
Comptroller of the Currency
Administrator of National Banks

Boston Duty Station
150 Federal Street, Second Floor
Boston, Massachusetts 02110

PUBLIC DISCLOSURE

December 2, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Brandon National Bank
Charter Number 278**

**2 Park Street
Brandon, Vermont 05733**

Office of the Comptroller of the Currency

**Boston Duty Station
150 Federal Street
Boston, Massachusetts 02110**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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 Community Reinvestment Act (CRA) performance of **First Brandon National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 2, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Outstanding".

Primary factors supporting the bank's overall rating include:

- ▶ Strong average loan to deposit ratio of 89%.
- ▶ High percentage of lending within the assessment area at 99%.
- ▶ Lending to borrowers of different income levels is excellent.
- ▶ The bank's lending to small businesses is strong.

The following table indicates the performance level of First Brandon National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST BRANDON NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	Not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First Brandon National Bank (FBNB) is a \$62.8 million bank located in Rutland County, which is in western Vermont. The bank does not have a holding company. FBNB's main office is located in downtown Brandon. The bank has one full-service branch in nearby Pittsford, and a remote drive-in facility in Brandon. The main office and Pittsford branch have automated teller machines. There are no other financial institutions in Brandon.

Competition throughout the assessment area consists of other independent community banks as well as large regional banks.

FBNB offers a variety of loan products. As of September 30, 1996, the bank's loan portfolio of \$52.5 million (84% of total assets) is comprised of 70% residential mortgages, 19% commercial and commercial real estate loans, 9% installment loans, and 2% municipal loans. The loan portfolio grew by 8% from September, 1995 to September, 1996 primarily as a result of loan demand generated by the Pittsford branch. The branch was opened in October, 1994 and is the first and only full-service banking facility in Pittsford. The bank does not currently sell any of its mortgages into the secondary market, nor does it purchase loans. There are no legal impediments which would hinder the bank in helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

FBNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas. FBNB has defined one assessment area which consists of twenty block numbering areas (BNAs). This area is not located within any Metropolitan Statistical Area. The geographies by income category within the assessment area consists of sixteen middle-income, three upper-income, and one BNA where income information was unavailable. There are no low- or moderate-income BNA's.

The total population of the assessment area is 61,567. The statewide nonmetropolitan median family income for Vermont is \$36 thousand. Median housing value for the area is \$90 thousand, and the median age of the housing stock is 38 years. Owner-occupied housing comprises 55% of the total.

The service industry and wholesale/retail trade are the primary economic sectors for the area. Primary employers are General Electric, Killington Ltd., and the Rutland Regional Medical Center. The local economy is improving, following some stagnation. Unemployment within the assessment area is 3%.

Small business lending was described as the primary need for the area by the community contact.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

FBNB's loan to deposit ratio is very good. FBNB's average loan to deposit ratio for the past eight quarters was 89%. That ratio is the second-highest average for the 18 Vermont small banks (defined as banks with total assets less than \$250 million), which range from 58% to 94%. At September 30, 1996, FBNB's loan to deposit ratio was 95%, which was the highest ratio for all the Vermont small banks.

LENDING IN ASSESSMENT AREA

The distribution of FBNB's primary loan products (residential real estate mortgages-REM, commercial-Comml, and commercial real estate loans-CRE), shows that 99% of the total by number and by dollar amount were made within the assessment area. The focus of our review was on these products, as they make up the majority of FBNB's loan portfolio. We used a trial balance of the primary loan products originated between July 1, 1995 and September 30, 1996 to assess location inside and outside the assessment area. The trial balance was tested and found to be accurate. Please refer to the table below for percentages of different loan products. (\$ Amt-000's)

Loan Originations - July 1, 1995 - September 30, 1996								
Loan Type	Inside Assessment Area				Outside Assessment Area			
	#Loans	%	\$Amt.	%	#Loans	%	\$Amt.	%
REM	81	100	5,267	100	-0-	-0-	-0-	-0-
Comml	40	98	1,461	97	1	2	40	3
CRE	6	100	326	100	-0-	-0-	-0-	-0-
Total	127	99	7,054	99	1	1	40	1

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

FBNB's lending to low- and moderate-income individuals is excellent. Our analysis of lending to borrowers of different incomes is based on a sampling of the bank's residential real estate lending activity. We sampled 31% of originations for the time period beginning July 1, 1995 and ending September 30, 1996. As can be seen in the following table, 34% of families in the assessment area fall in the low or moderate income category. FBNB's percentage of loan originations (by number) to individuals in these two income categories is significantly higher at 44%.

Analysis of FBNB's Lending by Borrower Income July 1, 1995 - September 30, 1996				
	Low	Moderate	Middle	Upper
FBNB's Lending Pattern	20%	24%	16%	40%
Family Distribution of Assessment Area	16%	18%	26%	40%

FBNB does a significant volume of its commercial lending to small businesses (businesses with gross annual revenues less than \$1 million per year). There was a total of 47 new business loans made from July 1, 1995 through September 30, 1996. The average commercial loan size was \$39 thousand. Eighty-nine percent of the loan originations were for loans less than \$100 thousand. We sampled 14 (30%) of the originations to determine the borrower's gross annual revenues. Our sample disclosed that 93% of business loans were to small businesses.

GEOGRAPHIC DISTRIBUTION

Of the 20 BNA's in the bank's assessment area, none are designated as low or moderate income. Therefore an analysis of the geographic distribution of loans was not deemed to be meaningful. Since the previous examination, no complaints relative to the bank's CRA activities were received. Neither of these assessment criteria were evaluated.

This institution is in compliance with all substantive provisions and technical provisions of the anti-discrimination laws and regulations. No evidence of illegal disparate treatment was noted.