commercial real estate 8% or \$6 million in loans to individuals, 4% or \$2 million in multi-family mortgages, with the remaining 4% or \$2 million in construction, farmland and loans to municipalities. The bank sells residential mortgages on the secondary market and, when available, purchases participations from other banks.

There are no financial or legal impediments that would prevent CRB from helping to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREAS

The bank has defined two assessment areas consisting of a portion of eastern central Vermont and western central New Hampshire. The assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low-and moderate- income areas. There is a significant amount of economic activity that crosses the state line. The assessment areas consist of 48 block numbering areas (BNA's). The total population of both assessment areas is 192 thousand.

New Hampshire Assessment Area:

CRB's assessment area in NH consists of 37 towns representing 27 BNA's with a total population of 127 thousand. There are no low income BNA's and one moderate income BNA.

Approximately 35% of the families in the assessment area are low-and moderate- income. The 1997 non-metropolitan statewide median family income for NH is \$43,100.

Owner occupied housing comprises 86% of the housing stock. The average age of the housing stock is 34 years and the median housing value is \$111,800. Vacant housing amounts to 13% of the housing stock.

Economic conditions in the area are stable. Manufacturing, retail trade and services are the primary employment sectors in the area. Major employers in the area are Precision Assembly Corp., Bomar, Inc. and Grobet File Co. The unemployment level for the state is 3.2%.

Small business lending and affordable mortgage financing were identified by the bank as the primary credit needs of the assessment area. Management has developed a niche in offering loans to small business. The bank participates in Small Business Administration (SBA) loan programs and the New Hampshire Housing Finance Authority (NHHFA) programs to assist first time home buyers who meet the NHHFA's criteria. Information received from a community contact meeting indicated that there was a need to provide flexible financing for small businesses, particularly to assist the businesses in Charlestown.

Vermont Assessment Area:

CRB's assessment area in Vermont consists of 25 towns representing 21 BNA's with a total population of 66 thousand. There are no low or moderate income BNA's. Approximately 34% of the families in the assessment area are low-and moderate- income. The 1997 non-metropolitan statewide median family income for VT is \$38,200

Owner occupied housing comprises 76% of the housing stock. The average age of the housing stock is 34 years and the median housing value is \$99,200. The unemployment level for the state is 3.9%

The credit needs and demographics of the Vermont assessment area are similar to the New Hampshire assessment area. Management has identified small business lending as the primary credit need.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO:

CRB's average loan to deposit ratio for the past eight quarters of 85% is strong. Small banks in NH (total assets less than \$250 million) had loan to deposit ratios ranging from 94% to 53%. Small banks in VT (total assets less than \$250 million) had loan to deposit ratios ranging from 89% to 37%. The ratio does not reflect the 91 residential mortgages totaling \$8 million sold on the secondary market in 1996 or the 41 NH Housing Finance Authority totaling \$2 million sold in 1996.

LENDING IN THE ASSESSMENT AREA

We reviewed the distribution of the bank's primary loan products over a 16-month period between January 1, 1996 to May 10, 1997. The primary loan products, residential real estate mortgages (REM), commercial loans and commercial real estate mortgages (CML) and consumer installment loans (ISL), show that 93% by number and 87% by dollar volume were originated in the assessment areas. Management's reporting systems sort loan originations by the town where the borrower is located. We used the internally generated reports to analyze the lending pattern inside and outside the assessment areas. We tested the reports and found them to be accurate.

