



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

January 10, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Milford National Bank and Trust Company
Charter Number 866**

**300 East Main Street
Milford, MA 01757**

**Comptroller of the Currency
New England Field Office
20 Winthrop Square, Suite 200
Boston, MA 02110-1229**

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 Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The following factors contribute to the satisfactory assessment of the bank's performance:

- The bank's lending level is reasonable in light of its size, financial condition, and competition.

- A majority of the bank's primary loan products are in the assessment area.

- The distribution of borrowers reflects reasonable penetration among individuals of different incomes and businesses of different sizes, considering the market context in which the bank operates.

- The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank demonstrated an excellent dispersion of mortgage and commercial loans in the limited number of moderate income tracts.

- The bank has not received any consumer complaints regarding its CRA performance or fair lending.

- The bank's activities demonstrate adequate responsiveness to community development (CD) needs of the assessment area, primarily based on loans with a CD purpose.

SCOPE OF EXAMINATION

The evaluation period for the Lending Test covers January 1, 2002 through October 31, 2006. The evaluation period for the Community Development Test (loans, investments, and services) is August 7, 2001, the date of the last CRA evaluation, through January 10, 2007. This bank was considered an intermediate small bank (ISB) as of January 1, 2004. The bank was evaluated using ISB examination procedures for the first time. Conclusions are drawn heavily from the bank's activities as an ISB – 2004 through 2006. The bank is considered small bank for CRA purposes for the calendar years of 2002 and 2003. As such, the loan data for 2002 to 2003 is analyzed distinctly from that of 2004 to 2006. All loan activity for 2002 is compared to the 1990 Census Data while loan activity for 2003 and forward is compared to 2000 Census Data.

Based on loan originations and purchases during the evaluation period, the bank's primary products are residential mortgages and commercial loans. Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, we conducted a data integrity examination to determine the reliability of reported data. The bank did not report income information on the majority of borrowers listed on the 2003 and 2004 HMDA Loan Application Registers (LAR). Because these loans were purchased from brokers, income information was not required to be collected. As such, the analysis of 2002, 2003, and 2004 mortgage activity is based on sampled loans. The 2004 HMDA loans accurately recorded property locations; therefore, 2004 HMDA-LAR is used for the geographic distribution test. In addition, the 2005 and 2006 HMDA loan data is considered reliable and used in the analysis.

The bank also collected data on CRA reportable loans (small business and small farm loans) for 2004 and January to September 2005, as required to do so at that time. However, the bank did not submit sufficient information to effectively evaluate the small business activity from these reports. Therefore, the business lending analysis is based on sampled loans. No further corrective action of submitted CRA reported data is necessary as reporting requirements are no longer applicable to this bank.

DESCRIPTION OF INSTITUTION

Milford National Bank and Trust Company (MNB) is a \$346 million institution located in Milford, Massachusetts in southeastern Worcester County. MNB is owned by MNB Bancorp, a one-bank holding company. With its main office and three branches in Milford, the bank also operates three branches in the towns of Bellingham, Hopkinton, and Mendon. The Hopkinton branch was opened since the last Performance Evaluation while no branches have been closed in this period. The branches are generally open from 8AM to 5PM on the weekdays and limited morning hours on Saturday, with the exception of the Bellingham branch which is also available on Sundays. There are no significant legal or financial impediments that would hinder the bank in helping to meet the credit needs of its assessment area.

The bank offers traditional loan and deposit products that can be located on the bank's following website – www.milfordnational.com. Mortgages designed for first time homebuyers, with low down payment requirements and more flexible underwriting guidelines, are available. MNB also offers trust management, investment management, and estate planning services. Additionally, insurance products are offered through CrossRoads Insurance Agency, an affiliate of the holding company.

In January 2005, the bank completed the purchase of Forward National Company, which originates and sells a variety of consumer loan products including residential mortgages. Its focus is on loans for manufactured homes, recreational vehicles, and boats. This subsidiary sells to all banks including MNB. However, this subsidiary's activities are not considered in this evaluation. Management also developed an in-house mortgage origination and servicing operation in January 2005 and discontinued its relationship with Mortgage Service Corporation of New England (MSCNE), a mortgage broker, from whom the bank purchased loans.

