

Public Disclosure

December 1, 1997

Community Reinvestment Act Performance Evaluation

**The Howard Bank, N.A.
Charter No. 18049**

**111 Main Street
Burlington, Vermont 05402**

**The Office of the Comptroller of the Currency
150 Federal Street, Second Floor
Boston, MA 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 **The Howard Bank, N.A.** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 1, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated *Outstanding*

Primary factors supporting the bank's overall rating, which are indicative of excellent responsiveness to the credit needs of the assessment area of affordable housing and loans to small businesses, include:

- ▶ a high percentage (88%) of home mortgage and small business loans made within the assessment area;
- ▶ an excellent geographic distribution of all loans within the assessment area. Thirteen percent of the number and 14% of the dollar volume of mortgage-related loans and 17% of the number and 21% of the dollar volume of small business loans were originated during the evaluation period in low- and moderate-income (LMI) census tracts;
- ▶ an excellent distribution of loans among borrowers of different incomes, with 30% of the number and 16% of the dollar volume of loans originated to LMI individuals. The distribution of originations to businesses of different sizes was also excellent, with 82% of the number and 75% of the dollar volume to businesses with revenues less than \$1 million;
- overall market share of mortgage-related loans for 1996 was 7.95%. Market share for low-income census tracts was strong at 1.3 times the overall market share, and 1.4 times for moderate-income census tracts. Market share for low-income borrowers was significant at 1.5 times overall market share;
- ▶ good use of flexible lending practices in order to serve assessment area credit needs;

- ▶ an excellent level of community development loans, which also address identified community credit needs and totaled \$4 million originated during the evaluation period;
- ▶ a leadership role in providing an excellent level of investments in the assessment area that are responsive to community credit needs, totaling \$5 million; and
- ▶ good access to delivery systems for all segments of the assessment area.

Table 1 indicates the performance level of **The Howard Bank, N.A.** with respect to the lending, investment, and service tests.

Table 1

Performance Levels	Name of Financial Institution Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X	X	
High satisfactory			
Low satisfactory			X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

The Howard Bank, N.A. (HB) is a wholly owned subsidiary of Banknorth Group, Inc., a \$2.9 billion holding company headquartered in Burlington, Vermont. HB is a full-service financial institution focused on gathering deposits from the general public through branch operations. Deposits are used to originate residential and commercial mortgages, commercial business, and a variety of consumer loans.

HB operates 15 full service banking offices, including the main office in Burlington, Vermont throughout its assessment area (AA). Fourteen of the branches have ATMs (two branches have two). Additionally, the bank has 16 free-standing proprietary ATMs in the AA.

As of September 30, 1997, HB's assets totaled \$695 million. A wide range of loan products are available including residential mortgages, small business loans, and consumer loans. The loan portfolio is 70% of total assets. The loan portfolio is primarily real estate at 68%, (36% commercial real estate, 26% residential, 5% multifamily, and 1% construction). Commercial loans at 22% of total loans, consumer instalment loans at 7%, "other" loans at 2%, and municipal loans at 1% comprise the remainder of the loan portfolio. There are no financial or legal impediments that would prevent HB from helping to meet the credit needs of its community.

HB operates in a competitive banking environment, with competition for deposits and loans coming from both small, locally owned institutions as well as larger state and regional institutions. Competitors include Vermont National Bank, Chittenden Trust Co., Merchants Bank, and KeyBank of Vermont.

Description of Assessment Area (AA)

HB has defined two assessment areas within the state of Vermont. The primary AA consists of all of Chittenden county, which is one of the three counties in the Burlington metropolitan statistical area (MSA). The second consists of non-MSA portions of Addison, Caledonia, Essex, Grand Isle, Lamoille, Orleans and Washington counties in Vermont.

The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI). LMI is referred throughout this document to describe low- and moderate-income individuals and/or geographies (census tracts or block numbering areas). There are a total of 58 census tracts/block numbering areas (census tracts) in the AA. As noted in table 2, 83% of the census tracts are middle- or upper-income geographies. The three low income census tracts are located in the city of Burlington. The seven moderate income census tracts are located in the cities and towns of Burlington (2), Winooski (1), Newport (1), Craftsbury, Irasburg, Albany and Lowell (1), Coventry, Brownington and Westmore (1), and Glover and Greensboro (1).

