



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank Of Suffield
Charter Number 497**

**30 Bridge St.
Suffield, CT 60780**

**The Office of the 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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

The lending performance of the First National Bank of Suffield is satisfactory given its size, financial condition, and the credit needs of its assessment area. The primary factors supporting the bank's overall rating include:

- Residential mortgage lending products reflect a reasonable distribution of loans to low- and moderate-income borrowers given the limited volume of affordable homes in the bank's assessment area.
- The distribution of loans to small businesses reflects reasonable penetration.
- The average loan-to-deposit ratio is more than reasonable given the bank's capacity and the lending opportunities within the assessment area.
- A majority of the bank's loans, 69% by number and 72% by dollar amount, are within the designated assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Suffield (FNBS) is headquartered in Suffield, Connecticut with total assets of \$149 million as of our evaluation period of December 31, 2002. The bank operates three offices in Hartford County with its main office located at 30 Bridge Street in Suffield. The branches are full service banking offices located in West Suffield and East Granby, Connecticut. The three locations have automated teller machines (ATMs). All of the offices are located in the Hartford, Connecticut Metropolitan Statistical Area (MSA).

FNBS offers a wide variety of credit and deposit products to meet consumer and commercial banking needs. The bank's Internet website, www.fnbsuffield.com, provides detailed information on products and services for both consumers and businesses. Deposit product offerings are standard with the addition of debit cards, telephone banking, and on-line banking with bill payment options. FNBS is also a member of the SUM Network, which allows customers to avoid paying ATM surcharges at other participating financial institutions throughout the northeast.

FNBS is primarily a residential lender and offers a variety of mortgages for home purchase, refinance, and construction of one-to-four family homes. As of December 31, 2002, the bank had \$114 million in total loans and \$128 million in total deposits, representing 77% and 86% of total assets, respectively. See **Table 1** on the next page for detailed information on the composition of the bank's loan portfolio.

**Table 1. First National Bank of Suffield's Loan Portfolio Composition
(12/31/2002 Call Report Data)**

Loan Category	Amount (\$000s)	Percent of Total Loans
Residential Real Estate	\$97,105	85.15%
Commercial Real Estate	6,836	6.00%
Commercial	7,855	6.89%
Consumer	2,240	1.96%
Total	\$114,036	100.00%

The bank was assigned a "Satisfactory" CRA rating at the previous examination dated January 9, 1998. FNBS faces no impediments, legal or otherwise, that hinder its ability to help meet the credit needs of its assessment area.

DESCRIPTION OF FNBS ASSESSMENT AREA

CRA requires a financial institution to identify one or more assessment areas in which it intends to meet that area's credit needs. FNBS's assessment area (AA) meets the technical and regulatory requirements as defined by the regulation.

FNBS's assessment area has not changed since the preceding CRA examination in 1998. It includes the towns of Suffield and East Granby, both located within Hartford County. The assessment area is also part of the Hartford MSA. The geographies in the assessment area consist of two middle-income and two upper-income census tracts. The bank does not arbitrarily exclude any low- or moderate-income census tracts; in fact, there are no low- or moderate-income tracts near the bank's area of business. The income level of families that live in the four census tracts are primarily middle- and upper-income at 26% and 49% respectively. Low-income families make up 9% and moderate-income families make up 16% of all families in Suffield and East Granby, based on 1990 Census data.

According to the 1990 Census, the population of the assessment area is 15,729 with 5,854 households. The 1990 weighted average median family income for the assessment area was \$57,686. The 2002 Housing and Urban Development Agency (HUD) updated family income level increased to \$66,600. **Table 2** reflects the assessment area demographics based on 1990 Census results and updated 2002 HUD data.

Table 2. Assessment Area Demographic & Economic Characteristics**Population:**

Number of Families	4,485
Number of Households	5,854

Geographies:

Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	50%
% Upper-Income Census Tracts/BNA	50%

Weighted Average Median Family Income (MFI):

1990 MFI of Census Tracts	\$57,686.
2002 HUD-Adjusted MSA/Non-MSA MFI	\$66,600.

Economic Indicators: U.S. Bureau of Labor Statistics - FYE 2002

Unemployment Rate – Hartford County, CT	4.5%
1990 Median Housing Value	\$188,638
% Of Households Below Poverty Level	2%

There are approximately 6,069 housing units within the bank's assessment area, of which 76% are owner occupied, 19% are rented, and approximately 4% are vacant. The housing units are primarily 1-4 family units (90%). The remaining units are multifamily (7%) and less than 1% are mobile home/trailers.

