



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 07, 2003**

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

**The Randolph National Bank  
Charter Number 2274**

**21 Main Street  
Randolph, VT 05060**

**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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The lending performance of Randolph National Bank (RNB) is satisfactory given its size, financial condition, and the credit needs of its assessment area (AA). The primary factors supporting the bank's overall rating include:

- The loan-to-deposit ratio is more than reasonable, averaging 80% over the past 21 quarters and 88% over the past four quarters.
- A substantial percentage of the bank's loans, 82% by number and 84% by dollar amount, are within the designated assessment area.
- The distribution of loans to families of different income (installment and mortgage refinancing) reflects reasonable penetration.
- A distribution of loans to small businesses reflects excellent penetration.

## **DESCRIPTION OF INSTITUTION**

Randolph National Bank (RNB) is a nationally-chartered commercial bank, headquartered in Randolph, Vermont. As of December 31, 2002, RNB had total assets of \$111 million. The bank is owned by Central Financial Corporation, a one-bank holding company with total assets of \$111 million. RNB's main banking office and one branch are located in Randolph. Additional branch offices are located in Bethel, Rochester, Royalton and South Royalton. All banking offices are full service with comparable products and hours of operation. RNB has eight Automated Teller Machines (ATMs). Three of the ATMs are located at non-branch locations (Rinker's Mobil Station, Vermont Technical College, and Sharon's Trading Post).

The bank offers a wide variety of credit products including commercial, commercial real estate and consumer loans with an emphasis on residential real estate. RNB offers a first time homebuyers mortgage with the bank financing 95% of the purchase price as well as standard home mortgage products. As of December 31, 2002, the bank had \$85 million in net loans and \$96 million in total deposits, representing 76.56% and 86.48% of total assets, respectively.

The bank was assigned a "Satisfactory" CRA rating at the preceding examination dated August 21, 1997. RNB faces no impediments, legal or otherwise, that hinder its ability to help meet the credit needs of its assessment area.

The distribution of the bank's loan portfolio at December 31, 2002 is reflected in **Table 1**,

below:

| <b>Table 1 – Loan Category – 12/31/02<br/>Year-End Call Report</b> | <b>\$ (000)</b> | <b>%</b>      |
|--|-----------------|---------------|
| Residential Real Estate Loans                                      | 43,565          | 50.96         |
| Commercial Loans   | 23,919          | 27.98         |
| Consumer Loans   | 8,186           | 9.57          |
| Commercial Real Estate Loans                                       | 7,143           | 8.35          |
| Other Loans  | 2,684           | 3.14          |
| <b>Total</b>   | <b>85,497</b>   | <b>100.00</b> |

**Table 2** reflects the volume of lending since the previous CRA performance evaluation of August 21, 1997. Based on the number of loans originated, the heaviest volume of loan originations is consumer loans. The second heaviest volume of lending is consumer residential (home purchase and home mortgage refinancing). Commercial loans ranked third in volume of loans originated since the prior evaluation. We focused our lending sample on consumer, commercial and consumer residential. We further defined the residential sample for the time period September 1, 1997 to December 31, 1992 as home mortgage refinancing. Although the bank is not required to gather information on types of home mortgages originated, we based our decision on reports voluntarily maintained by the bank and discussions with management.

| <b>Table 2-Loan Originations By Product Type-From September 1, 1997 through December 31, 2002</b> |               |                   |                       |                   |
|---|---------------|-------------------|-----------------------|-------------------|
| <b>Loan Type</b>  | <b>Number</b> | <b>% Of Total</b> | <b>Dollars (000s)</b> | <b>% Of Total</b> |
| Consumer Residential  | 714           | 12.83%            | 57,782                | 43.59%            |
| Consumer  | 3,904         | 70.15%            | 27,432                | 20.69%            |
| Commercial Real Estate  | 179           | 3.22%             | 23,284                | 17.56%            |
| Commercial  | 627           | 11.27%            | 23,069                | 17.40%            |
| Home Equity   | 141           | 2.53%             | 999                   | 0.76%             |
| <b>Total</b>  | <b>5,565</b>  | <b>100.00%</b>    | <b>132,566</b>        | <b>100.00%</b>    |