Table 2

ASSESSMENT AREA DEMOGRAPHICS			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	3	5%	4%
Moderate	7	12%	10%
Middle	38	66%	64%
Upper	10	17%	22%
Total	58	100%	100%

Source: 1990 Census Data, U.S. Bureau of the Census

The population of the bank's AA is 209 thousand. The Housing and Urban Development (HUD) median family income (MFI) for the Burlington MSA is \$49 thousand. The statewide non metropolitan MFI for the non MSA portion of the AA is \$38 thousand. As reflected in table 2, 14% of households in the AA reside in LMI tracts. The median housing value is \$108 thousand. The median age of housing stock is 35 years. Total occupied housing units are 85%, with owner-occupied housing at 57% and rental occupied housing at 28%. Vacant housing units in the AA are 15%.

The economic condition of the communities within the AA is generally stable. Primary employers include institution in the medical, education, technology and financial services industries. Vermont state's seasonally adjusted unemployment rate was 3.8% in October 1997, a decline from 4.6% in October 1996.

Affordable housing for purchase and small business loans were described as primary credit needs by bank management and community contacts.

Conclusions with Respect to Performance Tests

Scope of Review

This review covered the time period from January 1, 1996 to September 30, 1997 for Home Mortgage Disclosure Act (HMDA) reported loans, small business and community development loans. Investments purchased over the time period and services performed were also reviewed.

LENDING TEST

Performance Criteria

Lending Activity

HB's lending levels reflect a good level of activity. During the evaluation period, HB originated 567 HMDA reportable loans for \$41 million. Of those loans, 483 were in the assessment area at \$37 million. Of the HMDA reportable loans made in the assessment area, 47% of the number and 61% of the dollar volume were for home purchase. Market share information is indicative of HB's commitment to lending to borrowers with low- and moderate-incomes and in LMI areas, as noted in table 3. In lending in LMI census tracts, HB far exceeds their overall market share. HB also significantly exceeds their overall market share in lending to low-income borrowers, though market share of moderate-income borrowers is slightly less than overall.

Table 3

Market Share				
	Rank		% Market Share	
	Borrowers	Census Tract	Borrowers	Census Tracts
Overall	4	4	7.95%	7.95%
Low Income	2	2	12.16%	10.07%
Moderate Income	4	2	7.90%	10.83%
Combined	4	2	8.80%	10.58%

HB also originated 560 small business loans for \$91 million, of which 505 were in the assessment area at \$80 million. HB is a preferred SBA lender. The bank was ranked fifth out of 28 banks in the state of Vermont during 1996 and year-to-date 1997 based on number of

approvals. The volume of originations demonstrates a good responsiveness to meet the lending needs within the area.

The bank's net loan to deposit ratio averaged 88.76% for the eight quarters between December 31, 1995 and September 30, 1997. The national peer average for the same time period was 75.69%. The average loan to deposit ratio for the six Vermont banks with assets between \$250 million and \$1 billion ranged from 74.16% to 102.05%.

Lending Concentration

As indicated in table 4, HB demonstrates a good level of lending within the assessment area. Analysis of all originations from January 1, 1996 through September 30, 1997 indicates that 88% of the number and dollar amount of HMDA and small business loans are inside the AA.

Table 4

HMDA and Small Business Loan Originations within the AA January 1, 1996 through September 30, 1997								
Loan Type	Inside AA				Outside AA			
	# Loans	%	\$ Amount	%	# Loans	%	\$ Amount	%
HMDA Loans	483	85%	36,875	90%	84	15%	4,125	10%
Small Business	505	90%	80,003	88%	55	10%	10,997	12%
Total	988	88%	116,878	88%	139	12%	15,122	12%

Source: CRA Data Listing Report, HMDA - Loan Application Register (LAR). Dollar amounts are in 000's.

