



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 01, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community National Bank  
Charter Number: 1368

4811 US Route 5  
Derby, VT 05829-0000

Office of the Comptroller of the Currency

New England (Boston) Field Office  
99 Summer St Suite 1400  
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 Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Outstanding.**

Summarize the major factors supporting the institution's rating.

- The bank's level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable.
- A substantial majority of lending is within the assessment areas (AAs).
- The distribution of loans reflects an excellent penetration among borrowers of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion in the moderate-income census tracts.
- The bank's community development performance demonstrates excellent responsiveness to community development needs in its AAs, through community development loans, investments, and services.

## **Scope of Examination**

Community National Bank (CNB) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The evaluation period for the lending test covers the bank's performance from January 1, 2008 through December 31, 2010. The evaluation period for the CD test is from April 1, 2008, the date of the last CRA evaluation, through April 1, 2011. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

CNB's primary loan products, based on loan originations during the evaluation period, are: residential mortgage loans including home purchase, refinance, and home improvement loans; and commercial loans including commercial real estate loans, and commercial and industrial loans. Residential mortgages represent 55% and commercial loans comprise 45% of the bank's loan originations by number.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we tested the bank's HMDA data and found that the

data was accurate. We also used bank data to select a random sample of 40 commercial loans originated (20 in each AA) during the evaluation period to evaluate the bank's lending to businesses.

## **Description of Institution**

CNB is a \$545 million institution headquartered in Derby, Vermont. As of December 31, 2010, CNB had Tier 1 Capital of \$40 million. CNB is a wholly-owned subsidiary of Community Bancorp, a one-bank holding company. On December 31, 2007, CNB acquired LyndonBank in Lyndonville, Vermont. The bank has no subsidiaries; however it has an ownership interest of one-third in a nondepository trust company, Community Financial Services Group LLC (CFSG), based in Newport, Vermont. CFSG is held indirectly through Community Financial Services Partners, LLC, a Vermont limited liability company that owns 100% of the limited liability equity interests of CFSG. Trust activities were not considered in this evaluation.

The bank has its main office in Derby and 13 additional branches throughout the AAs. They are located in the cities and towns of Barre, Barton, Derby Line, Enosburg Falls, Island Pond, Lyndonville, Montpelier, Morrisville, Newport, St. Johnsbury, and Troy. All branches are open Monday through Friday with many offering Saturday morning hours, and all branches have automated teller machines (ATMs). No branches were opened or closed during the evaluation period.

CNB's business strategy is to provide its customers with a wide range of modern banking products, conveniently delivered, with quality personal service. The bank is a full-service, intrastate institution offering a wide array of personal and commercial loan and deposit products, and services. CNB also provides financial services and loan products to the municipalities in its AAs. The bank's website, [www.communitynationalbank.com](http://www.communitynationalbank.com), provides a listing and description of its deposit and loan services, as well as on-line banking services. Telephone banking and internet banking services are offered free of charge to all customers. Free bill-pay services and as well as an online mortgage application are offered through its website. Business customers with high check deposit volume are provided a remote deposit capture service at no charge.

Bank management has identified affordable quality housing and small business lending as primary credit needs in the AA. CNB offers affordable home mortgage products including Veteran's Administration, Equity Builder Grant, and the USDA Rural Development Guarantee program; all aimed to assist low- to moderate-income customers purchase homes. For the fourth consecutive year, CNB's lending team received the USDA Rural Development's lender of the year award.

CNB was one of the top five US Small Business Administration (SBA) lenders in Vermont in 2009. CNB is an SBA preferred lender; enabling the bank to provide loans to new or existing small businesses that they might otherwise not be able to make. The bank also made loans under the SBA ARC program, introduced in 2009, designed to assist struggling businesses in these difficult economic times. And, CNB provided loans

in the SBA's American Recovery and Reinvestment Act, a no fee and greater loan-to-value program for small businesses. CNB also partners with Northern Communities Investment Corporation to make small business loans.

As of December 31, 2010, the loan portfolio totaled \$389 million, or 71% of total assets.

The following table provides a summary of the loan mix.

<b>Loan Portfolio Summary by Loan Product December 31, 2010</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
1-4 Family Residential Mortgage	49.0%
Commercial Real Estate	28.5%
Commercial & Industrial	7.3%
Home Equity	7.1%
Construction and Development	4.2%
Consumer	3.4%
Other	0.5%

*Source: FDIC Call Report*

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Outstanding," using intermediate small bank procedures, at the last CRA examination dated April 1, 2008.