## **DESCRIPTION OF RANDOLPH NATIONAL BANK ASSESSMENT AREA**

Randolph National Bank has one defined assessment area (AA). It is not located in a metropolitan statistical area (MSA) but in a more rural location. The assessment area is comprised of 8 block numbering areas (BNAs) within Addison, Orange and Windsor counties in Vermont. None of the BNAs are low- or moderate-income tracts, but all are middle-income tracts. The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low-to-moderate income tracts.

**Table 3** reflects the assessment area demographics based on 1990 Census Bureau data and the 2002 Housing and Urban Development Agency (HUD) data.

| <b>Table 3 - DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS</b> |          |
|---|----------|
| <i>Population</i>   |          |
| Number of Families  | 5,832    |
| Number of Households                                      | 8,165    |
| <i>Geographies</i>  |          |
| Number of Census Tracts/BNA                               | 8        |
| % Low-Income Census Tracts/BNA                            | 0%       |
| % Moderate-Income Census Tracts/BNA                       | 0%       |
| % Middle-Income Census Tracts/BNA                         | 100%     |
| % Upper-Income Census Tracts/BNA                          | 0%       |
| <i>Median Family Income (MFI)</i>                         |          |
| 1990 MFI for AA   | \$32,373 |
| 2002 HUD-Adjusted MFI                                     | \$43,400 |
| <i>Economic Indicators</i>                                |          |
| Unemployment Rates – 4th Quarter 2002                     |          |
| Addison County  | 3.3%     |
| Orange County   | 3.4%     |
| Windsor County  | 2.9%     |
| 1990 Median Housing Value                                 | \$88,313 |
| % Of Households Below Poverty Level                       | 11.26%   |

The AA has a population of 22,108. The population is broken into census measurements of families and households. There are 5,832 families of various income levels. Low-income families total 1,085 or 18.61%, moderate-income families total 1,047 or 17.95%, middle income families total 1,559 or 26.73% and upper income families total 2,141 or 36.71% of total families. Households total 8,165 and 1990 census data further divides households by how income is derived:

- wage/salary - 78.81%;
- self-employed - 27.01%;
- social security – 25.18%; and,
- retirement – 13.13%.
- A significant portion of households are below poverty level at 11.26%, with 6.31% receiving public assistance.

The median family income is \$32,373 based on the 1990 census data. The 2002 updated median family income is \$43,400 and reflects salary increases since 1990 as well as an increase in higher wage earners relocating to sections of Vermont. In the RNB AA, the lack of a sufficient inventory of affordable housing was identified as the primary community need. The AA consists of 11,310 housing units. The units are comprised primarily of one -to-four family at 82.51% of the total. The houses in the AA have a median-age of 44 years. The median housing cost is \$88,313 and is above the affordability of low- and moderate-income families. Mobile homes or trailers make up 1,260 or 11.14% of total housing units. The Randolph Area Community Development Corporation (RACDC) assisted in a loan to develop a mobile home park in the AA.

There is no particular industry that the local economy depends on. There are several manufacturers, some tourism, and a significant volume of self-employed individuals. Major employers consist of Vermont Pure, GW Plastics, Waterbury Plastics, Vermont Technical College and Gifford Medical Center. According to Federal Deposit Insurance Corporation (FDIC) regional economic information, the December 31, 2002 unemployment rate for Addison County is 3.3%, Orange County is 3.4% and in Windsor County is 2.9%. Economic conditions tend to lag the nation but are never as high or as low in unemployment as the nation. At the time of this CRA evaluation, the economic conditions in Vermont were stable. Of the 1,151 businesses reporting revenues in the AA, 93.22% had revenues less than \$1 million. Sole proprietorships total 479, corporations total 451, and partnerships total 65. A large volume of businesses (709) does not report revenues and was excluded from the business demographics.

