Small Bank

Comptroller of the Currency
Administrator of National Banks

New England Field Office
150 Federal Street, Second Floor
Boston, Massachusetts 02110

Public Disclosure

April 26, 1999

Community Reinvestment Act Performance Evaluation

Connecticut River Bank, N.A.
Charter Number 23137
242 River Street
Springfield, VT 05156

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New England Field Office
150 Federal Street, Second Floor
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.**

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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 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* ***April 26, 1999****. 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***.

Connecticut River Bank has demonstrated a sound commitment to CRA through:

- A sound average loan to deposit ratio of 81.1% since our prior examination;
- A strong level of loan originations, 94.8%, within the assessment area;
- A strong record of originating loans to borrowers of different incomes;
- A strong record of originating loans to businesses of different sizes;
- A strong record of originating micro-loans to businesses; and
- A strong record of Community Development investments and services.

Description of Institution

Connecticut River Bank, N.A. (CTRB) is a $103 million community bank located in east-central Vermont. It is a wholly-owned subsidiary of Connecticut River Bancorp, Inc. of Charlestown, New Hampshire. Total assets of the holding company are $153 million. CTRB's headquarters is located in Springfield, VT, which is directly across the New Hampshire state line. The bank originated in Charlestown, New Hampshire, which is where the main banking office resides. CTRB operates five other New Hampshire branches, with one in Langdon, Keene, and Walpole, and two in Claremont. The second Claremont branch was opened November 1998. All branches have automated teller machines (ATMs) that are accessible 24 hours a day. CTRB is well situated to compete in this highly competitive market.

CTRB is considerably smaller than many of the 57 banks and mortgage companies operating in its Vermont assessment area and 86 banks and mortgage companies operating in its New Hampshire assessment area. Primary competition comes from the five largest Vermont and New Hampshire owned banks, as well as many well known regional and national mortgage companies. A market share review of Home Mortgage Disclosure Act (HMDA) reporting institutions showed 78% of Vermont's 1997 originations were made by the top 10 underwriters, all of whom are much larger and more widely known.

CTRB identified small business lending and affordable mortgage financing as the primary credit needs of the assessment area. Both community contacts identified small business lending as a primary need of the region. In response, management developed a niche by offering loans to small businesses. CTRB participates in Small Business Administration and New Hampshire Business Finance Authority programs. It also offers first time home-buyer and low down-payment residential loan programs. Furthermore, CTRB originates loans to finance agricultural production and loans secured by farmland.

CTRB is in sound financial condition. December 31, 1998 total assets of $103 million were comprised of $70 million in loans, $26.3 million in investments, and $6.7 million in cash and premises. Originations in 1998 were comprised of $8.7 million residential, $7.4 million business and $2.6 million consumer loans. Based on outstandings, loan growth was down 2.2% in 1998. There are no financial or legal impediments limiting this bank's ability to help meet the credit needs of its two assessment areas. For this examination, we evaluated CTRB's CRA performance based on lending performance in residential mortgage, small business originations, and consumer lending.

The prior CRA examination was dated May 12, 1997 and the rating was Outstanding. Unless stated otherwise, the evaluation period for this CRA performance evaluation is March 31, 1997 to December 31, 1998. Lending data is referred to in this evaluation as 1997 data and 1998 data. The former is for the nine month period March through December.

Description of Vermont (VT) Assessment Area (AA)

This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. CTRB selected twenty-one Block Numbered Areas (BNAs) as its VT assessment area, which has a combined population of 65,901. The statewide Average Non-MSA Census Median Family Income is $32,454 and the statewide Average Non-MSA Updated Median Family Income is $38,200. Income levels in the geographies selected by CTRB are average. Eighteen geographies reflect middle income characteristics and include 83% of the population. Three geographies are upper income and include the remaining population. There are no low- nor moderate-income geographies.

The average age of housing stock is 40 years, and the median value is $106,000. The median population age is 32. Housing is 80% 1-4 family units, and 51% of all housing types are owner occupied. The popularity of second homes in the area account for 24% of the housing stock which is categorized as vacant.