The following table reflects the loan originations in the bank's assessment areas for the period January 1, 1996 through May 10, 1997. (\$Amt. - 000's)

Loan Originations January 1, 1996 - May 10, 1997								
Loan Type	Inside assessment areas				Outside assessment areas			
	# loans	%	\$ Amt.	%	# loans	%	\$ Amt.	%
REM	168	90	8,824	89	19	10	1,083	11
CML	207	91	13,070	84	20	9	2,537	16
ISL	796	93	4,499	92	55	7	399	8
Total	1,171	93	26,394	87	94	7	4,019	13

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

CRB's lending to borrowers of different income levels is strong. We used internally generated reports to analyze the lending patterns. We tested the reports and found them to be accurate. We reviewed all 723 consumer loans (residential real estate mortgages, installment and personal loans) originated from June 1, 1996 through April 30, 1997, and 443 or 61% were to low-and moderate- income borrowers. The low-and moderate-income families amount to 36% of all families in the assessment areas. This evidences that CRB's lending to low-and moderate- income families significantly exceeds the low-and moderate-income portion of the assessment area's population. Our evaluation of the lending to low-and moderate- income borrowers by product type revealed that 330 or 72% of installment loans were to low-and moderate- income borrowers while 113 or 43% of REM's and personal loans were to low-and moderate- income borrowers. The following chart details the lending to borrowers of different income levels for both assessment areas by product type.

Lending to borrowers of different income levels as a percentage of total consumer originations by product type June 1, 1996 - April 30, 1997				
	Low	Moderate	Middle	Upper
Installment loans	32%	40%	17%	11%
REM's and personal loans	15%	28%	31%	26%
Family distribution of assessment areas	17%	19%	26%	39%

CRB's does a good job lending to small businesses. The bank originated 227 commercial loans for \$15.6 million from January 1, 1996 through May 10, 1997. The average loan size is \$68,758. We sampled 44 or 19% of the commercial loans to determine the percentage of loans made to small businesses, defined as businesses having annual revenues of \$1 million or less. Our sample disclosed that 36 loans or 82% were to small businesses. The bank is helping to meet the small business credit needs in its assessment areas.

GEOGRAPHIC DISTRIBUTION OF LOANS

Tracking borrowers by geographic distribution was not meaningful as there is only one moderate income BNA out of the 48 BNA's in the assessment area.

FAIR LENDING EXAMINATION

The institution is in compliance with all substantive provisions and technical provisions of the anti-discrimination laws and regulations. No evidence of disparate treatment was noted.

STATE RATING

CRA RATING FOR NEW HAMPSHIRE IS OUTSTANDING

Factors supporting CRB's rating include 96% of total loan originations in the state are within the NH assessment area, 82% of commercial loan originations in NH are to small businesses and an average commercial loan size of \$65 thousand. CRB's lending to low-and moderate- income borrowers significantly exceeds the percentage of the low-and moderate- income families in the assessment area.

DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

CRB was originally headquartered in NH until November 1996 when the main office was moved to Springfield, VT. Five of the six branches and three of the four ATM's are in NH. No branches were opened or closed in NH in the past two years. Refer to the description of the NH assessment area as detailed in the overall bank evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE AND NON METROPOLITAN STATEWIDE AREAS:

For the 16-month period from January 1, 1996 through May 10, 1997, CRB originated 1,121 loans in NH for approximately \$25 million. Of the total statewide originations, 1,079 or \$24 million, representing 96% in both number and dollar volume, were originated in the NH assessment area.

Included in the above numbers are 185 commercial loan originations with 182 or 98% originated in the NH assessment area. Our commercial loan sample revealed that 82% of the commercial loan originations made in NH were made to businesses with annual revenues of \$1 million or less. The average loan size is \$65 thousand, evidencing management's desire to meet the credit needs of the area's small businesses.

The following chart reflects the loan originations in the NH assessment area for the period June 1, 1996 to May 10, 1997. (\$ Amt. - 000's)

Loan Originations January 1, 1996 - May 10, 1997								
Loan Type	Inside NH assessment area				Outside NH assessment area			
	# loans	%	\$ Amt.	%	# loans	%	\$ Amt.	%
REM	160	95	8,296	95	9	5	437	5
CML	182	98	11,873	98	3	2	173	2
ISL	737	96	4,197	93	30	4	294	7
Total	1,079	96	24,366	96	42	4	904	4

Lending to borrowers of different income levels is excellent. From June 1996 to April 1997 CRB originated 639 consumer loans in NH, of which 395 or 61% of consumer originations were to low-and moderate- income borrowers. An evaluation of consumer lending by product type revealed that 293 or 72% of installment loans and 102 or 44% of REM's and personal loan originations were to low-and moderate- income borrowers. This lending pattern to low- and moderate- income borrowers significantly exceeds the average percentage of low-and moderate-income families in the assessment area. The following chart details the lending to borrowers of different income levels for the NH assessment area by product type.

