



## **PUBLIC DISCLOSURE**

March 27, 2017

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

The First National Bank of Suffield  
Charter Number 497

30 Bridge Street  
Suffield, CT 06078

Office of the Comptroller of the Currency

New York Metro Field Office  
340 Madison Ave, 4th Floor  
New York, NY 10173

**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, and should not 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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## **Overall CRA Rating: This institution is rated Satisfactory**

### **The Lending Test is rated: Satisfactory**

The major factors supporting the institution's rating include:

- The loan-to-deposit ratio is reasonable based on the size of the bank, the financial condition of the bank, and the credit needs of the assessment area (AA), as well as the competition;
- A majority of the bank's loans were originated within the AA during the evaluation period;
- Residential mortgage lending products reflect a reasonable distribution of loans to borrowers of different income given the bank's AA and the limited volume of affordable homes in the bank's AA;
- Lending levels within the AA reflect reasonable dispersion among geographies of different income levels for home loans given the lack of low-income geographies and limited moderate-income geographies;
- The First National Bank of Suffield received no Community Reinvestment Act (CRA) related complaints since the previous CRA evaluation.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Census Tract (CT):** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community Development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn, loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing).

**Home Mortgage Loans:** Such loans include home purchase, home improvement, and refinancing, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in-group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number, and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other Products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

**Small Loan(s) to Business (es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier One Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Description of Institution

First National Bank of Suffield (FNBS) is a nationally chartered bank, which began operations in 1864, and is headquartered in Suffield, Connecticut. The bank is a wholly-owned subsidiary of First Suffield Financial, Inc., and has no affiliates. FNBS operates in one AA, Hartford County. No financial or legal impediments adversely impact the bank's ability to meet the credit needs of the community. The previous CRA evaluation, dated March 31, 2011, concluded with an overall "Satisfactory" rating.

During the evaluation period, the bank grew the loan portfolio, which provided the bank with opportunities to meet the credit needs of its AA. As of December 31, 2016, total assets equaled \$253.7 million, comprised of \$198.4 million in loans representing 78 percent of total assets. Deposits equaled \$222.5 million and Tier 1 capital equaled \$26.9 million. The loan portfolio is primarily composed of HMDA reportable loans approximating 62 percent of the loan portfolio.

FNBS operates four full-service branches in Hartford County with a branch in Suffield, West Suffield, East Granby, and Windsor Locks. Management has not expanded operations since opening the branch in Windsor Locks in July 2004. The branch in Suffield is also the head office. Each branch has an automated teller machine and is open Monday through Saturday with reasonable lobby and drive-up hours.

FNBS offers a variety of deposit and credit products to meet consumer and commercial banking needs. These products include consumer checking and savings accounts, commercial checking and savings accounts, residential mortgage loans, home equity loans and lines of credit, consumer loans, commercial real estate loans, commercial loans, commercial lines of credits, and letters of credit. The primary loan product continues to be residential real estate. Beyond deposit and credit products, management offers a range of additional products and services, such as money orders, savings bonds, wire transfers, safe deposit boxes, night deposit, merchant services credit card processing, and treasury tax and loan payments. The bank offers 24/7 internet banking, as well as telephone banking. FNBS is a member of the SUM and Money Pass networks, which allows customers to avoid paying ATM surcharges at other participating financial institutions throughout the country.

Competition for loans and deposits is aggressive. FNBS competes against global, national, regional, and community banks, as well as credit unions and nonbanks. Like FNBS, the regional banks, community banks, and credit unions have established relationships within their community. Although FNBS ranked number one in mortgage lending in Suffield, Windsor Locks, and East Granby during the fourth quarter of 2016, the bank does not have a dominant position in any of its markets. Its market share of mortgages in Suffield, Windsor Locks, and East Granby was 24.0 percent, 10.7 percent, and 8.6 percent, respectively, at year-end 2016. According to the June 30, 2016, FDIC Summary of Deposits report, FNBS ranked 16<sup>th</sup> out of 30 institutions in the Hartford-East Hartford-West Hartford MSA with a market share of 0.51 percent.



<b>Large National/Global Competitors</b>	<b>Regional/Local Competitors</b>
Bank of America	Webster Bank
TD Bank	People's United Bank
Santander Bank	Windsor Federal Savings and Loan Association
Wells Fargo	Berkshire Bank
	Farmington Bank
	Liberty Bank
	United Bank
	Simsbury Bank & Trust Company

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

FNBS's Community Reinvestment Act performance was evaluated under the small bank performance evaluation procedures, which include a lending test. The lending test evaluated the bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for the lending test covers home mortgage loan data from January 1, 2014 to December 31, 2016.