The median housing value in the assessment area is \$188,638, higher than the statewide median values of \$176,682. The median gross rent is \$627 per month, also higher than the statewide median of \$598. The median age of the housing stock in the assessment area is 23 years. The housing affordability ratio in the assessment area, calculated by dividing median family income by median housing value, was 30.6 percent, indicating greater challenges for low- and moderate-income borrowers to purchase a home.

The 2002 unemployment rates for the Hartford MSA are consistent with the statewide unemployment rate. There is no single large employer or dominating industry. Major employers in the assessment area include Baker's Nursery, Suffield Academy, H.P. Hood, Bradley International Airport, and various school systems. The majority of the businesses are small with revenues of less than \$1 million and typically do not hire a large volume of employees. The historic downtown/commercial districts of Suffield and East Granby are small.

During this evaluation, we made two community contacts to assist in gauging the credit needs of the community. The contacts were community development non-profit organizations. They confirmed the area lacks a sufficient volume of affordable housing for low- and moderate-income residents. Affordable housing is one of the assessment area's greatest needs given the substantial increase in housing prices over the past few years. Both community contacts stated area banks are active in the community and had no specific complaints regarding lending efforts.

Several other institutions operate within the assessment area and compete with FNBS for loans

and deposits. Local competition in Suffield and East Granby includes Enfield Federal Savings & Loan Association, Northwest Community Bank, Rockville Bank, and Webster Bank. The bank has 53.2% or the majority market share of deposits in Suffield and East Granby, based on Federal Deposit Insurance Corporation (FDIC) deposit market share reports as of June 30, 2002. The bank is also a leader of financial institutions making residential mortgage loans to low- and moderate-families based on mortgage disclosure reports filed by all financial institutions originating mortgage loans in the bank's assessment area. The reports are filed annually as part of the Home Mortgage Disclosure Act (HMDA). Although the bank is a leader, opportunities to lend to low- and moderate-income families for home purchases are limited due to the lack of affordable housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The bank's lending performance meets the standards for a satisfactory rating. The lending performance is based on five performance criteria that are described in this section. **Table 3** below reflects the volume of lending since the previous CRA performance evaluation. The heaviest volume of loan originations is clearly in residential mortgages both in volume and dollars originated. Commercial lending is the second heaviest in loan originations. We focused our lending sample on residential mortgage loan products and on a random sample of commercial and commercial real estate loans.

Table 3. Loan Originations of Primary Loan Products – (1998, 1999, 2000, 2001, & 2002)				
Loan Type	Number	% Of #	Dollars (000s)	% Of \$
Mortgages: Purchase & Refinancing	1,033	45.30%	\$534,758	94.58%
Commercial/Commercial Real Estate*	775	33.99%	\$24,657*	4.36%
Home Equity Fixed Rate	209	9.17%	\$5,924	1.05%
Home Equity Lines of Credit*	263	11.54%	\$93*	0.01%
Total	2,280	100.00%	\$565,432	100.00%

*The dollar amount of commercial Lines of Credit and Home Equity Lines originated during this period do not reflect the entire line balance, but the balance on the day of origination, which could have been zero.

The residential mortgage loan sample included all consumer mortgage loans that were originated from January 1, 1999 through December 31, 2002. Our sample was derived from HMDA reports. These reports are required to be filed annually by all financial institutions that originate mortgage loans and have branches in an MSA. The commercial loan sample included 40 randomly selected loans from years 1998 through 2002. The loan samples were used to determine the volume of lending in the assessment area. The loans identified in the assessment area were further evaluated for income and revenue distribution. We compared the income/revenue levels of borrowers who received loans with the income-level and business revenue-level demographics of the assessment area.

Loan-to-Deposit Ratio

FNBS's loan-to-deposit (LTD) ratio is considered more than reasonable given the bank's assessment area demographics and available lending opportunities. The average LTD ratio was calculated using quarterly Call Report data filed with the FDIC since the previous examination. The LTD ratio averaged 76% for the twenty-one quarters beginning December 31, 1997 to December 31, 2002.