As of September 30, 2006, the loan portfolio totaled \$271 million, or 78.3% of total assets. Historically, the bank had positioned itself as a commercial lender in the marketplace. However, the loan mix has changed from predominately commercial to residential loans since the last evaluation. At year end 2002, residential mortgage and commercial (commercial and industrial, commercial real estate, and construction) loans represented 32% and 55%, respectively. The mix has since changed to 60% mortgage and 39% commercial as of third quarter 2006. The table below details on the mix of loan types in the portfolio.

Table 1 – Loan Mix Loan Portfolio Composition as of September 30, 2006		
Loan Type	\$ Amount (000's)	% of total
Residential Real Estate	162,966	59.99%
Commercial Real Estate and Commercial & Industrial Construction	74,945	27.59%
Consumer	2,937	1.08%
Other	937	0.35%
Total	271,638	100.00%

Source: Call Report, FDIC

The bank received a Satisfactory rating at the last CRA examination in 2001 under small bank guidelines.

DESCRIPTION OF MNB Assessment Area

The CRA requires a financial institution to define its primary market area – or assessment area –

in which it operates and will be evaluated. MNB has one assessment area (AA) consisting of fifty-two census tracts. The AA meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The AA overlaps the Worcester, Middlesex and Norfolk county lines and the Worcester and Boston Metropolitan Statistical Areas (MSA). The AA includes the following towns – Ashland, Bellingham, Blackstone, Douglas, Franklin, Grafton, Holliston, Hopedale, Hopkinton, Medfield, Medway, Mendon, Milford, Millbury, Millis, Millville, Norfolk, Northbridge, Plainville, Southborough, Sutton, Upton, Uxbridge, Westborough, and Wrentham. The AA was expanded to incorporate Forward National’s office location in Westborough.

There are now no low income census tracts in the bank's assessment area. One census tract, or 1.9% of the total number of tracts, is categorized as moderate income per the 2000 Census. An equal number - 25 each - of middle and upper income tracts are in the AA. The AA contains one tract with income information classified as not applicable. The ability of the bank to lend in this tract is virtually non-existent as the population in that tract is negligible. This tract is excluded from our analysis.

Competition

MNB operates in a competitive environment with regional commercial banks, savings banks, and credit unions operating in its market. Institutions that are viewed as local competitors include Milford Federal Savings, Strata Bank, Unibank, Benjamin Franklin Savings Bank, Medway Coop and Dean Bank. Mortgage companies also provide a secondary source of competition for residential mortgage products. The FDIC market share survey report for June 30, 2006 indicates that 25 financial institutions operate branches within this MNB’s assessment area. MNB ranks fifth against the total group of banks for deposit market share with 2.82%.

Economy

The local economy is driven by the high tech industry along I-495, but the town of Milford also serves as an industrial center for the area with two major industrial parks located there. Milford is now known for its retail and wholesale businesses, manufacturing firms and numerous services. Major employers in the area consist of Waters Corporation, The Holmes Group, Avecia Biotechnology Inc., and the Milford Regional Medical Center. Milford has been designated by the state as an Economic Target Area (ETA) which allows for tax breaks and business incentives for business development.

As of December 2006 data from the US Bureau of Labor Statistics, the seasonally-adjusted unemployment rate for the state of Massachusetts is 5.3% while the national rate is 4.5%. Information obtained from the Metrowest Economic Research Center, located at Framingham State College, shows that as of October 2006 the unemployment rates in the Blackstone Valley region average 4.0%, Greater Franklin at 3.6%, and Milford region at 3.8% - favorable to the state and national rates. These regions contain the towns located in MNB’s assessment area.

Housing

The towns in MNB’s AA have become desirable communities as families moving outside of Boston are looking for more affordable housing options. As such, the housing prices have significantly increased in the past decade as more and more towns absorbed the outflow of

residents from Boston area. While the housing market has cooled in the last half of 2006, the availability of affordable housing stock in this AA to low and moderate income families is significantly limited. Per the Town of Hopkinton Housing Plan, a priority housing need is affordable rental units for low income families and affordable units for seniors in this town.

