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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

February 2, 1998

# **Community Reinvestment Act Performance Evaluation**

**The Edgartown National Bank  
Charter Number: 7957  
2 South Water Street  
Edgartown, Massachusetts 02539**

**The Office of the Comptroller of the Currency  
New England Field Office  
150 Federal Street, Second Floor  
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 CRA performance of *The Edgartown National Bank* prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of **February 2, 1998**. 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 *Satisfactory*.

Primary factors supporting the bank's overall rating include:

- ▶ An average loan to deposit ratio of 74% over the past ten quarters.
- ▶ 100% of the number of loan originations were in your assessment area.
- ▶ Overall, the distribution of credit to borrowers of different income levels and businesses of different sizes is satisfactory. The bank's mortgage lending to low-income and moderate-income families is reasonable at 2% and 7%, respectively. The percentage of lending to small businesses is good at 82%.

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

Small Institution Assessment Criteria	<i>The Edgartown National Bank</i> 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 regarding the bank's CRA performance were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

The Edgartown National Bank (ENB) is a \$72 million independent community bank located in Dukes County on the island of Martha's Vineyard. ENB's main office and one of its two branches are located in the town of Edgartown. An additional branch is located in Oak Bluffs. All branches are full service and have 24-hour automated teller machines. In addition, the Edgartown branch has a drive-up window. The main office has a walk-up window that is open during the summer months. Seasonal hours are also provided during the summer months. No offices have been closed since our last CRA examination, March 31, 1995. There are no legal impediments that would prevent ENB from meeting the credit needs of its assessment area.

ENB offers a variety of loan products. As of December 31, 1997, the bank's \$42 million loan portfolio represented 58% of total assets and consists of \$28 million in loans secured by 1-4 family residential mortgages (66%), commercial / commercial real estate loans of \$14 million (33%) and consumer loans of \$377 thousand (1%). ENB sells loans into the secondary market.

Competition is provided by the other two island based banks of Martha's Vineyard Co-operative Bank and Dukes County Savings Bank (a branch of Compass Bank which is located in New Bedford, Massachusetts) and on- and off-island mortgage companies.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires a financial institution to identify an assessment area where it intends to focus its lending efforts. ENB has defined one assessment area that consists of the four block numbering areas (BNA) of Dukes County. The area is not located in a Metropolitan Statistical Area (MSA). The islands of Martha's Vineyard and Cuttyhunk comprise ENB's assessment area. Martha's Vineyard has six communities: Edgartown; Chilmark; Gay Head; Oak Bluffs; Tisbury and West Tisbury. Cuttyhunk consists of one town, Gosnold. All four BNA's are middle-income. There are no low-, moderate- or upper- income BNA's.

The population of the assessment area is 12 thousand individuals. However, the seasonal population increases to over 100 thousand during the summer. The 1998 Housing and Urban Development (HUD) statewide non-metropolitan median family income is \$44,900. The percentage of families by income level in ENB's assessment area are 13% low-income, 17% moderate-income, 28% middle-income and 42% upper-income. The median family housing cost for the area is \$205 thousand. The median age of the housing stock is 28 years. Total occupied housing represents 43% (30% owner occupied, 13% rental occupied), with a vacancy rate of 57%. The high vacancy rate is consistent with the resort and seasonal character of the island as much of the credit extended is for the purchase and/or renovation of second and vacation homes.

Martha's Vineyard is a resort island, heavily dependent upon seasonal tourism which continues to be the primary source of revenue for the area. A substantial portion of the island is involved in retail trade and service industries. Major employers include the school system, hospital and town governments. The local economy is described by management and community contacts as stable to good. The average unemployment rate for the assessment area is 3%.

Affordable housing for low- and moderate-income families, rental housing for summer workers and small and micro-business loans for existing and start-up businesses were described as the primary credit needs by community contacts and bank management.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan to Deposit Ratio

ENB's loan to deposit ratio meets the standards for satisfactory performance and reflects a commitment to the assessment area credit needs. Since ENB's last CRA examination, the loan to deposit ratio averaged 74%. Loan to deposit ratios for the other two similarly situated island banks ranged from 73% to 98%. ENB's loan to deposit ratio as of December 31, 1997 was 83%. While ENB did not sell any loans in 1997, seven residential mortgages (\$836 thousand) were originated and sold into the secondary market from April 1995 through year-end 1996.

