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Comptroller of the Currency  
Administrator of National Banks

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**SMALL BANK**

## **PUBLIC DISCLOSURE**

**March 31, 2011**

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

**The First National Bank of Suffield  
Charter Number 497**

**30 Bridge Street  
Suffield, CT 60780**

**Comptroller of the Currency  
New York Metro South Field Office  
340 Madison Avenue, 4<sup>th</sup> Floor  
New York, NY 10178**

**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.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory**

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

- The bank's average loan-to-deposit ratio is more than reasonable given the bank's size, lending opportunities, and market area;
- A considerable majority of the bank's primary lending products originated during the evaluation period were within the Assessment Area;
- Residential mortgage lending products reflect a reasonable distribution of loans to low- and moderate-income borrowers given the bank's Assessment Area and the limited volume of affordable homes in the bank's assessment area;
- The distribution of loans to small businesses reflects reasonable penetration; and
- The bank has not received any CRA related consumer complaints since the last CRA examination.

## **SCOPE OF EXAMINATION**

This SMALL BANK COMMUNITY REINVESTMENT ACT (CRA) EXAMINATION assesses the bank's performance under the lending test. The evaluation period for this lending test is January 1, 2009 through March 31, 2011. Residential real estate loans were determined to be the bank's primary loan product and were reviewed as part of this examination. Commercial loans were determined to be the secondary loan type by dollar volume and were also reviewed as part of this examination. In order to assess the bank's lending activity, we selected a random sample of 58 residential real estate and 40 commercial loans originated between January 1, 2009 and March 31, 2011.

FNBS received a satisfactory rating at their previous CRA performance evaluation dated September 15, 2003.

## **DESCRIPTION OF INSTITUTION**

The FNBS is headquartered in Suffield, CT with \$216 million in total assets as of our evaluation period of March 31, 2011. FNBS was established in 1864 and for 147 years has been providing a variety of financial services to meet the local community's financial needs. On July 15, 2004, the bank expanded its operations and opened a branch in Windsor Locks, CT. As a result, the bank now operates four branches in Hartford County with its main office located at 30 Bridge Street in

Suffield, CT. The branches are full service banking offices located in Suffield, West Suffield, East Granby and Windsor Locks, CT. All four locations have automated teller machines (ATMs). All of the branches are located in the Hartford, Connecticut Metropolitan Statistical Area (MSA). Branch office hours are offered Monday through Friday and all four branches are also open on Saturday.

FNBS offers a wide variety of credit and deposit products to meet consumer and commercial banking needs. The bank also has an informational website that describes branch locations and hours of operation. FNBS continues to offer a full range of loan and deposit products and services, including consumer loans, home equity loans, home equity lines, residential mortgage loans, commercial loans, and commercial real estate loans. The bank’s lending focus is primarily residential real estate. Beyond lending and deposits, the bank also offers a full range of other services, such as financial instruments, wire transfers, savings bonds, internet and telephone banking, and safe deposit boxes. FNBS is also a member of the SUM Network, which allows customers to avoid paying ATM surcharges at other participating financial institutions throughout the northeast.

As of March 31, 2011, the bank had \$144 million in total loans and \$190 million in total deposits, representing 67% and 88% of total assets respectively. See Table 1 listed below for detailed information on the composition of the bank’s loan portfolio.

| <b>Table 1.</b>   |                        |                               |
|---|------------------------|-------------------------------|
| <b>First National Bank of Suffield’s Loan Portfolio Composition</b> |                        |                               |
| <b>(03/31/2011 Call Report Data)</b>                                |                        |                               |
| <b>Loan Category</b>  | <b>Amount (\$000s)</b> | <b>Percent of Total Loans</b> |
| Residential Real Estate   | \$111,059              | 77%                           |
| Commercial  | \$19,609               | 13.6%                         |
| Commercial Real Estate  | \$12,643               | 8.77%                         |
| Consumer  | \$988                  | .68%                          |
| Agricultural  | \$6                    | .00%                          |
| Less: Unearned Income   | \$122                  | .08%                          |
| <b>Total</b>  | <b>\$144,193</b>       | <b>100.00%</b>                |