Unemployment averages 3.9%, reflecting economic recovery which has been slow to come in this area according to management and confirmed by our community contact. This region is in the process of a 25-year business make-over. There are 2,728 local businesses, of which 1,877 employ up to 4 persons and 2,123 have revenues less than $1 million. Services, wholesale/retail trade, and construction are the major business groups. The largest employers are Bryant Grinding and Fellows Gear Shapers, employing 300 and 250 people, respectively.

The community contact for this assessment area, representing an economic revitalization corporation, stated that the number one financial need is small business loans. The contact noted that the economic base deteriorated and replacement is in the form of new fledgling companies. Business development initiatives, including grants, have been successful. However, financial reporting and accurate forecasting are inherently weak in small and new companies which are focusing on product development and sales. Our contact suggested banks need to tell potential borrowers what documentation is required for loan application purposes and then be creative in approving them. She noted that CTRB has been supportive of her programs.

Description of New Hampshire (New Hampshire) Assessment Area (AA)

CTRB selected thirty Block Numbered Areas (BNAs) as its New Hampshire assessment area. This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. It is contiguous to the Vermont AA, separated only by the state line. The population of the New Hampshire AA is 134,087. The statewide Average Non-MSA Census Median Family Income is $36,623 and the statewide Average Non-MSA Updated Median Family Income is $43,400. Income levels in the New Hampshire geographies are average, as 28 geographies reflect middle income characteristics and include 84% of the population. One geography reflects upper income characteristics and one reflects moderate income characteristics. There is no low-income geography.

The average age of housing stock is 40 years and the median value is $112,000. Housing is 79% 1-4 family units, and 56% of all housing types are owner occupied. The popularity of second homes in the area account for 17% of the housing stock categorized as vacant.

Unemployment averages 3.2%, reflecting economic stability. There are 5,201 local businesses, of which 3,591 employ up to four people and 3,979 have revenues less than $1 million. Services, wholesale/retail trade, and construction are the major business groups. The largest employer is Precision Assembly with a staff of 250.

The community contact, an economic development organization, stated that the number one financial need is small business loans. The contact pointed out that the economic base deteriorated in the 1980's when machine tool companies left the area. Nothing replaced them and the regional downturn in early 1990 exacerbated an already weak condition. Faith in the area to financially provide a livelihood suffered. Business development initiatives have been successful, although rebuilding the business infrastructure through bank lending is a real need.

Conclusions with Respect to Performance Criteria

Loan to Deposit Ratio

CTRB meets loan to deposit ratio standards for satisfactory performance. CTRB’s loan to deposit ratio is reasonable given its size, lending capacity, and competitive market area. The average loan to deposit ratio for the past eight quarters ending March 31, 1999 is 81.1%. The bank’s loan to deposit ratio is down from 90% in 1997 due to strong deposit levels. Similarly situated banks in Vermont with assets less than $250 million during the same period had loan to deposit ratios ranging from 46.4 % to 91%. CTRB ranks at the mid-point of the 18 similar size banks.

Lending in Assessment Areas (AAs)

CTRB’s lending in the assessment area exceeds standards for satisfactory performance. We found that a substantial majority of loans were originated in the two AAs. During the evaluation period, 94.8% of the number and 95.6% of the dollar amount of originations were made in the two AAs, as reflected in Table 1. Bank prepared reports were our source documents which we tested for accuracy.

Table 1

Loan Originations- ($000s)								
Loan Type	***Inside Assessment Area***				***Outside Assessment Area***			
	#Loans	**%**	**$Amt**	**%**	**#Loans**	**%**	**$Amt**	**%**
Mtgs.	226	93	12,482	92	16	7	1,120	8
Comm.	263	99	17,786	99	3	1	106	1
Consu.	837	94	4,186	92	54	6	382	8
Total	1,326	95	34,454	96	73	5	1,608	4

Lending to Borrowers of Different Incomes and Businesses of Different sizes.

Borrowers of Different Incomes

CTRB exceeds performance standards in lending to borrowers of different incomes. Data in Table 2 reflect the bank's strong willingness to meet the credit needs of borrowers with modest financing requirements.

Residential Mortgages

Included in the data in Table 1 are affordable mortgage loans originated under New Hampshire Housing Finance Authority (NHHFA) programs to assist first time home buyers who meet program guidelines. Originations under these first time home buyer and low down-payment programs have been strong. In 1997, 40 originations totaled $2.3 million and 51 originations totaled $3.5 million in 1998. Our analysis of residential mortgage loan originations to borrowers of different incomes is based on a 40 file sample, 20 from each assessment area. The results are combined and reflected in Table 2.