## **Description of Assessment Area**

The CRA requires a bank to define the assessment area (AA) in which it will be evaluated. CNB has two AAs, and they include all branches and deposit-taking ATMs, as well as, the contiguous towns/cities around these offices.

AA1's operations are located in northeastern Vermont and are not part of a Metropolitan Statistical Area (MSA). Included are all tracts in the county of Orleans, where the bank is headquartered, and all tracts in Caledonia, Essex, Lamoille, and Washington counties. AA1 contains 50 census tracts and 13 of the bank's 14 branches. There are no low-income tracts, nine moderate-income tracts (18%) all located in Essex and Orleans counties, 33 middle-income tracts (66%), and eight upper-income tracts (16%).

Of the middle-income tracts, 10, or 30%, are designated as underserved nonmetropolitan middle-income geographies by the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. Population size, density, and dispersion indicate the area's population is sufficiently small, thin, and distant from a population center that the tracts are likely to have difficulty financing the fixed costs of meeting essential community needs. Six tracts in Lamoille county and four tracts in Orleans county are underserved middle-income tracts.

AA2 consists of four contiguous census tracts in a portion of Franklin county, part of the Burlington-South Burlington MSA, and borders AA1 to the northwest. This is consistent

with the requirements of the regulation as the bank has included the portion of the Franklin county MSA that it reasonably can be expected to serve. This AA contains one branch, two moderate-income tracts, and two middle-income tracts.

A full-scope review was performed on AA1 and a limited-scope review was performed on AA2. Analysis for AA1 is heavily weighted given the majority of deposits and loans, branches, and long-term presence in this market. Thirteen of 14 branches are located in AA1, with 95% of the bank's total deposits and 96% of loan originations in this AA. AA2 (as well as Lamoille county in AA1) became a part of CNB's AA with the acquisition of LyndonBank. The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The local economy in northeastern Vermont is described as challenged due to high unemployment and few large employers. The primary industries in the area are dairy farming, logging/forestry, furniture making, government, health care, and tourism. Major employers in northeastern Vermont include Ethan Allen, North Country Hospital, Columbia Forest Products, Tivoly Inc., and the state and federal government.

Per Moody's Analytics, the economy in Vermont remains in recession with stagnant job growth in most goods-producing and service industries. Based on FDIC RECON data, in December 2010, the not seasonally adjusted unemployment rate for the State of Vermont was 5.5%, well below the national rate of 9.1%. The unemployment rate for the five counties in the AA1 averaged 6.6%. Rates were 6.0%, 7.6%, 6.7%, 7.6%, and 5.0% for Caledonia, Essex, Lamoille, Orleans, and Washington counties, respectively. The unemployment rate for AA2, Franklin county, was 5.9%.

Demographic information of CNB's AA1 is broken out in the table below.

Demographic Information for CNB's AA1					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	50	0%	18%	66%	16%
Population by Geography	143,710	0%	15%	69%	16%
Owner Occupied Housing by Geography	41,047	0%	15%	68%	17%
Businesses/Farms by Geography	10,896	0%	13%	66%	21%
Family Distribution by Income Level	38,093	20%	20%	24%	36%
Household Distribution by Income Level	57,602	24%	18%	20%	38%
2000 Census Median Family Income (MFI)		\$46,084	2009 State Median Home Price		\$190,000
			Median Age of Housing		47 Years
2010 HUD Updated MFI		\$61,100	Families Below the Poverty Level		10.89%
			Unemployment Rate **		6.6%

Source: 2000 US Census data

\*2010 Update-Between a Rock and a Hard Place; Housing and Wages in Vermont.

\*\* FDIC RECON as of 12/31/2010; not seasonally adjusted rate is an average of all five counties in the AA.

CNB operates in a highly competitive environment with competition from regional commercial banks, savings banks, credit unions, and mortgage companies. Competitors include Passumpsic Savings Bank, Union Bank, Merchants Bank, and Northfield Savings Bank. Larger regional banks provide further competition and include TD Bank, National Association; KeyBank, National Association; and Peoples United Bank. Additional competitors for home mortgage and commercial loans include Vermont State Employees Credit Union; Northeast Home Loan, LLC; GE Money Bank; and Wells Fargo Bank, National Association.