This problem is exacerbated by the high cost of single family homes in the area, a very low supply of vacant homes or homes that are in need of rehabilitation, and high rental costs for apartments. The present fair market rent for a one-bedroom apartment in the Milford market is approximately one thousand dollars a month. According to a study by the New England Public Policy Center (“The New England Rental Market”, January 2007), the supply of affordable housing to low income households is inadequate. In particular, while rents may be affordable to a low income household, the study explains that affordable rental units are scarce.

Worcester County has a relatively high proportion of high-valued homes according to the American Community Survey for 2005, which is based on census data. In 2005, this survey reports that 10.6% of owner-occupied dwellings are valued over a half a million dollars. According to the data, there is a limited amount of affordable housing in Worcester County with only 4.6% of owner-occupied dwellings valued under \$125,000. While this survey incorporates the entire Worcester County, the majority of towns in MNB’s AA are in this county.

The Metrowest Regional Chamber of Commerce, which has a service area that includes MNB’s assessment area towns, has identified affordable housing as directly impacting the ability to attract and retain skilled employees. According to data on the Chamber’s website, zoning regulations in these towns have halted adequate residential growth. The Chamber’s strategic plan calls for a collaborative effort between developers and municipalities to find a solution to the problem.

Census Data

Based on 2000 census data, the population of the assessment area is 297,296 representing a 16% increase from that of the prior census period. As noted above, the Milford regional area has seen inflow of residents both due to the proximity to businesses located along I-495 as well as families seeking alternatives to living in the Boston metro area. Several moderate income tracts have been reclassified as middle income in the 2000 census. Low-income and moderate-income families make up approximately 25% of the AA families. Notably, approximately 5% of the households are living below the poverty level.

Based on 2000 census, the average age of the housing stock is 39 years and the median value is \$208,915. The area has experienced significant growth and development in the past 10 years. Owner occupied units represent 76% of the total housing units in the AA compared to 71% in the prior census. The majority of the 15.5% growth in housing units between census periods is centered in 1-4 family units with little growth in the number of multifamily dwelling units. Vacant housing amounts to 2.0% of the total housing stock.

Within the single moderate income tract, the number of housing units is limited. Rental units are 60.4% of the total. Given the low level of owner-occupied units in this single tract, the bank’s ability to lend for residential purchase mortgages in this geography is highly limited. Of the total population in the AA, only 1.3% reside in the moderate income tract, located in downtown

Milford.

Table 2			
Demographic Data: MNB Assessment Area		1990 U.S. Census	2000 U.S. Census
Population			
Total Persons		256,497	297,266
Total Families		69,015	79,784
Number of Households		89,640	105,903
Percentage of Low-Income Families		12.49%	11.56%
Percentage of Moderate-Income Families		15.91%	13.71%
Percentage of Households below Poverty Level		4%	5%
Census Tracts			
Total number of census tracts (CT)		49	52
Number of low income tracts		0	0
Number of moderate income tracts		3	1
Number of middle income tracts		29	25
Number of upper income tracts		15	25
Number designated "Not Applicable"		2	1
Economic Indicators			
Median Family Income (MFI)*		\$68,396	\$76,131
Median Housing Value		\$168,519	\$208,915
Number of Housing Units		93,982	108,557
Number of Owner Occupied Units		66,351	82,663
Number of Rental Units		24,943	24,497
Average monthly gross rent		\$598	\$696
Business Indicators			
Number of Businesses (non-farm)		16,688	22,175
Percentage of small businesses**		74%	65%

* Weighted average of HUD Updated MSA Median Family Income

** Based on 2002 and 2005 Business Geodemographic Data

Community Contacts

We contacted two local organizations to identify the credits needs of the community. One organization is a non-profit social service organization that provides a variety of programs (housing, child care, health services, etc) geared to low income families in the Middlesex and Worcester counties. Its housing division works with a variety of area financial institutions to purchase and then rent affordable properties for residents. This contact mentioned that the critical credit needs are affordable housing for families and small business financing of start-up operations. The contact indicated that there was a shortage of affordable housing in the area. He stated that the area banks have flexible mortgage products available, but that more attention should be paid to retail products (deposit products and services) geared towards low income families. One example is the offering of Individual Development Accounts (IDAs).