Lending to borrowers of different income levels as a percentage of total consumer originations by product type in NH June 1, 1996 - April 30, 1997				
	Low	Moderate	Middle	Upper
Installment loans	32%	40%	17%	11%
REM's and personal loans	14%	30%	29%	27%
Family distribution in NH assessment area	17%	19%	27%	37%

The geographic distribution of loans was not meaningful to our evaluation.

STATE RATING

CRA RATING FOR THE STATE OF VERMONT IS SATISFACTORY

Factors supporting CRB's rating include 64% of all VT loans originations were within the assessment area, 75% of commercial loan originations are to small businesses and an average commercial loan size of \$48 thousand. The bank's lending to low- and moderate- income borrowers significantly exceeds the percentage of low- and moderate- income individuals living in the assessment area.

DESCRIPTION OF THE INSTITUTIONS OPERATIONS IN VERMONT

CRB opened a loan production office (LPO) in Springfield in January 1996. This office was converted into a full service branch and the main office in November 1996. The LPO's primary focus was on originating commercial loans. This is the reason that the volume of commercial loan originations exceeds the number of residential mortgage originations. Currently, resources are evenly allocated to meet both commercial and retail banking needs. There is an ATM at the Springfield location. Refer to the description of the VT assessment area in the overall bank evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT AND NON METROPOLITAN STATEWIDE AREAS:

For the 16-month period from January 1, 1996 to May 10, 1997, CRB originated 144 loans in VT for approximately \$5 million. Of the total statewide originations, 92 loans or 64% by number and \$2 million or 40% by dollar volume were originated within the VT assessment area.

Included in the above numbers are 42 commercial loan originations with 25 or 60% originated in the VT assessment area. Our commercial loan sample revealed that 75% of the commercial loan originations made in VT were to businesses with annual revenues of \$1 million or less. The average loan size is \$48 thousand, evidencing the bank's efforts to meet the credit needs of small businesses.

The following chart reflects the loan originations in the VT assessment area for the period January 1, 1996 to May 10, 1997. (\$ Amt. - 000's)

Loan Originations January 1, 1996 - May 10, 1997								
Loan Type	Inside VT assessment area				Outside VT assessment area			
	# loans	%	\$ Amt.	%	# loans	%	\$ Amt.	%
REM	8	44	555	46	10	56	646	54
CML	25	60	1,197	34	17	40	2,365	66
ISL	59	70	302	74	25	30	105	26
Total	92	64	2,054	40	52	36	3,116	60

Lending to borrowers of different income levels is good. The lending pattern to low- and moderate- income borrowers significantly exceeds the percentage of low-and moderate- income families living within the assessment area. From June 1996 to April 1997 CRB originated 84 consumer loans in VT, of which 48 or 57% of the consumer originations were to low-and moderate- income borrowers. An evaluation of consumer lending by product type revealed that 37 or 77% of installment and 11 or 30% of REM's and personal loan originations were to low- and moderate- income borrowers.

The following chart details the lending to borrowers of different income levels for the VT assessment area by product type.

Lending to borrowers of different income levels as a percentage of total consumer originations by product type in VT June 1, 1996 - April 30, 1997				
	Low	Moderate	Middle	Upper
Installment loans	35%	42%	19%	15%
REM's and personal loans	19%	11%	44%	26%
Family distribution in VT assessment area	16%	18%	24%	42%

Geographic distribution of loans was not meaningful to our evaluation.