The bank's primary loan products are home mortgage loans, which include home purchase, home improvement, and home refinance loans. Management appropriately reports home mortgage data under the Home Mortgage Disclosure Act (HMDA). The OCC Data Integrity review, prior to this evaluation determined the HMDA-Loan Application Register (LAR) data from 2014 to 2016 to be accurate and reliable. Business loans, consumer loans, and farm loans were excluded from this review, as they are not considered primary loan products.

## **Description of Assessment Area(s)**

### **Description of Hartford County AA**

The bank's AA consists of Suffield, East Granby, and Windsor Locks in Hartford County in the State of Connecticut. The AA is part of the Hartford-West Hartford-East Hartford MSA (#25540). The AA consists of all seven-census tracts of Hartford County. Within the AA, two tracts, or 28.57 percent, are moderate income; two tracts, or 28.57 percent, are middle income; and, three tracts, or 42.86 percent, are upper income. There are no low-income tracts in the AA. Total population within the AA is 33,381. The weighted average of the FFIEC updated MSA median family income is \$86,000. The AA consists of 8,367 families of which 2,723, or 32.54 percent, are low-to-moderate income families. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

According to the US Bureau of Labor Statistics, the January 2017 unemployment rate in the AA was 5.5 percent, which is higher than the 5.4 percent for the MSA and the national unemployment rate of 4.8 percent. The top 10 employers (in terms of the number of persons employed) in the MSA include Hartford HealthCare, Pratt & Whitney/United Technologies, University of Connecticut, The Travelers Cos. Inc., Hartford Hospital, Hartford Financial Services Group, Trinity Health - New England, Aetna Inc., UConn Health Center, and United Healthcare. The top industry sectors are education and health services (17.4 percent), government (15.0 percent), professional and business services (13.2 percent), manufacturing (10.1 percent), and financial activities (10.0 percent).

### Suffield Hartford AA 25540

Demographic Information for Full Scope Area: Suffield Hartford AA 25540						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	7	0.00	28.57	28.57	42.86	0.00
Population by Geography	33,381	0.00	23.75	29.11	47.14	0.00
Owner-Occupied Housing by Geography	10,237	0.00	26.78	30.58	42.65	0.00
Business by Geography	2,213	0.00	24.85	33.35	41.80	0.00
Farms by Geography	125	0.00	15.20	24.00	60.80	0.00
Family Distribution by Income Level	8,367	14.15	18.39	25.41	42.05	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	2,723	0.00	37.61	31.55	30.85	0.00
Median Family Income		82,299	Median Housing Value		275,889	
FFIEC Adjusted Median Family Income for 2016		86,000	Unemployment Rate (2017 US BLS)		5.4%	
Households Below Poverty Level		5%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2017 US BLS and 2016 FFIEC updated MFI

### Community Contact

We considered information obtained from a contact made in conjunction with the performance evaluation. We contacted a member of the Economic Development Commission in the town of Suffield, CT. The organization's primary mission is to promote economic development largely through the use of federal, state, and private grants. EDC continues to administer a community development block grant program that assists low- and moderate-income families, particularly senior citizens. The contact described local economic conditions as strong as the town has benefited from being near I-91 and four job centers—Springfield, Hartford, Bradley International Airport, and the Day Hill Road area. Banking services are also considered strong as the economy has recovered and community members have access to capital. The contact noted that the economic downturn resulted in a decline in housing permits and commercial and industrial activity. However, the local economy has recovered, and business and multifamily housing development have improved. Opportunities exist to promote small business development and multifamily housing, which may include affordable housing.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Consumer Financial Protection Bureau, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FNBS's performance under the lending test is "Satisfactory". FNBS's loan-to-deposit (LTD) ratio is reasonable given the bank's size, lending opportunities, and market area. A majority of the bank's primary loan products were originated within the AA. When considering the bank's overall performance context, lending to borrowers of different incomes is reasonable given the bank's high origination percentage, and limited demand from borrowers of low- and moderate-income levels. Geographic distribution of loans within the AA is reasonable, given the lending performance against the lack of low-income geographies and limited moderate-income geographies, coupled with low loan demand from moderate-income geographies.

#### Loan-to-Deposit Ratio

FNBS's net loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance given the institution's size, financial condition, and credit needs of the assessment area. The bank's average LTD ratio for the prior twenty-three quarters since the last evaluation is 79.75 percent, with a quarterly high of 89.19 percent at December 31, 2016, and a quarterly low of 73.05 percent at September 30, 2013. The ratio is in line with similarly situated banks in the surrounding area of Connecticut, which overall averaged 78.57 percent.