A second contact was made with a local small business development center (SBDC), which provides technical assistance to new, growing, and troubled businesses. Our contact stated that micro-loans and start-up financing are a critical need for area small businesses. In addition, this contact stated that local community banks are better than large regional banks at meeting the credit needs of small businesses in this market.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

LENDING TEST

The bank's lending activities result in a Satisfactory rating for the Lending Test.

LOAN-TO-DEPOSIT RATIO

MNB's lending levels meet standards for satisfactory performance. The bank's average quarterly loan-to-deposit (LTD) ratio for 20 quarters since the last evaluation is 87.2%. The average quarterly ratio for similarly-situated banks in the assessment area is 76.4%. Peer banks are those with at least \$100 million and less than \$1 billion in assets headquartered in MNB's assessment area. MNB's average LTD ratio fluctuated between a low point of 73% at December 31, 2001 to a high point of 102% at September 30, 2006. Its average LTD ratio ranks it at the top of its peer group. The LTD ratio is reasonable in light of its lending capacity, average ratio of peer banks, and local economic trends.

LENDING IN ASSESSMENT AREA

MNB meets the standards for lending in the assessment area. A majority of loans were originated inside the assessment area. Of the loans included in our review, 61.5% by number and 66.1% by dollar volume were originated inside the assessment area. This review included a combination of random sampling and HMDA LAR information from 2005 and 2006. The following table provides the breakdown by loan type for the evaluation period.

Table 3 Distribution of Loans Inside and Outside of the MNB Assessment Area										
Loan Category	Number of Loans					Dollars in Loans (thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial Loans	42	84.00%	8	16.00%	50	\$7,038	88.41%	\$923	11.59%	\$7,961
Mortgage Loans	285	59.13%	197	40.87%	482	\$63,808	64.29%	\$35,439	35.71%	\$99,247
Total	327	61.47%	205	38.53%	532	\$70,846	66.08%	\$36,362	33.92%	\$107,208

Source: 2002, 2003, and 2004 Sampled Data and 2005 and 2006 HMDA-LAR

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

Overall, the bank meets the standards for lending to borrowers of different incomes and businesses of different sizes.

Lending to Borrowers of Different Incomes

Income Level	Low		Moderate		Middle		Upper	
	% 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
Loan type								
Purchase		2.41		10.84		16.87		42.17
Refinance		4.92		10.66		24.59		42.62
Home improvement		5.66		16.98		18.87		54.72
Residential Real Estate	11.6	4.26	13.7	12.02	22.3	20.93	52.3	44.96

Source: 2005 and 2006 HMDA-LARs. To note, 17.83% of the total loans did have income information reported.

This table reflects lending activity by mortgage type for 2005 and 2006. Sampled data for 2004 could not be segregated by loan type. Inclusion of the 2004 HMDA-LAR loans would skew results because 97% of the total 174 originations did not have reported income. Sampled 2004 mortgage loans yielded similar results to the data shown in the table above. Based on the 2005 to 2006 HMDA activity, the bank's lending to low income borrowers is poor. Of the total originations, just 4.2% was made to low income borrowers as compared to 11.6% of low income families that reside in the AA. Considering the market context, this disparity is explained by the high cost of housing and limited opportunities to purchase homes. While the dispersion of home purchase loans to low income borrowers is very low, the bank did a better job at providing home improvement and refinance loans to low income borrowers. Considering performance context issues, the bank's low penetration of loans to low income borrowers is reasonable.

The distribution of loans to moderate income borrowers is good. The bank originated 12% of its mortgage loans in this period to moderate income borrowers, which closely reflects the AA population. Considering the high cost of housing in the AA, this reflects a good penetration to these borrowers. Specifically, the bank lent 16.9% of all home improvement loans to moderate income borrowers exceeding the area demographics. Considering the age of the housing stock in the AA, the origination of home improvement loans makes sense. Management explained that the availability of adjustable rate mortgages assisted moderate income borrowers in qualifying for mortgages. Additionally, the bank has offered Freddie Mac products with flexible underwriting guidelines.

The bank's 2002 and 2003 lending reflected similar results. Mortgage lending to low-income borrowers represented approximately 5.26% of our sample compared to 12.7% of the families in the AA designated as low-income. Notably, the record of lending to moderate income borrowers was favorable to the area demographics. Of our sample, 21% of the loans were made to moderate income borrowers as compared to 14.8% of moderate income families in the AA. This represents an excellent penetration of loans to moderate-income borrowers.

