
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
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PUBLIC DISCLOSURE

May 18, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Damariscotta
Charter Number 446**

**Main Street
P.O. Box 940
Damariscotta, ME 04543**

The Office of the Comptroller of the Currency

**150 Federal Street, 2nd 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 Community Reinvestment Act (CRA) performance of **First National Bank of Damariscotta** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 18, 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 loan-to-deposit ratio of 89%;
- ▶ High percentage of lending within the assessment area at 81%;
- ▶ Strong distribution of lending by income; and
- ▶ Excellent record of lending to small business.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK OF DAMARISCOTTA</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

The First National Bank of Damariscotta (FNBD) is a \$216 million bank located in the mid-coastal region of Maine. It is wholly owned by First National Lincoln Corporation, a one bank holding company. FNBD has its main office in downtown Damariscotta. The bank's three branches are located in the towns of Wiscasset, Boothbay Harbor, and Waldeboro which are all located within Lincoln County. The bank's main office and branches operate drive-up teller windows and contain ATMs. A wide range of loan products are available from the institution including residential mortgage, commercial, and consumer loans. The bank's primary business is focused in residential mortgage loans secured by one-to-four family properties. As of March 31, 1996, the loan portfolio totaled \$141 million comprised of 70% real estate loans, 19% commercial loans, 8% consumer loans, and a nominal amount of agricultural loans.

There are no financial or legal impediments that would prevent FNBD from helping to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

FNBD's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income areas.

The bank has defined one assessment area which is not located within any MSA. The assessment area is comprised of 24 block numbering areas (BNAs) within Lincoln County and Knox County in Maine. The income levels of the BNA's are nineteen middle income and two upper income areas. Income information was not provided for three towns/BNAs. There are no low and moderate income BNAs within the assessment area.

The population of the assessment area is 67 thousand individuals. The percentage of families in the low-to-moderate income level is 36%. The HUD statewide non metropolitan median family income of the area is \$32,300. The median housing value for the area is \$98 thousand and the median age of housing stock is 46 years. Owner occupied housing is 56% of the total. Rental occupied housing is 15% of the total. At 28%, a significant number of housing units are vacant.

The main sources of employment for the area are comprised of seasonal tourism, the fishing industry, Bath Iron Works, and the wood products industry. Unemployment is 3%.

Affordable housing was described as the primary need for the area. Opportunities for development projects for individuals with low-to-moderate incomes continue to be limited.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

FNBD's loan-to-deposit ratio is excellent and demonstrates a strong commitment to lending in the community. FNBD sells some home mortgage loans on the secondary market (approximately \$1.8 million sold in 1995). No loans have been sold to the secondary market in 1996. For the six calendar quarters since the last CRA

examination, dated August 31, 1994, FNBD's average loan-to-deposit ratio is 89%. A custom peer group comparison for the same period averages 71%.

The CRA officer prepares a formal analysis quarterly to determine the bank's lending level within its assessment area. We reviewed the analysis and found it to be accurate. The distribution of all FNBD's loan products shows that 81% by dollar volume are made within the assessment area. This concentration of loans within the assessment area indicates a good performance by the bank in lending to the assessment area.

Despite there being no low and moderate income block numbering areas within the assessment area, FNBD's lending to low and moderate income individuals is strong. In reviewing all real estate loans originated in 1995, 21% of the number of loans were made to low-to-moderate income level individuals.

Due to the high cost of housing which makes home ownership difficult for low-to-moderate income individuals, FNBD committed \$5 million to finance mobile homes. Mobile homes are the most viable type of housing for low-to-moderate income individuals. The bank booked \$537 thousand in 1995 for mobile home loans.

Residential real estate and consumer loans in dollar amount to low-to-moderate income level individuals equals 45% of lending in 1995. While the dollar amount of residential lending was higher a significant amount of consumer loans were originated in 1995. The following tables indicate the level of residential real estate and consumer lending by income levels within the assessment area. As evidenced in the Consumer Origination Table, the borrower distribution of loans is excellent with 53% of the number of loans going to low-to-moderate income individuals.

Residential Real Estate Originations - (000's) 1995				
Income Level	# Loans	%	\$ Amount	%
Low	29	7	843	3
Moderate	62	14	1,720	7
Middle	112	26	5,563	22
Upper	229	53	17,620	68

Consumer Originations - (000's) 1995				
Income Level	# Loans	%	\$ Amount	%
Low	359	25	1,027	14
Moderate	415	28	1,564	21
Middle	325	22	1,489	20
Upper	365	25	3,326	45

Performance is most notable in FNBD's business lending. We sampled 19% of all commercial loans originated since the last CRA examination. Small business loans (defined as businesses with gross annual revenues of less than \$1 million) accounted for 94% of commercial loans sampled. Additionally, of the 100 commercial loans sampled, 93% were for \$100,000 or less. This strong performance was recognized by the Small Business Administration in 1995, when it ranked FNBD in the top ten of small business commercial bank lenders in Maine.

Of the 24 block numbering tracts in the bank's assessment areas, none are low-to-moderate income tracts. For this reason, an analysis of the geographic distribution of loans was not deemed to be meaningful. Since the last CRA examination, no complaints relative to the bank's CRA activities were received. Neither of these assessment criteria were therefore evaluated.

A fair lending examination was performed concurrently with this examination. This examination revealed satisfactory compliance with fair lending laws and regulations. No violations of the substantive provisions of the anti-discrimination laws and regulations were found. Credit terms and conditions were evenly applied among all credit applicants with no disparities detected. FNBD's policies and practices are adequate and followed by lending staff. All appropriate staff receive annual fair lending training.