## **DESCRIPTION OF THE ASSESSMENT AREA**

FNBS’s AA includes the towns of Suffield, West Suffield, East Granby and Windsor Locks located within Hartford County. FNBS’ assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. In fact, there are no low or moderate income tracts near the bank’s area of business. The AA includes all seven census tracts (CTs) of Hartford County. The AA is also part of the Hartford Metropolitan Statistical Area (MSA) # 25540. The geographies in the AA consist of three middle-income and four upper-income census tracts, representing 42.86% and 57.14% of the AA respectively.

According to the 2000 Census, the population of the AA is 30,340 with 11,439 households and 8,038 total families. The 2000 weighted average median family income for the AA was \$70,496. The Housing and Urban Development Agency (HUD) updated family income level increased to \$84,700 as of 2011. Table 2 listed below reflects the AA demographic based on 2000 Census results and updated 2011 HUD data:

| <b>Table 2 - Assessment Area Demographic &amp; Economic Characteristics</b> |           |
|---|-----------|
| <b>Population:</b>  |           |
| Number of Families  | 8,038     |
| Number of Households  | 11,439    |
| <b>Geographies:</b>   |           |
| Number of Census Tracts/BNA   | 7         |
| % Low-Income Census Tracts/BNA  | 0%        |
| % Moderate-Income Census Tracts/BNA   | 0%        |
| % Middle-Income Census Tracts/BNA   | 42.86%    |
| % Upper-Income Census Tracts/BNA  | 57.14%    |
| <b>Weighted Average Median Family Income (MFI):</b>                         |           |
| 2000 MFI of Census Tracts   | \$70,496. |
| 2011 HUD-Adjusted MSA/Non-MSA MFI   | \$84,700. |
| <b>Economic Indicators: U.S. Bureau of Labor Statistics</b>                 |           |
| Unemployment Rate – Hartford County, CT                                     | *9.6%     |
| 2000 Median Housing Value   | \$148,287 |
| % Of Households Below Poverty Level   | 4.22%     |

\* Bureau of Labor Statistics February, 2011 Data

There are approximately 11,857 housing units with in the bank’s AA, 96.51% of which are occupied and 3.49% vacant. Of the occupied housing units 76.48% are owner occupied and 20.03% are rented. The housing units are primarily 1-4 family units (89.91%). The remaining unites are multifamily (9.99%) and (0.4%) are mobile home/trailers.

The median housing value in the AA is \$148,287, lower than statewide median values of \$236,559. The median gross rent is \$704 per month, also lower than statewide median amount at \$811. However, the housing affordability ratio in the AA, calculated by dividing the median family income of \$70,496 by median housing value, was 47.54%. This indicates greater challenges for low-and moderate income borrowers to purchase a home.

The 2011 unemployment rate for the AA is in line with the statewide unemployment rate of 9.1%. There is no single dominating industry within the AA. Major employers in the AA include Suffield Academy, Bradley International Airport, and various school systems.

The majority of the businesses are small with revenues of less than \$1 million and typically do not hire a large volume of employees. In the immediate Hartford MSA beyond the AA, the city of Hartford has long been known as the insurance capital of the U.S. featuring a heavy concentration of insurance and financial corporations headquartered throughout the region. Additional major employment sectors include defense, utilities, industrial manufacturing, health services and transportation.

The bank's market for lending opportunities is competitive. The bank competes with New England Bank, Rockville Bank, and Webster Bank within its AA. The bank has 46% of the majority market share of deposits in Suffield and West Suffield based on Federal Deposit Insurance Corporation (FDIC) deposit market share reports as of March, 2011. The bank is also a leader of financial institutions originating residential and commercial mortgages in the AA based on the Warren Group Mortgage Market Share Report.