In AA1, The Federal Depository Institution Corporation's (FDIC) Deposit Market Share Report, for June 30, 2010, indicates that nine financial institutions operate branches within these counties. CNB is the market share leader in Orleans county, where the bank is headquartered and five branch locations, with 59% of the deposit market share. This well exceeds the second ranked bank with a 20% market share. CNB also dominates in Essex county with 65% market share, compared to second ranked competitor at 35% share.

According to a publication, *Between a Rock and a Hard Place - Housing and Wages in Vermont; 2010 Update*, by the Vermont Housing Finance Agency, Vermont's median home price was \$190 thousand in 2009; 60% higher than in 2000. In the near term, as the national recession is realized locally, delinquencies and foreclosures will likely be an ongoing concern. While interest rates remained low, high fees, larger down payments, and obtaining affordable mortgage insurance added to homeownership hurdles for lower income and first time homebuyers. The cost of rental housing is rising as well with an average rent of \$9 hundred, a 54% increase from 2000. Homelessness continues to grow.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

CNB's performance under the lending test is outstanding. CNB's loan-to-deposit ratio is more than reasonable and a substantial majority of the bank's primary loan products are within its AAs. CNB has excellent penetration of loans to borrowers of different income levels and businesses/farms of different sizes. The bank's geographic distribution of loans reflects excellent dispersion in the moderate-income census tracts.

#### **Loan-to-Deposit Ratio**

CNB's net loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AAs credit needs. The net loan-to-deposit ratio averaged 92% over the last 11 quarters since the previous CRA examination dated April 1, 2008. During the period since the last examination, the loan-to-deposit ratio ranged from a quarterly low of 87% to a high of 99%. CNB's loan-to-deposit ratio is higher than national peer bank's average of 85% over the same time period. The peer ratio ranged from a low of 79% to a quarterly high of 91% during the time period.

#### **Lending in Assessment Area**

CNB's lending inside its assessment areas meets the standard for outstanding performance. A substantial majority of the bank's primary loan products were originated within its assessment areas, with 94% of both the number and dollar amount in the AAs.

The following table details the bank's lending within the AAs by number and dollar amount of loans.

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	457	91%	44	9%	501	64,665	92%	5,927	8%	70,592
Home Refinance	1206	95%	64	5%	1,270	161,839	94%	9,434	6%	171,273
Home Improvement	430	97%	15	3%	445	37,122	97%	1,274	3%	38,396
Commercial Loans	18	90%	2	10%	20	1,456	76%	465	24%	1,921
Totals	2111	94%	125	6%	2236	265,082	94%	17,100	6%	282,182

Source: HMDA-reported data and a sample of commercial loans from 1/1/2008 to 12/31/2010.

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

The distribution of loans originated in the bank's AAs reflects excellent penetration among individuals of different income levels and businesses of different sizes.

#### Conclusion for full-scope AA1

##### *Home Loans*

The distribution of home loans reflects excellent penetration among borrowers of different income levels. While the percent of home purchase, refinance, and home improvement loans is lower than the percent of low-income families in the AA, this performance is considered outstanding given CNB's large market share coupled with the lack of affordable housing and high competition.

The State of Vermont's median home price was \$190 thousand in 2009, requiring an annual income of \$57 thousand. The HUD updated median family income is \$61 thousand, which means the maximum income a low-income and moderate-income borrower earns is \$30.5 and \$48.8 thousand, respectively. This lack of affordability limits opportunities for home mortgage lending to low- and moderate-income individuals.

The 2009 peer mortgage market share data for the Orleans, Essex, and Caledonia counties indicated that CNB dominated market share in lending to low-income borrowers. For home purchase loans, CNB ranked first in Orleans and Caledonia counties with 41% and 27% market share, respectively; and ranked second with 50% of the market in Essex county. CNB ranked first in Orleans and Essex counties with 47% and 24% market share, respectively; and ranked second with 13% of the market in Caledonia county for refinance loans. For home improvement loans, CNB ranked first

in Orleans county with 61% market share and second with 10% of the market in Caledonia county.

The percent of home purchase loans significantly exceeds the percent of moderate-income families in AA. The percent of home refinance and home improvement loans exceeds the percent of moderate-income families in the AA.