The Vermont Average Non MSA Updated Median Family Income is $38,200 while the same data for New Hampshire is $43,400. Low-income is defined as income below 50% of the median family income. Moderate-income is defined as income between 50% and 79% of the median level. Middle-income is defined as income between 80% and 119% of the median and upper-income is defined as income equal to or greater than 120% of the median. The distribution of loans among borrowers of different income levels is strong.

Table 2
LENDING TO BORROWERS OF DIFFERENT INCOMES

Real Estate Originations ($000s)									
		Low		***Moderate***		***Middle***		***Upper***	
# Lns	**%**	3	8%	6	15%	15	38%	16	39%
$ Amt	**%**	$158	8%	$295	14%	$602	28%	$1,071	50%
Family Income Distribution		16%		18%		26%		40%	

Real estate originations from HMDA reporting institutions are shown in Table 7 (Vermont assessment area) and Table 12 (New Hampshire assessment area) where the comparison of originations of larger institutions situated in more populated areas is somewhat more meaningful. In summary, the relative high value of housing makes purchasing virtually impossible for low-income families. As a result, originations to this income strata at this rate reflects strong performance. Further detail in of this evaluation which discuss each assessment area dramatize the negative influence of housing values on low-income persons.

Consumer Loans

Based upon CTRB's request, we analyzed consumer loan originations for the evaluation period. Our analysis of consumer loan originations to borrowers of different incomes is from a 40 file sample, 20 from each assessment area. The results of our evaluation are combined and reflected in Table 3. The distribution of loans among borrowers of different income levels is strong. Of the number of originations shown in Table 1, 837 consumer loans indicate credit needs which bring stability to homes and families. Examples of use of proceeds include refrigerators, heating systems and automobiles. The high number of originations also reflects CTRB's willingness to meet population needs. Home equity loans, usually inflating consumer loan portfolios, are virtually non-existent. Table 3 identifies the sample number and relative percentage of consumer loan originations among borrowers of different income levels in the combined assessment areas.

Table 3
LENDING TO BORROWERS OF DIFFERENT INCOMES

Consumer Loan Originations ($000s)									
		Low		*Moderate*		*Middle*		*Upper*	
# Lns	**%**	9	23%	15	37%	6	15%	10	25%
$ Amt	**%**	$47	23%	$45	22%	$38	19%	$72	36%
Family Income Distribution		16%		18%		26%		40%	

Businesses of Different Sizes

CTRB exceeds performance standards in lending to businesses of different sizes.

Commercial Loans

The stratification of business units by size reflects a performance context not otherwise evident. Small businesses in these assessment areas, do not feed from and support a larger commercial complex or infra-structure usually identified in more metropolitan or developed areas. Rather, in the commercial make-over of this region, small businesses tend to be new, stand-alone enterprises seeking to find their own identity. The former large dominant businesses are gone. Companies with fewer than 10 employees total 85% of the business population and those with reported revenues less than $1 million equal 77% of the population. As a result, lending to small businesses, in particular, evidences high risk. Included in overall commercial loan originations, the bank participates in Small Business Administration (SBA) and New Hampshire Business Finance Authority (NHBFA) loan programs. Five SBA loans were originated in both 1997 and 1998. The original balance for the ten loans totaled $878 thousand. Five NHBFA loans were originated in 1998 totaling $129 thousand.

We used a sample of 20 commercial loans to analyze originations to small businesses as defined by the regulation. Performance is good, as shown in Tables 4 and 5. Table 4 identifies the number and percentage of loans from our sample that meet the definition of *small business*, gross revenues of $1 million or less. This performance reflects that CTRB provides a good level of originations to help meet small businesses' credit needs. Comparing CTRB's 85% origination rate to small businesses in an area of 77% small businesses reflects favorable performance.

Table 4
Lending to Businesses of Different Sizes

Percentage Distribution of Small Business Borrowers by Annual Revenues		
Revenue	< $1,000,000	> $1,000,000
Number	17	3
Percentage	85%	15%

We also utilized this same random sample of 20 commercial loans to analyze performance of small business lending based on loan size. Table 5 reflects CTRB's strong willingness to help meet the credit needs of borrowers with modest financing requirements.