Geographic Distribution

Home Mortgage Lending

The review of HB's geographic distribution of HMDA reported loans reflect an excellent dispersion of originations in low-income census tracts, and a good dispersion in moderate-income census tracts. On a combined basis for the evaluation period, 6% of the number and 10% of the dollar volume of originations were in low-income census tracts. This compares very favorably to the percentage of owner-occupied households in the assessment area. Additionally, 7% of the number and 4% of the dollar volume were in moderate-income census tracts. This is similar to the percentage of owner-occupied households in the assessment area. Table 5 details HB's geographic distribution of HMDA loans.

Table 5

Geographic Distribution of HMDA Loans					
<i>Census Tracts</i>	<i>1/1/96 through 9/30/97</i>				<i>% Owner-Occupied Households in the AA</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Low	29	6%	3,688	10%	1%
Moderate	32	7%	1,593	4%	8%
Middle	315	65%	20,954	57%	67%
Upper	107	22%	10,640	29%	24%
Total	483	100%	36,875	100%	100%

Source: HMDA - LAR. Dollar amounts are in 000's.

Small Business Loans

HB's lending to small businesses is very good. On a combined basis for the evaluation period, 10% of the number and 13% of the dollar amount of originations were in low-income census tracts, and 7% of the number and 8% of the dollar amount of originations were in moderate-income census tracts. This compares well to the percentage of small businesses in the low- and moderate-income census tracts. Table 6 details HB's small business loans by geographic distribution by census tract.

Table 6

Geographic Distribution of Small Business Loans					
<i>Census Tracts</i>	<i>1/1/96 through 9/30/97</i>				<i>% of small Businesses in each Census Tract</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Low	51	10%	10,866	13%	11%
Moderate	33	7%	6,263	8%	9%
Middle	305	60%	46,891	59%	59%
Upper	116	23%	15,983	20%	21%
Total	505	100%	80,003	100%	100%

Source: CRA Data Listing Report. Dollar amounts are in 000's.

Borrower Characteristics

Home Mortgage Lending

HB's lending performance is good for the home purchase, home improvement, and refinancing products to low- and moderate-income borrowers. During the evaluation period on a combined basis, 9% of the number and 3% of the dollar volume of originations were to low-income borrowers. In addition, 21% of the number and 13% of the dollar volume were to moderate-income borrowers. This compares well to the percentage of families within the low- and moderate-income categories. Table 7 shows HB's lending performance to borrowers of different income by HMDA product based upon the number and volume of originations during the evaluation period.

Table 7

Borrower Characteristics of HMDA Loans by Loan Product					
<i>Borrower Income Level</i>	<i>1/1/96 through 9/30/97</i>				<i>% of Families within each Income Category</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Home Purchase					
Low	14	6%	543	2%	16%
Moderate	48	21%	3,009	13%	18%
Middle	58	26%	3,722	17%	26%
Upper	94	42%	13,813	62%	40%
Income N/A	11	5%	1,235	6%	--
Total	225	100%	22,322	100%	100%
Home Improvement					
Low	24	14%	178	6%	16%
Moderate	35	21%	471	16%	18%
Middle	50	30%	673	22%	26%
Upper	56	34%	1,190	39%	40%
Income N/A	2	1%	529	17%	--
Total	167	100%	3,041	100%	100%
Refinance					
Low	4	4%	295	3%	16%
Moderate	18	20%	1,179	10%	18%
Middle	17	19%	1,152	10%	26%
Upper	45	50%	7,687	67%	40%
Income N/A	6	7%	1,090	10%	--
Total	90	100%	11,403	100%	100%
Multifamily					
Income N/A	1	100%	109	100%	--

Source: HMDA - LAR. Dollar amounts are in 000's.