The bank's LTD ratio predominantly trended upward from 61% at December 31, 1997 to 78% over a three-year period. The upward trend continued and at year end 2001 reached 91%. The ratio has remained high despite increased activity to sell loans in the secondary market. At December 31, 2002, the LTD ratio was 88%.

We compared FNBS's LTD ratio with a peer group of banks located in Connecticut that were between \$50 million and \$250 million in total assets. Our analysis revealed the bank was almost 16 basis points above its peer group ratio of 72% as of December 31, 2002. The LTD ratio for banks in this peer group ranged from a low of 61% to a high of 73%, positioning FNB Suffield consistently above peer.

Lending in Assessment Area

A majority of the bank's loans were made to borrowers within the banks assessment area. We reviewed the distribution of loan originations for FNBS's primary categories of loans for the time period beginning January 1, 1998 to December 31, 2002 (refer to **Table 3**).

The loan products sampled and the results of our analysis are detailed in **Table 4** below. Our sample of 807 loans represented 35% of the number of loans originated in **Table 3** for the period since the previous CRA evaluation. Based on our sample, we concluded that 69% by number and 72% by dollar volume of loans were within the bank's assessment area.

Table 4. TOTAL LOANS REVIEWED: Commercial Loans (1/1/1998 to 12/31/2002) Residential Mortgage Loan Products (1/1/1999 to 12/31/2002)								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Commercial Loans Sampled	25	62.50%	\$1,876	56.32%	15	37.50%	\$1,455	43.68%
Consumer Mtg's:								
Refinancing	337	70.80%	\$52,141	74.66%	139	29.20%	\$17,700	25.34%
Home Purchases	162	63.53%	\$26,129	68.99%	93	36.47%	\$11,742	31.01%
Home Improvement	32	88.89%	\$924	91.12%	4	11.11%	\$90	8.88%
Total Reviewed	556	68.90%	\$81,070	72.35%	251	31.10%	\$30,987	27.65%

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

The bank's lending to low- and moderate-income individuals is satisfactory overall. Our analysis was based on the same time period and limited to the 556 loans that were located in the bank's assessment area as described in **Table 4**. All residential mortgage loan products (531) were broken out by income level in **Table 5** below. The commercial loan sample (25) is broken out by revenues less than and more than \$1 million in **Table 6** below.

Table 5. RESIDENTIAL REAL ESTATE: Based on All Mortgage Loan Products (Refinancing, Home Purchase, & Home Improvement Loans) Originated in Bank's Assessment Area From 1/1/1999 to 12/31/2002								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% Of AA Families	9.34%		15.76%		25.51%		49.39%	
	% Of Number	% Of Amt.						
All Consumer Mortgage Products	2.66%	1.40%	7.21%	4.31%	19.73%	14.36%	70.40%	79.93%

Table 5 reflects the bank's lending to low-income families is significantly less than the distribution of families with low-incomes in the bank's assessment area. There is a limited volume of low-income housing stock making it difficult for this income group to afford or qualify for available homes. Lending to moderate-income families is closer to the distribution of moderate-income families in the AA.

As noted in the section, "Description of FNBS Assessment Area," the opportunities to lend to low-income families is limited. However, of the number of residential loans originated to low- and moderate-income families in the bank's assessment area, First National Bank Suffield is a leader of all the financial institutions in 2000 and 2001. (Data for Peer Mortgage Data not published for 2002.)

Table 6. BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES (1/1/1998 to 12/31/2002) Based on a Sample of 25 Commercial Loans		
Business Revenues	≤\$1,000,000	>\$1,000,000
% Of AA Businesses	90.12%	9.88%
% Of Bank Loans in AA by #	72.00%	28.00%
% Of Bank Loans in AA by \$	74.28%	25.72%

Table 6 reflects reasonable penetration of FNBS's lending activity to small businesses. Small businesses are defined as those with gross annual revenues of one million dollars or less. The competition for commercial loans in the area is heavy from three community banks. Further analysis found that 5 loans or 20% of the commercial loans sampled were made to businesses with revenues of less than \$100 thousand, and 10 or 40% of the loans sampled were made to businesses with revenues of less than \$250 thousand.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful. The bank's assessment area consists of four census tracts, two are middle-income and two are upper-income census tracts.

Responses to Complaints

Neither the bank nor the OCC received CRA related complaints on FNBS since the prior examination of January 9, 1998.

Fair Lending Review

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