Table 5

Percentage of Commercial Loan Originations by Loan Size for 1998			
	<$100,000	$101,000 to $250,000	$251,000 to $1,000,000
Number	19	0	1
Percentage	95%	0	5%

Community Development

Please refer to this subject heading under the State of New Hampshire section of this evaluation where Community Development Investments and Community Development Services are identified.

Geographic Distribution

Tracking borrowers by geographic distribution was not meaningful as there was no low-income and only one moderate-income BNA in a total of 51 BNAs.

Response to Complaints

CTRB has not received any complaints relating to CRA performance since the prior examination.

Fair Lending Examination

During the concurrent Fair Lending examination, no violations of substantive provisions of the anti-discrimination laws or regulations were noted.

State Rating

CRA Rating for Vermont is: Satisfactory.

Factors supporting CTRB's **Satisfactory** rating include:

- A sound average loan to deposit ratio of 81.1% since the last evaluation;
- A good level of loan originations, 87.5%, within the assessment area;
- A strong record of originating loans to borrowers of different incomes;
- A good record of originating loans to businesses of different sizes; and
- A strong record of originating micro loans to businesses.

Description of Institution's Operations in Vermont

CTRB commenced operations modestly in Vermont in November 1996, when it converted its New Hampshire state charter to a national charter to take advantage of branching laws to move its headquarters to Springfield, Vermont. Since then, Vermont deposits and business levels have increased as service to Windham and Windsor counties expanded. The headquarters banking office is its only banking facility in Vermont. CTRB's assessment area is in a non metropolitan statistical area and is composed of 21 BNAs.

The population is 65,901, the statewide Average Non-MSA Census Median Family Income is $32,454 and the statewide Average Non-MSA Updated Median Family Income is $38,200. Income levels in the geographies selected by CTRB are average, as 18 geographies reflect middle-income characteristics and include 83% of the population. One geography reflects upper- income characteristics and one reflects moderate-income characteristics. There are no low-income geographies. Please see the overall evaluation for further details on this assessment area.

CTRB offers a variety of credit products, and management's focus reflects originations in all loan areas. Competition is strong. Vermont's three largest banks, several locally owned banks and nationally known mortgage companies are active in this assessment area.

The community contact for this assessment area, representing an economic revitalization corporation, stated that the number one financial need is small business loans. The contact expressed that banks need to tell potential borrowers what documentation is required for loan application purposes and then be creative in approving them. She noted that CTRB has been supportive of her programs.

Conclusions with respect to performance tests in Vermont

Loan to Deposit Ratio

CTRB's loan to deposit ratio is reasonable given its size, lending capacity, and competitive market area. The average loan to deposit ratio for the past eight quarters ending March 31, 1999 is 81.1%. The bank's loan to deposit ratio is down from 90% in 1997 due to strong deposit levels. Similarly situated banks in Vermont with assets less than $250 million during the same period had loan to deposit ratios ranging from 46.4% to 91%. CTRB ranks at the mid-point of this population.

Lending in the Assessment Area (AA)

We found that a substantial majority of loans were originated in the AA, as reflected in 87.5% of the number and 88.8% of the dollar amount made within the AA. Table 6 summarizes CTRB's lending activities in the assessment area. Bank prepared reports were the source documents for evaluation, which we tested for accuracy.

Table 6

Loan Originations- ($000s)								
Loan Type	***Inside Assessment Area***				***Outside Assessment Area***			
	#Loans	**%**	**$Amt**	**%**	**#Loans**	**%**	**$Amt**	**%**
Mtgs.	25	81	1,543	81	6	19	373	19
Comm.	47	98	2,521	99	1	2	40	1
Consu.	96	85	571	77	17	15	169	23
Total	168	88	4,635	89	24	12	582	11

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

Borrowers of Different Incomes

Residential Mortgages

We analyzed a sample of twenty residential mortgage loan originations from which we based our analysis. The distribution of loans among borrowers of different income levels is strong.