Small Business Lending

HB's distribution of lending to small businesses by revenue size (gross annual sales) reflects good penetration of small businesses. On a combined basis for the evaluation period, 82% of the number of originations and 75% of the dollar volume were to businesses with revenues less than \$1 million. This is indicative of HB's commitment to addressing the identified credit need in the community for loans to small businesses. Table 8 shows the distribution of small business loans by revenue size within the assessment area, based on the number of originations and volume, during the evaluation period. The increase in volume of small business loans with revenue size "not available" is due primarily to a number of loans made to finance the purchase of automobiles for business purposes.

Table 8

Distribution of Small Business Loans by Revenue Size				
Business Revenue Size	<i>1/1/96 - 9/30/97</i>			
	# Loans	%	\$ Amount	%
0 < \$1 Million	416	82%	60,326	75%
> \$1 Million	60	12%	16,022	20%
Income N/A	29	6%	3,655	5%
Totals	505	100%	80,003	100%

Source: CRA Data Listing Report. Dollars in 000's.

HB's distribution of lending to small businesses by loan size is good. Table 9 shows the distribution of small business loans by loan size within the assessment area, based on the number of originations and dollar amounts. On a combined basis for the evaluation period, 62% of the number and 17% of the dollar volume have loan amounts less than \$100 thousand.

Table 9

Distribution of Small Business Loans by Loan Amount at Origination				
Amount	<i>1/1/96 - 9/30/97</i>			
	# Loans	%	\$ Amount	%
Less than \$100,000	312	62%	13,502	17%
Between \$100,000 and \$250,000	97	19%	16,920	21%
Greater than \$250,000	96	19%	49,581	62%
Totals	505	100%	80,003	100%

Source: CRA Data Listing Report. Dollars in 000's.

Community Development Lending

HB originates an excellent level of community development loans. There are limited opportunities for traditional community development lending within the bank's AA. HB has taken a leadership role in seeking out innovative opportunities to make community development loans. Community development loans are those that do not meet the definition of home mortgage or small business, but do meet the definition of community development in the CRA regulation [12 CFR 25.12(h)]. Based upon bank generated reports and a review of files, HB originated three loans to 3 organizations since the last examination amounting to close to \$4 million, none of which were reported as either home mortgage or small business loans. These projects resulted in the creation of 117 units of affordable housing for people in the bank's assessment area. This was very responsive to identified credit needs in the community. Details surrounding the three loans is as follows:

In 1997 Howard Bank used a one-year \$3 million advance from the Federal Home Loan Bank (FHLB) of Boston's Community Investment Program (CIP) and extended credit to **Vermont Housing Finance Agency**. The agency used the funds to purchase a government security necessary for collateral to help secure CIP funding for the permanent financing of a two phase affordable housing project for seniors in South Burlington. The two phases of the project that HB supported resulted in 65 units of affordable housing for seniors. One phase has 33 units, of which 26 are for LMI occupants. The other has 39 units, all of which are for LMI occupants. **HB received The FHLB's Community Partnership Award for its involvement in this project.**

HB provided \$90 thousand in term financing to an affordable housing project in Burlington. The project resulted in a complex of 12 units, all for low-income occupants. This was in addition to an \$821 thousand equity investment in the same project.

In August of 1997, HB provided funds to a nonprofit developer of affordable housing in Colchester. HB extended \$750 thousand to provide funds for working capital to support costs associated with construction and rehabilitation of the multifamily LMI affordable housing project associated with another limited housing project.

Innovative or Flexible Lending Practices

HB actively utilizes flexible lending practices to address the identified credit need of affordable housing for low- and moderate-income individuals and geographies.

HB works closely with the **Vermont Housing Finance Agency**. The Agency was created in 1974 and works with Vermont lenders to make homeownership affordable and possible for low to moderate income borrowers, particularly first time homebuyers.

HB participates in the **Banknorth Mortgage Company Community Housing Program**. This program is designed to help borrowers qualify for a mortgage when they do not qualify for a conventional loan.

HB's participates in the **Banknorth Mortgage Company Construction Loan Program**, which benefits first time homebuyers.

HB has extended loans using the **Vermont Home Mortgage Guarantee Board**, which provides private mortgage insurance for loans with lower down payments.