Vermont institutions that RNB considers local competitors are all substantially larger in asset size than RNB. These financial institutions include Chittenden Bank, Northfield Savings Bank, Mascoma Savings Bank, and White River Credit Union.

We made a community contact during the examination. The contact was a regional non-profit economic development organization. The organization's mission is to promote and assist local businesses obtain grants and loans to fund growth, provide business education, as well as find outlets for products developed locally. The contact stated local banks try and meet the housing needs of the community and confirmed that affordable housing was a primary need of the area.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

RNB's loan-to-deposit (LTD) ratio reflects strong performance given the bank's size, lending capacity and competitive market. The LTD ratio was calculated using an average of the 21 consecutive quarters since the last CRA examination. The bank's average LTD ratio has steadily increased to 80.68% and fluctuated between a high point of 90.36% at March 31, 2002 to a low point of 70.51% at December 31, 1997. A comparison with Vermont banks with total assets between \$50 million and \$200 million reflected an average peer LTD ratio of 79.13% over the same time frame (the information does not include the fourth quarter of 1997 as that data was unavailable). The bank's four-quarter average for 2002 reflects an increasing loan-to-deposit ratio of 88% compared to a stable 79% for similar sized banks.

### **Lending in Assessment Area**

A substantial majority of RNB's loans were made to borrowers within the banks assessment area. We reviewed the distribution of loan originations for RNB's primary categories (**See Table 2**) of loans for the time period beginning September 1, 1997 to December 31, 2002.

The loan products sampled and the results of our analysis are detailed in **Table 4** below. Our

sample of 85 loans represented only 2.5% of the dollar volume of loans originated for the period since the previous CRA evaluation. Based on our limited sample, we concluded that 82% by number and 84% by dollar volume were within the bank's AA.

Our sample was comprised of 30 one-to-four family refinance mortgages, 30 consumer loans, and 25 commercial loans. Internally generated reports also reflected a substantial majority of loans originated were within the bank's AA.

| LOAN TYPE                  | IN ASSESSMENT AREA |            |                |            | OUT OF ASSESSMENT AREA |            |              |            |
|----------------------------|--------------------|------------|----------------|------------|------------------------|------------|--------------|------------|
|                            | #                  | %          | \$ (000s)      | %          | #                      | %          | \$ (000s)    | %          |
| 1-4 Family Refinance Mtgs. | 27                 | 90%        | \$1,532        | 91%        | 3                      | 10%        | \$149        | 9%         |
| Consumer Loans             | 22                 | 73%        | \$790          | 73%        | 8                      | 27%        | \$285        | 27%        |
| Commercial                 | 21                 | 84%        | \$463          | 81%        | 4                      | 16%        | \$111        | 19%        |
| <b>Total Reviewed</b>      | <b>70</b>          | <b>82%</b> | <b>\$2,785</b> | <b>84%</b> | <b>15</b>              | <b>18%</b> | <b>\$545</b> | <b>16%</b> |

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

RNB's lending to low- and moderate-income families is satisfactory overall. Our analysis was based on the same time period and the same loan sample in the bank's AA as described in **Table 4** above. The loans for home mortgage refinancing, consumer, and commercial loans are broken out below by income-levels in **Tables 5, 6, and 7**, respectively.

| Family Income Level             | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| % of AA Families                | 18.61%      |             | 17.95%      |             | 26.73%      |             | 36.71%      |             |
|                                 | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| 1-4 Family Refinanced Mortgages | 3.70%       | 1.41%       | 14.81%      | 7.57%       | 29.63%      | 22.63%      | 51.86%      | 68.39%      |

**Table 5** reflects the bank's lending to low-income families is significantly less than the distribution of families with low-incomes in the bank's assessment area. There is a limited volume of low-income housing stock, and a high median price of homes makes it difficult for this income group to purchase a home. As the sample was comprised of home mortgage refinancing, the lack of low-income homeowners would result in fewer financing opportunities. RNB originates mobile home loans to individuals and to mobile home parks to meet housing needs of low-income families. These type loans are typically more affordable. The number of home mortgage refinancing loans to moderate-income families is closer to the distribution of moderate-income families in the AA.