While only one origination, or 5% of the sample, was to low-income persons, this compares very favorably to a summary report of originations made by all HMDA-reporting institutions. All HMDA reporting institutions originated 36 mortgages to low-income persons in 1997 equating to a rate of originations to applications of only 2.9%, which is much lower than CTRB's. A similar analysis of moderate-income persons provides further evidence of strong performance. CTRB originated three residential mortgages to moderate income persons, for a 15% origination rate. All HMDA reporting institutions originated 121, or 9.9%, of applications to moderate-income persons. CTRB nor the HMDA reporting institutions produced origination rates equaling or exceeding the percentage of the low- or moderate-income population. High housing values appear to be the performance context reason.

The average median housing value is $105,650 and the Vermont Average Non MSA Updated Median Family Income is $38,200. Low-income is defined as income below 50% of the median family income. As a result, persons with $18,718 annual income find qualifying for mortgages virtually impossible. Debt service alone at $700 per month would equal 45% of a low-income person's gross income. Moderate-income is defined as income between 50% and 79% of the median level, which $30,178 represents the top of this range. Qualifying for a mortgage becomes feasible at this income level, but opportunities are not abundant. This is evident in the small number of moderate-income applications received by HMDA reporting institutions. Only 302 applications were submitted compared to a total moderate-income population of 24,135. In this performance context, residential mortgage lending to low- and moderate-income persons is most difficult. Table 7 reflects the breakdown of real estate mortgage originations among borrowers of different income levels in the assessment areas and the dollar amount for the assessment period.

Table 7
LENDING TO BORROWERS OF DIFFERENT INCOMES

Real Estate Originations ($000s)									
		Low		***Moderate***		***Middle***		***Upper***	
# Lns	%	1	5%	3	15%	8	40%	8	40%
$ Amt	%	$79	6%	$149	12%	$397	32%	$607	50%
Family Income Distribution		**16%**		**18%**		**24%**		**42%**	

Consumer Loans

We also analyzed consumer loan originations for the evaluation period as requested by management. The distribution of these loans among borrowers of different income levels is strong. This is a more important product than first impression suggests. First, it is a product for which low- and moderate-income persons can qualify. Second, the product typically supports the purchase or maintenance of products and services essential to sustaining one's current life style. New refrigerators, heating unit repairs, and auto repairs are frequent uses of funds. Third, this product is not highly advertised by CTRB because of high origination and maintenance costs relative to loan size. Table 8 identifies, from our 20-file sample, the number and relative percentage of consumer loan originations among borrowers of different income levels in the assessment area. CTRB's performance exceeds the population distribution of both low- and moderate-income persons.

Table 8
LENDING TO BORROWERS OF DIFFERENT INCOMES

Consumer Loan Originations ($000s)									
		Low		***Moderate***		***Middle***		***Upper***	
# Lns	%	4	20%	6	30%	4	20%	6	30%
$ Amt	%	$20	20%	$16	16%	$15	15%	$49	49%
Family Income Distribution		**16%**		**18%**		**24%**		**42%**	

Businesses of Different Sizes

Commercial Loans

We used a sample of 20 commercial loans to analyze originations to small businesses as defined by the regulation. Performance is good, as shown in Tables 9 and 10. Table 9 identifies the number and percentage of loans from our sample that meet the definition of *small business*, gross revenues of $1 million or less. This performance reflects that CTRB provides a good level of originations to help meet small businesses' credit needs. Comparing CTRB's 85% origination rate to small businesses in a business population of 89% small businesses reflects favorable performance.

Table 9
Lending to Businesses of Different Sizes

Percentage Distribution of Small Business Borrowers by Annual Revenues		
Revenue	< $1,000,000	> $1,000,000
Number	17	3
Percentage	85%	15%

We also utilized this same random sample of 20 commercial loans to analyze the performance of small business lending in terms of loan size. Table 10 reflects CTRB's strong willingness to help meet the credit needs of borrowers with modest financing requirements.

Table 10

Percentage of Commercial Loan Originations by Loan Size for 1998			
	<$100,000	$101,000 to $250,000	$251,000 to $1,000,000
Number	18	2	0
Percentage	90%	10%	0%

Geographic Distribution

Tracking borrowers by geographic distribution was not meaningful as there was no low-income and only one moderate-income BNA in a total of 30 BNAs.