As reflected in the lending trends, MNB has met the credit needs of moderate income borrowers in the assessment area through flexible underwriting and variety of mortgage products.

Lending to Businesses of Different Sizes

The purpose of this review was to determine the amount of commercial lending that was extended to small businesses. As shown in the table below, MNB made the majority of commercial loans to small businesses, or those defined as having less than \$1 million in gross revenues. The sample only included small business loans of \$1 million or less. Of these, 50% were loans of less than \$100 thousand. This provides evidence of the bank meeting an identified credit need for small businesses – specifically micro-loans.

Table 5 – 2004 - 2006		
Borrower Distribution of Loans to Businesses in MNB's AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Businesses*	65	6.4
% of Bank Loans in AA by #	68	32
% of Bank Loans in AA by \$	69	31

*2005 Business GeoDemographics. Of the AA businesses, 28.7% did not report revenues.

Analysis of 2002 and 2003 business loans yielded similar results. MNB's distribution of loans to businesses of different sizes compared favorably to the area demographics. The vast majority, 75% of the bank's commercial loans, were to small businesses. This compares favorably to the census data which indicates that 66% of the area's businesses are small businesses. The analysis of the two periods demonstrates the bank's consistent strategy of lending to small businesses, an identified credit need in the AA.

GEOGRAPHIC DISTRIBUTION OF LOANS

MNB exceeds standards for satisfactory performance. The geographic distribution of loans reflects excellent penetration throughout the AA. However, given the low number of low- and moderate-income tracts in the bank's AA, this analysis bears little weight in the overall rating.

Residential Real Estate Loans

MNB's geographic distribution of residential loans originated in 2004, 2005 and 2006 reflects an excellent level of penetration in geographies of different income levels, including the sole moderate-income census tract. As shown in Table 6 below, the percentage of residential loans originated in this period in the moderate-income census tract, exceeded the comparable percentage of owner occupied housing units located there. As expected, the distribution of bank loans located in middle and upper income tracts is higher as reflective of the demographics. The bank has limited number of opportunities to lend in the moderate income tract as it contains a high percentage of rental units. For all home mortgage types, the bank's distribution of loans in the moderate income tract exceeded the area demographics. Borrowers in the moderate income tract mostly benefited from refinanced loans. The bank does have a branch located in this moderate income tract which helps to serve the local population.

Table 6 – 2004-2006 Geographic Distribution of Residential Real Estate Loans in The MNB's AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase		0		3.2		56.7		40.1
Refinancing		0		5.1		40.0		56.7
Home Improvement		0		3.3		43.3		51.6
Residential RE	0	0	1	4.2	44	47.7	55	48.1

Source: HMDA-LAR for 2004, 2005 and 2006 and 2000 Census Data.

Geographic distribution of 2002 and 2003 residential loans reflects an excellent level of penetration in census tracts of different income levels, including the three moderate-income census tracts. The bank originated 16% of loans in the moderate income tracts which compares favorably to area demographics. Only 4% of all AA owner-occupied units were located in these moderate income tracts.

Commercial Loans

Table 7 - 2004-2006 Geographic Distribution of Loans to Businesses in MNB's AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Commercial Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	0%	0%	2%	5%	42%	64%	56%	32%

Source: Bank records for 2004, 2005 and 2006, and 2000 Census Data.

MNB's geographic distribution of commercial loans also reflects an excellent level distribution through the assessment area, including the moderate-income census tract. As shown in Table 7 below, the percentage of commercial loans originated in the single moderate-income census tract exceeds the percentage of commercial businesses located there. Five percent of the bank's small business loans are located this single tract, comparing favorably to 2% of all businesses located in this tract. The bank's lending to businesses in the moderate income tract, located in downtown Milford, commitment to meeting the needs of businesses in the community. The Milford downtown branch location helps to serve the businesses in the moderate-income tract.

Geographic distribution of commercial lending in 2002 and 2003 reflects an outstanding level of penetration in census tracts of different income levels, including the moderate-income census tract. The bank originated 25% of business loans to the moderate income tracts compared to only 7% of all AA businesses located there.