| Table 6 – CONSUMER LOANS (From September 1, 1997 through December 31, 2002) |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Family Income Level   | LOW         |             | MODERATE    |             | MIDDLE      |             | UPPER       |             |
| %Of AA Households   | 22.05       |             | 17.27       |             | 21.81       |             | 38.87       |             |
|   | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount | % of Number | % of Amount |
| Consumer  | 27.27%      | 11.87%      | 22.73%      | 17.46%      | 36.36%      | 42.91%      | 13.64%      | 27.76%      |

**Table 6** reflects RNB’s volume of consumer lending to low- and moderate-income households exceeds the AA distribution of low- and moderate-income households in the bank’s assessment area. Based on originations in **Table 2**, a high volume of lower dollar consumer loans is meeting the consumer lending needs of the assessment area.

| Table 7 - BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (From September 30, 1997 through December 31, 2002) |              |              |
|--|--------------|--------------|
| Business Revenues  | ≤\$1,000,000 | >\$1,000,000 |
| % Of AA Businesses   | 93.22%       | 6.78%        |
| % Of Bank Loans in AA #  | 95.24%       | 4.76%        |
| % Of Bank Loans in AA \$   | 95.25%       | 4.75%        |

**Table 7** reflects excellent penetration of RNB’s lending activity to small businesses. Small businesses are defined as those with gross annual revenues of one million dollars or less. The bank’s customer base includes numerous loans to small business with many that were self-employed/sole proprietorships. Further analysis found that 5 loans or 24% of the commercial loans sampled were made to businesses with revenues of less than \$100 thousand, and 11 or 52% of the loans sampled were made to businesses with revenues of less than \$250 thousand.

### Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. The bank’s assessment area consists of eight block numbering areas (BNAs), all of which are middle-income tracts.

### Community Development Lending

The bank originated loans to two entities that qualify as community development lending.

RNB originated loans to a non-profit community based organization that provides services for at-risk, homeless, and unemployed youth. The organization has as its national objective low- and moderate-income (LMI) beneficiaries. Over 80% of the entity’s assistance is to LMI youths. One of the loans was to rehabilitate a house in Randolph, Vermont that will provide dormitory rooms, emergency housing, and drug and alcohol abuse programs. The organization is recognized by the state as serving needs of LMI individuals. RNB has originated nine loans from September 9, 2000 to March 25, 2003. The loans ranged in size from \$10 thousand to \$127



thousand. Loans originated during this period totaled \$287 thousand and have a remaining balance of \$259 thousand. Loan proceeds were used to purchase real estate for the organization, rehabilitate the buildings, and provide working capital.

RNB approved a \$250 thousand commitment, in April 28, 2000, for the renovation of affordable housing in the center of Randolph. The housing project would renovate the unused second and third floor of a building into 20 units of low-income elderly housing. The commitment was from July 1, 2000 to June 30, 2001. Elderly residents would have an annual income of approximately \$15 thousand with rental subsidies included from the state. Although the commitment was never funded, it was available if needed. The commitment enabled a local community development organization to obtain a grant to complete the project.

### **Community Development Services**

One of the bank's mortgage lenders serves as secretary to a local community development organization. The officer also serves on the organization's loan committee and provides guidance in making loans to applicants from revolving loan funds established by the town. The organization was established to promote and support economic development in the area of Central Vermont anchored by Randolph, Randolph Center, East Randolph, Brookfield, and Braintree as well as a broader geographic area. The organization addresses three primary developmental needs of the area (housing, downtown development, and economic development programs). One of the primary goals is to develop affordable housing for families and individuals. The organization also provides low-cost loans to individuals and businesses that would otherwise not be eligible for traditional financing.

### **Responses to Complaints**

Neither the bank nor the OCC received CRA related complaints on Randolph National Bank since the prior examination of August 21, 1997.

### **Fair Lending Review**

A fair lending examination was performed at RNB in August of 2002. We found no evidence of illegal discrimination or other illegal credit practices.