#### Lending in Assessment Area

FNBS's loan originations within the AA are satisfactory. FNBS originated a majority of its Home Mortgage Loans inside the AA, with 58.73 percent by number of loans, and 59.01 percent by the dollar amount originated within the AA during the evaluation period. This result was based on Home Purchase, Home Improvement, and Home Refinance loans.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	139	51.67	130	48.33	269	32,080	54.75	26,516	45.25	\$ 58,596
Home Improvement	75	63.03	44	36.97	119	5,369	54.71	4,445	45.29	\$ 9,814
Home Refinance	119	66.48	60	33.52	179	22,656	67.74	10,789	32.26	\$ 33,445
Totals	333	58.73	234	41.27	567	60,105	59.01	41,750	40.99	\$101,855

## Lending to Borrowers of Different Incomes

Overall, the bank's lending levels in the Hartford AA reflects reasonable penetration among borrowers of different income levels. Distribution of home loans to borrowers of low-income exhibit poor penetration, while penetration of home loans to borrowers of moderate-income exhibit reasonable penetration. The bank originated 17.91 percent of its home purchase loans, 16.21 percent home improvement, and 13.62 percent home mortgage refinance loans to moderate-income borrowers within reasonable range of the 18.39 percent of moderate-income borrowers within the AA.

Low-income borrowers comprise 14.15 percent of the AA. The bank made 3.73 percent of its home purchase loans, 2.71 percent of home improvement loans to low-income borrowers. No home mortgage refinance loans were made to low-income borrowers.

The bank has a low demand of loans from low- to moderate-income (LMI) borrowers; out of the 420 applications reported during the evaluation period for the AA only 91 (21.7 percent) were received from LMI borrowers. The bank originated 62 out of the 91 (68.1 percent) loan applications received from LMI borrowers within the AA. We noted that the median home price within the AA was \$275 thousand, and the maximum income for a low-income borrower was \$45 thousand. Given the high cost of housing, it is difficult for a low-income borrower to purchase a home within the AA, as they would have to contribute over 40 percent of their gross income to mortgage payments. Given the factors mentioned above, we placed a higher weight on the loans originated to moderate-income borrowers versus low-income borrowers to reach our conclusion.

Table Borrower of Different Income Distribution of Loans										
Borrower Distribution of Home Loans			Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016							
Assessment Area:	Total Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total**	% Families* **	% BANK Loans*** *	% Families[ 1]	% BANK Loans****	% Families** *	% BANK Loans****	% Families** *	% BANK Loans****
Suffield Hartford AA 25540										
Home Purchase	139	100	14.15	3.73	18.39	17.91	25.41	13.48	42.05	64.88
Home Improvement	75	100	14.15	2.71	18.39	16.21	25.41	31.09	42.05	49.97
Home Mortgage Refinance	119	100	14.15	0	18.39	13.62	25.41	23.97	42.05	62.40

## Geographic Distribution of Loans

Lending levels in the Hartford AA reflect reasonable dispersion among geographies of different income levels for home loans. The bank did not originate any loans in low-income geographies, as there were no low-income census tracts in the AA. The bank originated 20.14 percent of home purchase loans, 14.67 percent of home improvement loans, and 10.08 percent of home refinance loans in moderate-income geographies, which was below the 26.78 percent of moderate-income owner occupied geographies. However, the limited demographics of moderate-income (two census tracts within the AA), coupled with low loan demand from these geographies was the primary driver for these low results. We noted that the bank originated 51 of the 66 (77.3 percent) applications received from moderate-income geographies during the evaluation period. As such, we determined the distribution was reasonable especially given the low loan demand (66 applications representing 15.7 percent of 420 applications received).

Table Geographic Distribution of Loans										
Geographic Distribution of Home Loans						Evaluation Period: JANUARY 1, 2014 TO DECEMBER 31, 2016				
Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies	
	#	% of Total**	% Owner Occ Units***	% BANK Loans*** *	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans
Suffield Hartford AA 25540										
Home Purchase	139	100	0	0	26.78	20.14	30.58	12.95	42.65	66.91
Home Improvement	75	100	0	0	26.78	14.67	30.58	20.00	42.65	65.33
Home Mortgage Refinance	119	100	0	0	26.78	10.08	30.58	18.49	42.65	71.43

## Responses to Complaints

The bank did not receive any CRA related complaints during the evaluation period.