HB has extended loans using the **Rural Economic Community Development Program**, which is a federally funded program, and allows borrowers obtain 100% financing.

INVESTMENT TEST

HB has taken a leadership role and has demonstrated an excellent record of providing community development investments throughout its assessment area. There are limited opportunities to make traditional community development investments within the AA. During the evaluation period, HB made \$2.2 million in investments, which is a substantial amount. Investments made during the evaluation period combined with community development investments made prior to the evaluation were significant at \$5.0 million. All of the investments address the identified credit need of affordable housing for purchase and created 63 units of affordable housing that benefits low-and moderate-income individuals.

HB aggressively pursues investment opportunities throughout northern Vermont. HB has a lending officer who devotes a majority of her time to initiating, establishing, and monitoring these community development investments. In most instances, HB is the only bank involved in the project.

What follows is a discussion of projects in which HB became involved during the evaluation period:

In November of 1997, HB invested \$178,019 in a limited partnership. Funds were used to renovate a historic building into 11 affordable rental housing units for low- and moderate-income persons with terminal illnesses in Colchester. This was a particularly innovative project, as there are no similar facilities in Vermont.

In 1996 and 1997 HB invested a total of \$41,255 in another limited partnership. Funds were used primarily for the rehabilitation of low- and moderate-income housing units in Lyndonville.

In 1996, HB committed to invest \$1,059,894 in another limited partnership in Colchester. \$794,841 has been invested to date. This project is designed to provide 40 units of affordable elderly housing for LMI people.

The Howard Bank's involvement with a limited partnership in the Old North End of Burlington began in 1995. HB has contributed almost all of the project's equity in November 1996 (\$820,946 out of total of \$829,239). The project resulted in 12 affordable housing units available to low-income families. The project renovated an abandoned building.

Additionally, HB donated \$135 thousand in community development charitable contributions to numerous organizations throughout the assessment area during the evaluation period.

SERVICE TEST

HB's delivery systems are accessible throughout the assessment area. The bank's record of opening or closing offices has not affected the accessibility to bank services. Since our last CRA examination, HB opened one branch in an upper-income census tract and five free-standing proprietary ATMs. One is in an upper-income census tract and four are in middle-income census tracts. The bank did not close any branches during this time period. Branch hours are reasonable and convenient to HB customers. Branch hours and services have been established through traditional banking hours, as well as incorporating the results of periodic branch surveys.

As reflected in table 10, the majority (93%) of HB's offices are in middle- and upper-income census tracts, with 7% of the bank's offices in low-income census tracts, and none in moderate-income census tracts. The three low-income census tracts, as well as two of the moderate-income census tracts, are located in Burlington, which is the location of the main office. While none of the branches are in specific moderate-income census tracts, the Winooski branch services the customers in the Winooski moderate-income census tract. The Barton and Orleans branches service the customers in the four moderate-income census tracts in Orleans county.

The majority of the sixteen free-standing proprietary ATMs (81%) are located in middle- and upper-income census tracts. Three of the ATMs are located in Burlington, two in low-income census tracts and one in a moderate-income census tract.

Table 10

Distribution of Delivery Systems				
Census Tract	Branches	Proprietary ATMs	Free-standing Proprietary ATMs	Number and % of Census Tracts in AA
	# / %	# / %	# / %	# / %
Low	1 / 7%	2 / 13%	2 / 13%	3 / 5%
Moderate	0 / 0%	0 / 0%	1 / 6%	7 / 12%
Middle	9 / 60%	8 / 50%	11 / 68%	38 / 66%
Upper	5 / 33%	6 / 37%	2 / 13%	10 / 17%
Total	15 / 100%	16 / 100%	16 / 100%	58 / 100%

HB provides banking services through membership in a 24-Hour Access ATM network which has over 118 machines (as of November 1997) located throughout Vermont, New Hampshire and Massachusetts. HB account holders can use the 24-Hour Access network to perform a variety of banking transactions without paying transaction fees.