CNB was also the market share leader in lending to moderate-income borrowers. For home purchase loans, CNB ranked first in Orleans and Caledonia counties with 39% and 29% market share, respectively; and ranked second with 25% of the market in Essex county. CNB ranked first in Orleans county with 44% market share, and ranked second with 13% of the market in Caledonia county for refinance loans. For home improvement loans, CNB ranked first in Orleans county with 56% market share, and second in Caledonia and Essex counties with 24% and 25% market share, respectively.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper		NA *
	% 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	% of Number of Loans
Home Purchase	20%	8%	20%	31%	24%	28%	36%	30%	3%
Home Refinance	20%	10%	20%	22%	24%	28%	36%	38%	2%
Home Improvement	20%	12%	20%	24%	24%	30%	36%	33%	1%

Source: HMDA-reported data from 1/1/2008 to 12/31/2010; 2000 US Census

\*Income not available.

### *Business/Farm Loans*

The distribution of loans to businesses/farms reflects excellent penetration among businesses/farms of different sizes. CNB's lending to businesses/farms exceeds the percent of businesses/farms with gross annual revenues of \$1 million or less. This performance is noteworthy given the high level of competition. Although CNB is not required to file small business/farm data, the 2009 peer small business/farm market share data indicates that the top three lenders in the AA held approximately 42% of the market share for small business/farm loans.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the AA.



Business/Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses/Farms	76%	4%	20%	100%
% of Bank Loans in AA by #	80%	20%	0%	100%
% of Bank Loans in AA by \$	55%	45%	0%	100%

Source: Sample of commercial loans from 1/1/2008 to 12/31/2010; 2000 US Census

## Conclusion for limited-scope AA2

### *Home Loans*

The distribution of home loans reflects excellent penetration among borrowers of different income levels. CNB now has a loan originator in this AA, but it did not during the evaluation period; sales activity had been very slow with the sluggish economy. There were no home purchase loans made to low-income borrowers. Home refinance loans are significantly lower than and home improvement loans is near to the percent of percent of low-income families in the AA.

The bank's performance is considered outstanding given the lack of affordable housing and the high level of competition. The State of Vermont's median home price was \$190 thousand in 2009, requiring an annual income of \$57 thousand. The HUD updated median family income is \$74 thousand, which means the maximum income a low-income borrower earns is \$37 thousand. This lack of affordability limits opportunities for home mortgage lending to low- income individuals.

In addition, market competition for home mortgages is high. CNB is new to this market and its AA contains a portion of the Franklin MSA. According to 2009 peer mortgage market share data, mortgage lending in the Franklin MSA market area is dominated by two financial institutions, for a total of 32% market share. CNB ranked eighth with a 3% market share; notable as 66 lenders reported originated mortgage loans in this market. The percent of home purchase and refinance loans significantly exceeds the percent of moderate-income families in AA. The percent of home improvement loans is near to the percent of moderate-income families in the AA.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Borrower 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
Home Purchase	29%	0%	26%	58%	24%	17%	21%	25%
Home Refinance	29%	12%	26%	42%	24%	14%	21%	32%
Home Improvement	29%	20%	26%	20%	24%	20%	21%	40%

Source: HMDA-reported data from 1/1/2008 to 12/31/2010; 2000 US Census

### *Business/Farm Loans*

The distribution of loans to businesses/farms reflects excellent penetration among businesses/farms of different sizes. CNB's lending to businesses/farms exceeds the percent of businesses/farms with gross annual revenues of \$1 million or less. This performance is noteworthy given the high level of competition. Although CNB is not required to file small business/farm data, the 2009 peer small business/farm market share data indicates that the top two lenders in the AA held approximately 41% of the market share for small business/farm loans.

The following table shows the distribution of commercial loans among businesses/farms of different sizes in the AA.

<b>Table 2C - Borrower Distribution of Loans to Businesses/Farms in CNB's AA2</b>				
Business/Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses/Farms	83%	2%	15%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	69%	31%	0%	100%

*Source: Sample of commercial loans from 1/1/2008 to 12/31/2010; 2000 US Census*

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects excellent dispersion in the moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns. The bank's AAs have no low-income census tracts; therefore, we did not evaluate lending in these areas.

### **Conclusion for full-scope AA1**

#### *Home Loans*

The bank's geographic distribution of home loans in AA1 reflects excellent dispersion in the moderate-income census tracts. The percent of CNB's lending for home purchase, refinance, and home improvement loans significantly exceeds the percent of owner occupied housing in these tracts. The 2009 peer mortgage market share data supports this assessment; as CNB ranked in first or second place in both Orleans and Essex counties.