Response to Complaints

CTRB has not received any complaints relating to CRA performance since the prior examination.

Fair Lending Examination

During the concurrent Fair Lending examination, no violations of substantive provisions of the anti-discrimination laws or regulations were noted.

State Rating

CRA Rating for New Hampshire is: Outstanding.

Factors supporting CTRB's **Outstanding** rating include:

- A sound average loan to deposit ratio of 81.1% since the last evaluation;
- A strong level of loan originations, 95.7%, within the assessment area;
- A strong record of originating loans to borrowers of different incomes;
- A good record of originating loans to businesses of different sizes;
- A strong record of originating micro loans to businesses; and
- A strong record of Community Development investments and services.

Description of Institution's Operations in New Hampshire

CTRB's assessment area is in a non metropolitan statistical area and is composed of thirty BNA's including the towns of Hanover and Lebanon. As a result, conclusions for non metropolitan statistical areas are included in this rating. This AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The population is 134,087, the statewide Average Non-MSA Census Median Family Income is $36,623 and the statewide Average Non-MSA Updated Median Family Income is $43,400. Income levels in the geographies selected by CTRB are average, as 28 geographies reflect middle-income characteristics and include 93% of the population. One geography reflects upper- income characteristics and one reflects moderate-income characteristics. There are no low-income geographies. Please see the overall evaluation for further details on this assessment area.

CTRB offers a variety of credit products, and management's focus reflects originations in all loan areas. Competition is strong. New Hampshire's three largest banks, several locally owned banks and nationally known mortgage companies are active in this assessment area.

Our community contact, representing an economic development corporation, stated that the number one financial need is small business loans. The contact felt that banks need to be innovative and creative in approving them. He noted that both CTRB has been supportive of their programs.

Conclusions with respect to performance tests in New Hampshire

Loan to Deposit Ratio

CTRB's loan to deposit ratio is reasonable given its size, lending capacity, and competitive market area. The average loan to deposit ratio for the past eight quarters ending March 31, 1999 is 81.1%. The overall trend is down due to strong deposit levels.

Lending in the Assessment Area

A substantial majority of lending is inside CTRB's assessment area, with 95.9% of the number and 96.7% of the dollar amount of originations made in the AA. Table 11 summarizes lending in the assessment area. 1998 is a proxy for the entire evaluation period. The data was obtained from bank records which were tested for accuracy.

Table 11

Loan Originations- ($000s)								
Loan Type	***Inside Assessment Area***				***Outside Assessment Area***			
	#Loans	**%**	**$Amt**	**%**	**#Loans**	**%**	**$Amt**	**%**
Mtgs.	201	95	10,939	94	10	5	747	6
Comm.	216	99	15,265	100	3	1	66	0
Consu.	741	95	3,615	94	37	5	213	6
Total	1158	96	29,819	97	50	4	1,026	3

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

Borrowers of Different Incomes

Residential Mortgages

We analyzed a sample of twenty residential mortgage loan originations from which we based our analysis. The distribution of loans among borrowers of different income levels is strong.

While only two originations, or 10% of the sample, were to low-income persons, this compares very favorably to a summary report of originations made by all HMDA-reporting institutions. All HMDA reporting institutions originated only 4.7% of their applications from low income persons, which is much lower than CTRB's. A similar analysis of moderate-income persons results in further evidence of strong performance. CTRB originated three residential mortgages to moderate income persons for a 15% origination rate, which is in line with all HMDA reporting institutions originating 16% of applications to moderate-income persons. Neither CTRB nor the HMDA reporting institutions produced origination rates to low-or moderate-income persons equaling or exceeding the percentage of the population for each income class. High housing values appear to be a performance context reason.

The average median housing value is $112,292. The New Hampshire Average Non MSA Updated Median Family Income is $43,400. Low-income is defined as income 50% below the median family income. As a result, persons with $21,266 annual income find qualifying for mortgages virtually impossible. Debt service alone at $732 per month would equal 41% of a low-income person's gross income. Insurance and New Hampshire's well known high property taxes are further financial impediments. Moderate-income is defined as income between 50% and 79% of the median level. Income of $34,286 is the top of this range, at which qualifying for a mortgage becomes feasible. However, the opportunities are not abundant as evident in the small number of moderate-income applications received by HMDA reporting institutions. Only 833 applications were submitted by this group compared to a total moderate-income population of 25,500. In this performance context, residential mortgage lending to low- and moderate-income persons is most difficult. Table 12 reflects the breakdown of real estate mortgage originations among borrowers of different income levels in the assessment areas and the dollar amount for the assessment period.