HB offers a Basic Checking product with a low cost for customers requiring fewer checking transactions. In addition, HB offers a Senior Complimentary Checking product that has no fees, and a Small Business Checking product specifically designed for small businesses, non-profits and sole proprietorships which have low to moderate account activity and want a low monthly fee.

Additionally, the bank initiated the development of a Personal Loan Application in Vietnamese to become more proactive in lending to the local Asian community. This was developed in conjunction with the Vermont Development Credit Union.

Community Development Services

HB's community development services are responsive to the assessment area credit and community development needs. Services include providing standard financial services, addressing credit counseling and providing technical financial assistance for consumers and small businesses. The services target low- and moderate-income individuals and areas as well as small businesses.

The following is a listing and description of the community development services provided:

The **Women's Small Business Project** is a project with Trinity College. A commercial loan officer participates in the review of business plans for thoroughness and feasibility. Feedback is provided to the students identifying strengths and weaknesses of the plans.

A bank officer participates in the **University of Vermont School of Business' Family Business Initiative**. He provides technical expertise on how to access the modern financial network to participants in the initiative. The participants are self-employed low- and moderate-income families operating very small businesses.

A branch manager is a member of the **Essex Business and Professional Association** and provides technical expertise to small business members concerning the development of business plans.

A branch manager is involved with the **Shelburne Business and Professional Association** and has discussed the development of business plans with small business members.

A branch manager is involved with the **Winooski Community Partnership Committee** where she provides technical assistance and instruction on personal finance topics to low-income

A commercial lending officer works closely with the nonprofit **Burlington Community Banking Council**. Services target both small businesses and individuals and include help with business plan development, debt counseling and homeowners seminars.

A bank officer provides investment advice to the nonprofit **Vermont Venture Capital Fund**. The fund invests in small businesses.

FAIR LENDING EXAMINATION

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. HB's fair lending policies, procedures and training programs have been effective in assisting lenders on these issues.

HB's performance in helping meet the credit needs of its assessment area in the Burlington MSA 1305 is consistent with its overall performance.

Summary of Institution's Operations in MSA 1305

Full banking services are provided throughout this portion of the assessment area. Eight offices (53%) are located within the AA's portion of the MSA. One is located in a low-income census tract. Of the sixteen free-standing proprietary ATMs, fifteen (94%) are located in the MSA AA. Two are in low-income census tracts, and one is in a moderate-income census tract. All offices offer a full range of loan and deposit services and products and all have ATM access (one branch has two ATMs). HB's business focus in the MSA is mortgage financing, small business lending and consumer loans, which is consistent throughout the assessment area.

Description of Burlington MSA 1305

The portion of MSA 1305 included in HB's assessment area contains 26 census tracts. The demographics of the assessment area are provided in table 11. Seventy six percent of the census tracts are middle- or upper-income. The three low-income tracts are located in Burlington, as are two of the moderate-income tracts. The third moderate-income tract is in Winooski.

Table 11

ASSESSMENT AREA DEMOGRAPHICS Burlington MSA 1305			
<i>Designation</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>
Low	3	12%	7%
Moderate	3	12%	10%
Middle	15	57%	63%
Upper	5	19%	20%
Total	26	100%	100%

Source: 1990 Census Data, U.S. Bureau of the Census

The population of the AA portion of the MSA is 129 thousand. The median family income is \$49 thousand and median housing value is \$122 thousand. The median age of housing is thirty four years. Total occupied housing is 93%, with 59% owner-occupied, 34% renter-occupied and

7% vacant. As reflected in table 11, 17% of households in the MSA AA reside in LMI tracts.

The economic condition of the communities within the MSA AA is generally stable. Primary employers include institutions in the medical, education, technology and financial services

industries.

Discussion of Performance Tests in Burlington MSA 1305

Lending Test

During the evaluation period, 57% the number and 70% of the dollar volume of originations of HMDA-reportable loans were in the MSA. Sixty six percent of the number and 71% of the dollar volume of small business lending were in the MSA.