Following is a table that details the bank's performance as compared to the percentage of owner occupied housing units in each census tract income level.

<b>Table 3 - Geographic Distribution of Home (Purchase, Refinance, and Improvement ) Loans in CNB's AA1</b>								
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
Home Purchase	N/A	N/A	15%	36%	68%	59%	17%	5%
Home Refinance	N/A	N/A	15%	38%	68%	56%	17%	6%
Home Improvement	N/A	N/A	15%	33%	68%	63%	17%	4%

Source: HMDA-reported data from 1/1/2008 to 12/31/2010; 2000 US Census

**Business/Farm Loans**

The bank's geographic distribution of business/farm loans reflects excellent dispersion in the moderate-income census tracts. CNB's lending to smaller businesses/farms in the moderate-income geographies significantly exceeds the level of total businesses/farms with revenues less than \$1 million located there.

Following is a table that details the bank's performance as compared to the percentage of businesses/farms in each census tract income level.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in CNB's AA1</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses	N/A	N/A	13%	35%	66%	65%	21%	0%

Source: Sample of commercial loans from 1/1/2008 to 12/31/2010; 2000 US Census

**Conclusion for limited-scope AA2**

**Home Loans**

The bank's geographic distribution of home loans in AA2 reflects excellent dispersion in the moderate-income census tracts. The percent of CNB's lending for home purchase, refinance, and home improvement loans significantly exceeds the percent of owner occupied housing in these tracts.

Following is a table that details the bank's performance as compared to the percentage of owner occupied housing units in each census tract income level.

Table 3B - Geographic Distribution of Home (Purchase, Refinance, and Improvement ) Loans in CNB's AA2								
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
Home Purchase	N/A	N/A	43%	83%	57%	17%	N/A	N/A
Home Refinance	N/A	N/A	43%	84%	57%	16%	N/A	N/A
Home Improvement	N/A	N/A	43%	60%	57%	40%	N/A	N/A

Source: HMDA-reported data from 1/1/2008 to 12/31/2010; 2000 US Census

### Business/Farm Loans

The bank's geographic distribution of business/farm loans reflects excellent dispersion in the moderate-income census tracts. CNB's lending to smaller businesses/farms in the moderate-income geographies significantly exceeds the level of total businesses/farms with revenues less than \$1 million located there.

Following is a table that details the bank's performance as compared to the percentage of businesses/farms in each census tract income level.

Table 3C - Geographic Distribution of Loans to Businesses/Farms in CNB's AA2								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans	% of AA Businesses/Farms	% of Number of Loans
Businesses	N/A	N/A	44%	95%	56%	5%	N/A	N/A

Source: Sample of commercial loans from 1/1/2008 to 12/31/2010; 2000 US Census

### Responses to Complaints

CNB did not receive any CRA related complaints during this evaluation period.

### COMMUNITY DEVELOPMENT TEST

Performance under the community development (CD) test is outstanding. CNB's community development performance demonstrates excellent responsiveness to community development needs in its AA through community development loans, investments, and services.

## Number and Amount of Community Development Loans

### Conclusion for full-scope AA1

During the evaluation period, CNB originated or refinanced 13 community development loans totaling \$7.5 million.

A summary of the CD loans follows:

- An \$820 thousand loan for interim construction financing, purchase, and renovation of two historic buildings in a middle-income underserved census tract. The rehabilitation will include 12 residential apartments for low- and moderate-income seniors, with rental assistance from the HUD. The residential units will qualify for low-income housing tax credits (LIHTC).
- A \$500 thousand line of credit to fund ongoing expenses prior to receipt of revenues for a statewide community development financial institution (CDFI). The CDFI provides loans, grants and ongoing technical assistance for the development of affordable housing, community facilities, local businesses, child care programs and other projects that benefit low- income persons.
- Two loans totaling \$2.3 million to provide a community service with funds for the renovation/refinance of a nursing home facility located in a moderate-income tract.
- A \$2.2 million loan to construct a new school in a middle-income underserved tract that provides support and housing for primarily low- to moderate-income children who have been removed from the custody of their parents or removed from their public school.
- A \$543 thousand loan for a construction line of credit to expand the operating facilities of an organization that provides job training to displaced persons and at-risk youth, and creates a marketplace for reused goods at affordable prices.
- Two loans totaling \$506 thousand to an organization to acquire space to house an early education program; a large percentage of the children in the program are from low- to moderate-income households.
- A \$356 thousand loan to refinance an existing mortgage to a nonprofit organization that provides housing/treatment for seven at risk girls aged 12-17 referred and funded by the State of Vermont department for children and families.
- A \$125 thousand loan to an organization that provides free legal services by providing in-home consultations, transportation, and legal representation for low-income women in rural Vermont who are victims of domestic violence.