### Lending in the Assessment Area

ENB's lending in its assessment area exceeds the standards for satisfactory performance. Our analysis shows **100%** of ENB's lending is within their assessment area. ENB's primary loan products are residential mortgages which include home purchase, construction and refinancings, and commercial loans. We sampled all residential mortgages and commercial loans originated in 1996 and 1997 from ENB's Fair Housing Home Loan Data System (FHHLDS) log sheet and internal monthly loan activity reports. A breakdown of residential mortgage and commercial originations are provided in the table below.

Loan Originations within the Assessment Area (000's)						
Loan Type	1996		1997		Total	
	# Loans	\$ Amount	# Loans	\$ Amount	# Loans	\$ Amount
Residential Mortgages	28	\$ 5,666	42	\$6,295	70	\$11,961
Commercial Loans	71	\$ 6,174	48	\$2,400	119	\$ 8,574
Calendar Year Totals	99	\$11,840	90	\$8,695	189	\$20,535
Inside Assessment Area	100%		100%		100%	
Outside Assessment Area	0		0		0	

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

#### *Borrowers of Different Incomes*

ENB's distribution of loans to borrowers of different income levels is reasonable, given the demographics of the assessment area. For 1996 and 1997 combined, 2% and 7% of the number of originations were to low-income and moderate-income families, respectively. We sampled all mortgage originations from ENB's 1996 and 1997 FHHLDS log sheet. ENB's Non-MSA median family income is 44,900. The CRA regulation defines low-income as income below 50% of the median family income (\$22,450), moderate income as 50% to 79% of the median family income (\$22,450 to \$35,471), middle-income as 80% to 119% of the median family income (\$35,920 to \$53,431) and upper-income as income greater than 120% of the median family income (\$53,880).

### *Borrowers of Different Incomes (Continued)*

ENB's lending to low- and moderate-income borrowers is reasonable given the assessment area's high housing cost and the demographics of vacation and summer residents. With a median housing value of \$205 thousand, low- and moderate-income borrowers are essentially priced out of the real estate market. Martha's Vineyard is also a popular vacation destination for affluent individuals. Because of the areas high real estate values, the majority of ENB's residential loans are to higher income individuals who purchase summer or second homes on the island. ENB does support low- and moderate-income families by offering a first time homebuyers product and participating in the Vineyard's Homesite program, which provides lots to eligible island residents at below market costs. The table below details ENB's real estate originations to borrowers of different income levels within the assessment area by number and dollar amount.

<b>FHHLDS Real Estate Originations - (000's)</b> 1996 and 1997 Combined					
<i><b>Borrower Profile</b></i>	<i><b># Loans</b></i>	<i><b>%</b></i>	<i><b>\$ Amount</b></i>	<i><b>%</b></i>	<i><b>HUD Family Distribution</b></i>
<b>Low Income</b>	1	<b>2%</b>	\$ 15	<b>1%</b>	<b>13%</b>
<b>Moderate Income</b>	5	<b>7%</b>	\$ 376	<b>3%</b>	<b>17%</b>
<b>Middle Income</b>	10	<b>14%</b>	\$ 1,255	<b>10%</b>	<b>28%</b>
<b>Upper Income</b>	54	<b>77%</b>	\$10,315	<b>86%</b>	<b>42%</b>
<b>Total</b>	70	<b>100%</b>	\$11,961	<b>100%</b>	<b>100%</b>

### *Businesses of Different Sizes*

ENB's lending to businesses of different sizes reflects a strong level of attention to small business credit needs in the assessment area. We sampled all commercial loan originations from management's monthly loan activity reports for 1996 and 1997. ENB's lending to businesses with gross annual revenues below \$1 million account for 82% of the number of originations. Small business loans are defined as loans for business purposes where the loan is secured by nonfarm nonresidential property and in the original amount of \$1 million or less. 100% of ENB's loans were to businesses with a loan size less than \$1 million. This is due the ENB's size. As of December 31, 1997, the largest loan ENB could make was \$789 thousand. However, the sample further showed that 81% of the number of originations were of a loan size less than \$100 thousand, and the average commercial loan for 1996 and 1997 was \$72 thousand.

### **Geographic Distribution of Loans**

Of the 4 BNA's, no tracts were designated as low- or moderate-income. For this reason, an analysis of the geographic distribution of loans would not be meaningful.

## **Response to Complaints**

ENB has not received any CRA-related consumer complaints since our last CRA examination. As a result, we could not evaluate their responses to complaints.

## **Fair Lending Examination**

A fair lending examination was performed concurrently with the CRA examination. No evidence of disparate treatment was noted. ENB is also in compliance with all substantive provisions of the fair lending anti-discrimination laws and regulations.