Geographic Distribution

Table 12 reflects HB's geographic distribution of HMDA loans for MSA 1305 during the evaluation period. Nine percent of the number and 13% of the dollar volume were to low-income census tracts, and 6% of the number and 5% of the dollar volume were to moderate-income census tracts. The lending to low-income census tracts significantly exceeds the percent of owner-occupied households in the MSA, and the lending to moderate-income census tracts is similar to the percentage of owner-occupied households.

Table 12

Geographic Distribution of HMDA Loans Burlington MSA 1305					
<i>Census Tracts</i>	<i>1/1/96 through 9/30/97</i>				<i>% Owner-Occupied Households in the AA</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Low	28	9%	3,668	13%	2%
Moderate	19	6%	1,343	5%	5%
Middle	186	61%	14,959	54%	68%
Upper	73	24%	7,699	28%	25%
Total	306	100%	27,669	100%	100%

Source: HMDA - LAR. Dollars in 000's.

Small Business Loans

HB's lending to small businesses in MSA 1305 is good. On a combined basis for the evaluation period, 14% of the number and 17% of the dollar amount of originations were in low-income

census tracts, and 8% of the number and 10% of the dollar amount of originations were in moderate-income census tracts. This is similar to the percent of businesses located in the low- and moderate-income census tracts. Table 13 details HB's small business loans by census tract.

Table 13

Geographic Distribution of Small Business Loans Burlington MSA 1305					
<i>Census Tracts</i>	<i>1/1/96 through 9/30/97</i>				<i>% of small Businesses in each Census Tract</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Low	51	14%	10,866	17%	17%
Moderate	29	8%	6,063	10%	9%
Middle	206	57%	34,258	54%	55%
Upper	78	21%	12,196	19%	19%
Total	364	100%	63,383	100%	100%

Source: CRA Data Listing Report. Dollar amounts are in 000's.

Borrower Characteristics

Home Mortgage Lending

HB's lending performance is good for the home purchase, home improvement, and refinancing products to low- and moderate-income borrowers. During the evaluation period, 6% of the number and 2% of the dollar volume of originations were to low-income borrowers. In addition, 17% of the number and 11% of the dollar volume were to moderate-income borrowers. This compares well to the percentage of families within the low- and moderate-income categories. Table 14 shows HB's lending performance to borrowers of different income for HMDA loans based upon the number and volume of originations during the evaluation period.

Table 14

Borrower Characteristics of HMDA Loans within AA by Loan Product Burlington MSA 1305

<i>Borrower Income Level</i>	<i>1/1/96 through 9/30/97</i>				<i>% of Families within each Income Category</i>
	<i># Loans</i>	<i>%</i>	<i>\$ Amount</i>	<i>%</i>	
Home Purchase					
Low	9	5%	346	2%	16%
Moderate	32	18%	2,090	11%	18%
Middle	43	24%	2,903	16%	26%
Upper	88	49%	12,330	66%	40%
Income N/A	7	4%	875	5%	--
Total	179	100%	18,544	100%	100%
Home Improvement					
Low	8	11%	63	4%	16%
Moderate	11	15%	97	7%	18%
Middle	21	28%	200	14%	26%
Upper	33	45%	534	38%	40%
Income N/A	1	1%	525	37%	--
Total	74	100%	1,419	100%	100%
Refinance					
Low	1	2%	156	2%	16%
Moderate	10	19%	731	10%	18%
Middle	11	21%	833	11%	26%
Upper	27	52%	5,367	71%	40%
Income N/A	3	6%	510	6%	--
Total	52	100%	7,597	100%	100%
Multifamily					
Income N/A	1	100%	109	100%	--

Source: HMDA - LAR. Dollar amounts are in 000's.

Small Business Lending

HB's distribution of lending to small businesses by revenue size reflects good penetration of small

businesses. On a combined basis for the evaluation period, 81% of the number of originations and 75% of the dollar volume were to businesses with revenues less than \$1 million. Table 15 shows the distribution of small business loans by revenue size within the MSA assessment area, based on the number of originations and volume, during the evaluation period.

