



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 1, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Orwell
Charter Number 228**

**Post Office Box 38, 441 Main Street
Orwell, VT 05760**

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

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 Outstanding.

The primary factors supporting the bank's overall rating include:

- The average loan-to-deposit ratio is strong and averaged 90% since the last CRA examination.
- A substantial percentage of the bank's loans, 89% by number and 86% by dollar amount, are within the designated assessment area.
- The distribution of residential mortgages and consumer loans reflects excellent penetration to low- and moderate-income individuals in the assessment area.
- The distribution of loans to small businesses with revenues of less than \$1 million is excellent.

DESCRIPTION OF INSTITUTION

The First National Bank of Orwell (FNB Orwell) is a nationally chartered commercial bank headquartered in Orwell, Vermont. As of September 30, 2003, FNB Orwell had total assets of \$27 million. FNB Orwell is an independently owned bank and there is no holding company structure. There are no branch offices nor any automated teller machines (ATMs).

FNB Orwell offers basic banking products. As of September 30, 2003, the bank had \$21 million in gross loans and \$24 million in total deposits. Net loans are 77% of average assets.

The distribution of the bank's loan portfolio, at September 30, 2003, is reflected in **Table 1**, below:

Table 1 - Loan Category – 9/30/03 Call Report	\$ (000)	%
Commercial Real Estate Loans	1,696	8%
Commercial Loans	2,314	11%
Residential Real Estate Loans	13,394	64%
Consumer Loans	2,866	14%
Other Loans	758	3%
Total	21,028	100%

The bank was assigned a "Satisfactory" CRA rating at the previous examination dated July 6, 1998. FNB Orwell faces no legal or financial restrictions that would impede its

performance and ability to meet the credit needs of its assessment area.

We determined that residential mortgage loans are a primary product. We focused our lending sample on residential real estate loans and consumer loans. Although commercial lending was not identified as a primary product, we included a sample of commercial loans to assess the volume of lending to businesses of different sizes.

DESCRIPTION OF FIRST NATIONAL BANK OF ORWELL ASSESSMENT AREA

FNB Orwell has one assessment area (AA) with six census tracts, three located in Addison County and three in Rutland County. There are five middle-income tracts and one upper-income tract in the assessment area. The census tracts include the following towns: Middlebury, Bridport, Shoreham, Orwell, Cornwall, Whiting, Benson, Hubbardton, Sudbury, West Haven, Castleton and Fair Haven. The bank's assessment area meets the technical requirements of the regulation and does not arbitrarily exclude any low-to moderate-income tracts.

Table 2 reflects the demographic and economic characteristics of the assessment area based on 1990 Census Bureau data and the 2002 Housing and Urban Development Agency (HUD) data.

Table 2 - DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS	
<i>Population</i>	
Number of Families	5,280
Number of Households	7,460
<i>Geographies</i>	
Number of Census Tracts/BNA	6
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	83%
% Upper-Income Census Tracts/BNA	17%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$32,453
2002 HUD-Adjusted MFI	\$43,400
<i>Economic Indicators</i>	
Unemployment Rate as of October 2003 in Vermont	4.0%
2002 Median Housing Value (weighted average)	\$93,393
% of Households Below Poverty Level	10%

The population of this rural, agricultural assessment area is stable with 22 thousand individuals. There are 5,280 families of various income levels. Low-income families total 845 or 16%,

moderate-income families total 1,004 or 19%, middle-income families total 1,317 or 25% and upper-income families total 2,114 or 40%. The Housing and Urban Development (HUD) non-metropolitan statistical (MSA) updated median family income is \$43,400. The median housing value for the area is \$93,393 and the median age of housing stock is 43 years. There are approximately 9,478 housing units within the assessment area, of which 55% are owner occupied, 23% are rental units and 22% are vacant. Of the total housing units, 83% are 1-4 family units, 10% are mobile home or trailers, 2% are condominiums and 5% are multifamily units.

Statistics from the U.S. Department of Labor show the unemployment rate in the state of Vermont is 4.0% for October 2003. This compares favorably to the other New England states and the national unemployment rate. The primary industries for the area are apple growers, dairy farming, and related suppliers. Standard Register in Middlebury and General Electric in Rutland are the primary employers in the assessment area. Lending to entrepreneurs, home mortgages and agricultural lending were described as the primary credit needs for the assessment area by a community contact involved in economic development for Addison County, as well as bank management.

Competition in the area consists of First Brandon National Bank in Brandon and National Bank of Middlebury in Middlebury. Large bank competitors are Chittenden Bank, Charter One Bank and Key Bank.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio reflects strong lending performance. The LTD ratio of 90% was calculated using an average of 20 consecutive quarters since the last CRA examination. The bank's LTD ratio fluctuated between a low point of 82% at June 30, 1999, to a high point of 104% at December 31, 2000. A comparison of Vermont banks with total assets less than \$250 million reflected an average peer LTD ratio of 80% over the same timeframe.

Lending in Assessment Area

A substantial percentage of FNB Orwell loans were made to borrowers within the AA. The loan products sampled and results of our analysis are detailed in **Table 3** below. Our sample was comprised of 21 residential mortgages, 21 consumer loans and 20 commercial loans. Based on our limited sample, we concluded that 89% by number and 86% by dollar volume were within the bank's AA.

Table 3 - Lending in FNB Orwell Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	20	95%	1	5%	100	674	91%	70	9%	100
Consumer	19	90%	2	10%	100	156	93%	11	7%	100
Commercial	16	80%	4	20%	100	332	76%	107	24%	100
Totals	55	89%	7	11%	100	1,162	86%	188	14%	100

Source: sample of loans.

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

FNB Orwell's lending to low-and moderate-income families is excellent. Our analysis was based on the same time period and same loan sample in the bank's AA as described in **Table 3** above. Residential mortgage, consumer and commercial loan originations are broken out below by income levels in **Tables 4, 5 and 6**, respectively.

Table 4 - Borrower Distribution of Residential Real Estate Loans in FNB Orwell 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 RE	16%	20%	19%	50%	25%	15%	40%	15%

Source: loan sample; U.S. Census data

Table 4 reflects the bank's residential mortgage lending to low-income and moderate-income borrowers significantly exceeds the distribution of low-and moderate-income families in the AA.

Table 5 - Borrower Distribution of Consumer Loans in FNB Orwell AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21%	21%	16%	37%	21%	32%	42%	10%

Source: loan sample; U.S. Census data.

Table 5 reflects consumer lending by the bank to low-income borrowers equals the distribution of low-income borrowers in the AA. Lending to moderate-income borrowers significantly exceeds the distribution of moderate-income borrowers in the bank's AA.

Table 6 - Borrower Distribution of Loans to Businesses in FNB Orwell AA		
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000

% of AA Businesses*	72	6
% of Bank Loans in AA by #	88	12
% of Bank Loans in AA by \$	85	15

*Source: Loan sample; Dunn and Bradstreet data. * 22% of AA businesses did not report revenue data*

Table 6 reflects excellent penetration of FNB Orwell's lending activity to small business. Small businesses are defined as those with gross annual revenues of one million dollars or less.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. The bank's assessment area consists of six census tracts (five middle-income and one upper-income). There are no low- or moderate-income census tracts.

Responses to Complaints

Neither the bank nor the OCC received CRA related complaints on The First National Bank of Orwell since the prior examination of July 6, 1998.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.