## **COMMUNITY CONTACT**

We completed one community contact as part of this Small Bank CRA Examination. We contacted Patrick McMahon, Director of the Economic Development Commission (EDC) in the town of Suffield, CT. The EDC is responsible for the administration of the city's community development block grant program, which assists low & moderate income families in the community. The EDC also seeks federal, state and private foundation grants for community projects. The contact indicated that lending opportunities to low- and moderate-income families are limited due to the community's affluent population. While there is a need for affordable housing, specifically special needs and elderly housing, lending opportunities remain limited. The contact indicated that, in general, local financial institutions, including the First National Bank of Suffield, are responsive to the needs of the community.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERITERIA**

FNBS's performance under the lending test is "Satisfactory". FNBS's loan-to deposit ratio is more than reasonable given the bank's size, lending opportunities, and market area. A substantial majority of the bank's primary loan products were originated within the AA. When considering the bank's overall performance context, FNBS's record of lending to borrowers of different income and distribution of loans to small businesses is reasonable and meets the standard for satisfactory performance. We determined that the geographic distribution of loans for the AA was not meaningful as there are no low-or moderate-income census tracts.

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

FNBS's loan to deposit ratio is more than reasonable and meets the standard for outstanding performance given the bank's assessment area demographics and available lending opportunities. The average loan to deposit ratio was calculated using quarterly Call Report data filed with the FDIC since the last CRA examination. The LTD ratio averaged 94% for 32 quarters beginning January 1, 2003 to December 31, 2010. The ratio was higher than the ratios of similarly situated national banks in CT, which overall averaged 85%.

As outlined in Table 1, the largest volume of loan originations is in residential mortgages both in volume and dollars originated. Consumer loans are the second largest in loan originations by number; however, these are small in size. As such, we determined commercial loans to be the secondary loan type by dollars originated as well as for the purpose of evaluating the bank's performance in lending to businesses of different income sizes. We focused our review on a random sample of residential mortgage loan products and a random sample of commercial loans, including commercial real estate. Our sample consisted of 58 retail loans and 40 commercial loans originated between January 1, 2009 and March 31, 2011.

### Lending in Assessment Area

A substantial majority of the bank's loans were made to borrowers within the bank's assessment area. Based on our random sample of 98 loans, we concluded that (77 loans) 79% by number and 72% by dollar volume of loans were within the bank's assessment area.

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

The bank's lending to low- and moderate-income individuals is satisfactory overall. Our analysis was based on the same time period and limited to the 77 loans that were located in the bank's AA. All of the residential mortgage loans (46) were broken out by income level in **Table 3** below. The commercial loan sample (31) is broken out by revenues of less than and more than \$1 million in **Table 4** below.

| Table 3 - Borrower Distribution of Residential Real Estate Loans in AA |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level  | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
| Loan Type  | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Residential Real Estate  | 13.68%           | 0%                   | 18.59%           | 15%                  | 24.61%           | 15%                  | 43.12%           | 70%                  |

**Table 3** 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 making it difficult for this income group to afford or qualify for available homes. Lending to moderate income families is closer to the distribution of moderate income families in the AA.

| Table 4 - Borrower Distribution of Loans to Small Businesses |              |              |
|--|--------------|--------------|
| Business Revenues  | ≤\$1,000,000 | >\$1,000,000 |
| % Of AA Businesses   | 89.50%       | 10.50%       |
| % Of Bank Loans in AA by #                                   | 68%          | 32%          |
| % Of Bank Loans in AA by \$                                  | 34%          | 66%          |

**Table 4** reflects reasonable penetration for FNBS's lending activity to small businesses. Small businesses are defined as those with gross annual revenues of \$1 million or less. As stated in the "Description of the Assessment Area" section of this report, the competition for commercial loans in the area is heavy from community banks. Further analysis found that five loans or 16% of the commercial loans sampled were made to businesses with revenues of less than \$100 thousand, and eight or 25% 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 seven census tracts, three are middle income and four are upper income census tracts.

### **Responses to Complaints**

The bank has not received any CRA related consumer complaints during this evaluation period.

### **Fair Lending Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.