Table 15

Distribution of Small Business Loans by Revenue Size Burlington MSA 1305				
Business Revenue Size	<i>1/1/96 - 9/30/97</i>			
	# Loans	%	\$ Amount	%
0 < \$1 Million	295	81%	47,546	75%
> \$1 Million	44	12%	12,211	19%
Income N/A	25	7%	3,626	6%
Totals	364	100%	63,383	100%

Source: CRA Data Listing Report. Dollars in 000's.

HB's distribution of lending to small businesses by loan size is good. Table 16 shows the distribution of small business loans by loan size within the MSA assessment area, based on the number of originations and dollar amounts. On a combined basis for the evaluation period, 58% of the number and 14% of the dollar volume have loan amounts less than \$100 thousand.

Table 16

Distribution of Small Business Loans by Loan Amount at Origination Burlington MSA 1305				
Amount	<i>1/1/96 - 9/30/97</i>			
	# Loans	%	\$ Amount	%
Less than \$100,000	213	58%	9,250	14%
Between \$100,000 and \$250,000	72	20%	12,535	20%
Greater than \$250,000	79	22%	41,598	66%
Totals	364	100%	63,383	100%

Source: CRA Data Listing Report. Dollars in 000's.

Community Development Lending

All of the Community Development Lending projects identified in HB's overall assessment area

are either located in MSA 1305, or include the MSA AA in it's service area.

Investment Test

During the evaluation, all qualified investments made, with the exception of the investment located in Lyndonville, were located in MSA 1305. Grants and donations benefitting the MSA AA were \$124 thousand, or 92% of the total amount.

Service Test

As reflected in table 17, the majority (87%) of HB's offices in the MSA AA are in middle- and upper-income census tracts, with 13% of the bank's offices in low-income census tracts, and none in moderate-income census tracts. The three low-income census tracts, as well as two of the moderate-income census tracts, are located in Burlington. While none of the branches are in specific moderate-income census tracts, the Winooski branch services the customers in the Winooski moderate-income census tract.

The majority of the fifteen free-standing proprietary ATMs (78%) are located in middle- and upper-income census tracts. Two of the ATMs located in Burlington are in low-income census tracts and one is in a moderate-income census tracts. This is a good distribution.

Table 17

Distribution of Delivery Systems Burlington MSA 1305				
Census Tract	Branches	Proprietary ATMs	Free-standing Proprietary ATMs	Number and % of Census Tracts in AA
	# / %	# / %	# / %	# / %
Low	1 / 13%	2 / 22%	2 / 13%	3 / 11%
Moderate	0 / 0%	0 / 0%	1 / 7%	3 / 12%
Middle	5 / 62%	5 / 56%	10 / 67%	15 / 58%
Upper	2 / 25%	2 / 22%	2 / 13%	5 / 19%
Total	8 / 100%	9 / 100%	15 / 100%	26 / 100%

Since our last CRA examination, in MSA 1305, HB opened five free-standing proprietary ATMs, one in an upper-income census tract and four in middle-income census tracts. The bank did not close any branches during this time period.

Community Development Services

HB's level of community development services is good. Primary services include standard

financial planning, credit counseling and technical assistance on credit matters. Services include those targeted or accessible to low- and moderate-income individuals and small businesses. For a more detailed listing and description of services offered, see the *Community Development Services* section of this Performance Evaluation.

Appendix

Time Period Reviewed	1/1/96 to 9/30/97		
Financial institution Howard Bank, N.A.			Products reviewed Mortgage-related loans, Small business.
Affiliate(s)	Affiliate relationship		Products reviewed
Farmington National Bank	Holding Co. Subsidiary-- affiliate national bank.		Mortgage-related loans, Small business.
Woodstock National Bank	Holding Co. Subsidiary-- affiliate national bank.		Mortgage-related loans, Small business.
Banknorth Mortgage Company	Holding Co. Subsidiary.		Mortgage-related loans purchased by HB.
List of Assessment Areas and Type of Examination			
Assessment Areas	Type of Exam	Branches Visited	Other Information
Vermont MSA 1305 Burlington Non-MSA rural Vermont	 on-site on-site		