- A \$73 thousand loan to fund the rehabilitation of a property for an organization which provides short-term transitional housing for men recently released from incarceration; all residents are low-income. The organization also helps residents find employment and other social services.
- A \$50 thousand loan for working capital, to fund programs and activities in anticipation of grant receipts, to a nonprofit organization that advocates for at-risk children and youth.
- A \$9 thousand loan to finance a van purchase for a mobile library providing literacy access to individuals in primarily moderate and/or middle-income underserved tracts.

#### Conclusion for limited-scope AA2

CNB originated three loans totaling \$2.9 million for the construction of an addition and permanent financing of a community care/nursing home located in a moderate-income tract. The loans helped economic development by retaining 80 jobs and creating 10 additional jobs.

All of the above loans are not included in any other analyses under the Lending Test.

#### **Number and Amount of Qualified Investments**

##### Conclusion for full-scope AA1

During the evaluation period, CNB made one investment totaling \$1.5 million for the renovation of two historic buildings in a middle-income underserved census tract. The rehabilitation will include 12 residential apartments for low- and moderate-income seniors, with rental assistance from HUD. The residential units will qualify for LIHTCs.

Prior period investments, outstanding as of April 1, 2011, totaled \$907 thousand in eight investments with seven different partnerships. Both the new and prior period investments support affordable housing projects in the AA, an identified need.

In addition, the bank made 51 grants/donations totaling \$79 thousand to 34 community development organizations in the AA. While the actual level of bank donations made was higher, these donations met the definition of community development.

##### Conclusion for limited-scope AA2

CNB made one investment of \$767 thousand for the construction of an affordable and low-income housing tax credit housing development in a moderate-income tract with 24 residential units; available to those earning less than 60% of HUD adjusted median income.

In addition, the bank made five grants/donations totaling \$3 thousand to four community development organizations in the AA.

## **Extent to Which the Bank Provides Community Development Services**

### Conclusion for full-scope AA1

CNB provides a good financial presence in the moderate-income and middle-income underserved census tracts. Of the bank's 13 branches in AA1, three or 23% are in the moderate-income tracts, exceeding the 15% of the population of the AA living in the moderate-income geographies. Further, four or 31% of branches are located in middle-income underserved tracts.

Individual Development Accounts are offered, a savings program intended to assist low-income individuals/families save for a home, start or expand a small business, or for education or job training. Free savings accounts with no minimum balances for minors and young adults help improve access to financial services.

The bank provides a high level of community development services. During the evaluation period, 22 bank officers/employees provided financial expertise and/or leadership services to 19 community development organizations serving the AA. Some of these services included homebuyer seminars and technical assistance to small businesses, helping to meet affordable housing and small business lending, both identified needs.

Highlights of CD service activities during the evaluation period include:

- A senior bank officer and two bank officers provided financial services to an organization that creates quality affordable housing choices and thereby increases home ownership for low- and moderate-income individuals.
- A number of bank employees provided information to first time homebuyers at homeownership workshops.
- A senior manager serves on the board of an organization that supports small businesses and also helps provide loan packages for start-up businesses.
- A senior officer serves as a board member and risk management committee chair for an organization that focuses on job creation and retention in three counties in the AA with low- to moderate-income tracts.
- Several bank employees participated in a program designed to encourage financial literacy in high school students. The three schools in the program were in moderate tracts or underserved middle-income tracts.

CNB is also actively involved in financial literacy programs for adults throughout its community.

### Conclusion for limited-scope AA2

In AA2, the one branch is located in a moderate-income census tract. During the evaluation period, two bank officers/employees provided financial expertise and/or leadership services to two community development organizations.

### **Responsiveness to Community Development Needs**

#### Conclusion for full-scope AA1

CNB's community development performance, measured through CD loans, investments, and services, demonstrates excellent responsiveness to the needs of its AA, considering the bank's capacity and the need and availability of CD opportunities. The bank was highly responsive to identified community development needs including quality affordable housing and small business lending.

### **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..