RESPONSES TO COMPLAINTS

We did not identify any consumer complaints which would adversely impact the bank's CRA rating. The bank has an internal process for receiving and resolving complaints.

COMMUNITY DEVELOPMENT TEST

MNB's performance, primarily through lending, demonstrates an adequate responsiveness to community development (CD) needs in the assessment area. Consideration was provided to the bank's capacity, the need and availability of CD opportunities, and the responsiveness of activities to area credit needs.

LENDING

MNB committed \$6.621 million in funds for three loans which meet the definition of community development. One loan for \$3.0 million, originated October 2005, funds a Massachusetts 40B housing development project which requires a set aside of rental units for income-eligible individuals. Through this project, five additional affordable housing rental units were built in a larger complex in Milford and have subsequently sold. A second loan for \$2.871 million originated December 2005 and assists a new small business in the Milford area. The bank funded the construction and expansion of this recreational center under a Small Business Administration (SBA) 504 program, which requires a specific level of job creation for the funds spent. The project has created fifty jobs in Milford, which will largely be held by low and moderate income individuals. The third loan for \$750 thousand originated June 2006 to a local organization that primarily serves low income families through its donations of goods and services to area food banks. MNB committed funds for a housing development in Hopkinton on the organization's land. The sales proceeds from the project will directly set up a charitable foundation. The foundation's primary purpose is to build a community farm and donate produce to area food banks to help the needy.

Beyond the commitment of these three projects, the bank allotted funds to help low income borrowers with financing for home improvement loans through a partnership with the Town of Milford. The town had obtained a Community Development Block Grant (CDBG) to provide subsidized funds to income-eligible residents for home improvement needs. The bank committed \$50 thousand in 2004 and \$50 thousand in 2005 towards this effort. Though available to area residents, management did not receive any applications and therefore no loans have been booked under these programs.

These loans are not included in any other analyses under the Lending Test.

INVESTMENTS

The bank's level of qualified investments is less than adequate given its capacity and opportunities in the AA. A qualified investment is defined as an investment, deposit,

membership share, or grant that has a primary purpose for community development. MNB did not make any investments, deposits, or membership shares but did have a low level of grants. Given that only one tract of fifty-two is moderate income and none are low income, the bank's CD investment opportunities for revitalizing LMI geographies is highly limited. The bank did make charitable grants and donations to area community service organizations. While the actual level of bank donations made was higher, only \$90 thousand of the total met the definition of community development. The total grants included those made by Milford National Charitable Foundation, an affiliate of the bank. It solely derives its funding from the bank, consists of directors affiliated with the bank, and was established to provide financial assistance to area community organizations. Some organizations that benefited from the bank's funds include the Downtown Milford Partnership, Consumer Credit Counseling, Milford Housing Authority, and a Salvation Army scholarship fund for low income children to attend summer camp.

SERVICES

The bank's level of CD services is adequate. The bank has one branch located in a moderate income tract. The branch offers all products and services, ensuring availability of services in an area which is predominately comprised of low and moderate income families. Hours of operation are similar to the other branches. The bank also offers free checking to all customers, which would benefit the low or moderate income customer.

In 2006, the bank began offering an affordable mortgage product through a partnership with MassHousing, the state's affordable housing division. The product offers no or low down payment options and flexible qualifying ratios. To date, the bank has booked two loans under this program. The bank also offers Freddie Mac and FNMA affordable home mortgage products.

Bank's responsiveness, through community development activities, to community development lending, investment, and services needs.

MNB's lending activities were responsive to area community development needs and resulted in the bank's satisfactory assessment under the CD Test. As identified during our community contacts and through other local economic surveys, affordable housing – especially rental units – is an identified need. One loan originated by the bank served in part to address this purpose. The SBA 504 loan will help address the need for job creation in an area designated by the State of Massachusetts as a Economic Target Area. Communities are designated so based on the unemployment rates and commercial vacancy rates relative to state averages. The bank's loan will fund the expansion of a small business which will bring fifty jobs to Milford. While the bank's level of CD investments is low, its CD lending represents a good responsiveness to the community development credit needs of affordable housing and small business financing. The commitment of \$6.6 million, given the size and capacity of this bank, represents a good commitment to its community.

Fair Lending or Other Illegal Credit Practices Review

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