Table 12
LENDING TO BORROWERS OF DIFFERENT INCOMES

Real Estate Originations ($000s)									
		Low		***Moderate***		***Middle***		***Upper***	
# Lns	%	2	10%	3	15%	7	35%	8	40%
$ Amt	%	$79	9%	$147	16%	$205	23%	$464	52%
Family Income Distribution		**17%**		**19%**		**27%**		**37%**	

Consumer Loans

We also analyzed consumer loan originations for the evaluation period as requested by management. The distribution of these loans among borrowers of different income levels is strong. This is a more important product than first impression suggests. First, it is a product that low- and moderate-income persons can qualify for. Second, the product typically supports the purchase or maintenance of products and services essential to sustaining one's current life style. New refrigerators, heating unit repairs, and auto repairs are frequent uses of funds. Third, this product is not highly advertised by

CTRB because of high origination and maintenance costs relative to loan size. Table 11 shows 741 originations, which speaks soundly of this product as an assessment area "need" and strong positive response by CTRB. Table 13 identifies from our twenty-file sample, the number and percentage of consumer loan originations among borrowers of different income levels in the assessment area.

Table 13
LENDING TO BORROWERS OF DIFFERENT INCOMES

Consumer Loan Originations ($000s)									
		Low		***Moderate***		***Middle***		***Upper***	
# Lns	%	5	25%	9	45%	2	10%	4	20%
$ Amt	%	27	27%	29	28%	23	23%	23	22%
Family Income Distribution		**16%**		**18%**		**24%**		**42%**	

Businesses of Different Sizes

Commercial Loans

We used a sample of 20 commercial loans to analyze originations to small businesses as defined by the regulation. Performance is good, as shown in Tables 14 and 15. Table 14 identifies the number and percentage of loans from our sample that meet the definition of *small business*, gross revenues of $1 million or less. This performance reflects that CTRB provides a good level of originations to help meet small businesses' credit needs. Comparing CTRB's 75% origination rate to small businesses in a business population comprised of 89% small businesses reflects favorable performance.

Table 14
Lending to Businesses of Different Sizes

Percentage Distribution of Small Business Borrowers by Annual Revenues		
Revenue	< $1,000,000	> $1,000,000
Number	15	5
Percentage	75%	25%

We also utilized this same random sample of 20 commercial loans to analyze performance of small business lending based on loan size. Table 15 reflects CTRB's strong willingness to help meet the credit needs of borrowers with modest financing requirements.

Table 15

Percentage of Commercial Loan Originations by Loan Size for 1998			
	<$100,000	$101,000 to $250,000	$251,000 to $1,000,000
Number	18	1	1
Percentage	90%	5%	5%

Community Development

Investments

Due to few opportunities, CTRB has not been able to purchase qualifying investments. However, CTRB has qualifying grants to social service organizations providing goods and services to low- and moderate- income people. During the evaluation period, $1,900 was given primarily to soup kitchens and food pantries. Other recipients included women's support groups principally serving low-income, single and battered mothers.

Services

Members of management and staff contribute technical assistance to financial service and social service organizations.

- One organization is a qualified community development corporation involved in both redeveloping former business sites and expanding employment opportunities for low and moderate income persons. This organization receives assistance in accounting and arranging financial packages to help solicit potential businesses to the area.
- Four food pantry and soup kitchen organizations receive accounting, fund raising or inventory control services.
- A school to work program, which focuses on low- and moderate-income people and their transition into local employment activities, receives assistance in the development of workshops.

Geographic Distribution

Tracking borrowers by geographic distribution was not meaningful as there was no low-income and only one moderate-income BNA in a total of 30 BNAs.

Response to Complaints

CTRB has not received any complaints relating to CRA performance since the prior examination.

Fair Lending Examination

During the concurrent Fair Lending examination, no violations of substantive provisions of the anti-discrimination laws or regulations were noted.