
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

March 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Pemigewasset National Bank
Charter Number 2587
287 Highland Street
Plymouth, New Hampshire 03264**

**The Office of the Comptroller of the Currency
Boston Duty Station
150 Federal Street, Second Floor
Boston, Massachusetts 02110**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Pemigewasset National Bank** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 7, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Satisfactory**”

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Primary factors supporting the bank’s overall rating include:

- ▶ The loan to deposit ratio, averaging 86%, exceeds the average ratios of national and local institution’s.
- ▶ A substantial majority (96%) of home mortgage, consumer and business loans are in the bank’s assessment area.
- ▶ The bank’s distribution of credit to borrowers of different income levels in the assessment area is reasonable, and
- ▶ The institution has a strong record of lending to small businesses.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Pemigewasset National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Pemigewasset National Bank (Pemi) is a \$129 million institution located 40 miles north of Concord, New Hampshire. The region ranges from the White Mountains to the midstate lakes region. Pemi is wholly owned by The Pemi Bancorp, Inc., a one bank holding company. Pemi's main office is located in the town of Plymouth with four branches in Ashland, Campton, Plymouth, and Woodstock. All locations have automated teller machines (ATMs), drive-up teller facilities, and offer extended banking hours. Pemi also has an off-premise ATM at the Shop 'N Save Supermarket in West Plymouth.

Net loans comprise 68% of total assets and residential real estate mortgages make up 60% of total loans. Commercial and consumer loans, respectively, represent 30% and 10% of the remaining loan portfolio. There are no legal impediments preventing Pemi from helping meet the credit needs of its community.

The banking market is highly competitive consisting of eight commercial banks, savings banks and thrifts, with an approximate total of twelve banking offices. The environment has also changed several times due to mergers and acquisitions. Primary competition is provided by the small local community banks, Community Guaranty Savings Bank and Meredith Village Savings Bank. The larger banks Pemi competes with are Citizens Bank and Fleet Bank.

DESCRIPTION OF ASSESSMENT AREA

Pemi's assessment area meets the criteria of the regulation and does not arbitrarily exclude low or moderate census tracts. This assessment area is not located within any metropolitan statistical area, but is comprised of eighteen block numbering areas (BNA's) within Grafton, Carroll, and Belknap counties in New Hampshire. These BNA's consist of sixteen middle and two moderate income areas. There are no low or upper income BNA's within the assessment area.

Fifty five thousand individuals populate the assessment area. The Housing and Urban Development (HUD) statewide non metropolitan median family income is \$40,700. Within the assessment area, low income families comprise 21% of the population, moderate income 22%, middle income 27%, and upper income 30%. The median housing value in the area is \$106 thousand. The median age of housing stock is 28 years. Total occupied housing is 52%, with 38% owner occupied and 14% rental occupied. While the percentage of vacant housing units is high at 47%, 78% of these are seasonal use units. Excluding seasonal use units, the actual percentage of vacant housing in the assessment area is 10%.

The major employers in the area include Plymouth State College, NH Electric Cooperative, Inc., Speare Memorial Hospital, Plymouth Manufacturing, logging and related industries, and businesses involved in seasonal tourism. Unemployment is below the New England average at 4.3%.

Affordable housing, small business, and long term commercial real estate mortgages were described as primary credit needs for the assessment area by bank management and community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

Pemi's high loan to deposit ratio is more than reasonable indicating a firm commitment by both the Board and management to meet the credit needs of the community. For the seven calendar quarters since the last CRA examination, Pemi's average loan to deposit ratio of 86% significantly exceeded the national peer of 71%. Pemi also ranked highest when compared to eight local peer banks with average loan to deposit ratios from 67% to 86%. The average loan to deposit ratio for thirty New Hampshire banks with assets less than \$250 million ranged from 39% to 89%. Pemi exceeded all but one bank. Pemi's loan to deposit ratio was 82% as of December 31, 1996.

Lending in the Assessment Area

Pemi's major loan products are residential and commercial real estate mortgages, commercial loans, and consumer loans. An analysis of loan originations made from May to December 1995, and during 1996, as displayed in Table 1, show that a substantial majority of Pemi's lending is in the institution's assessment area.

Table 1
PERCENTAGE OF LENDING WITHIN THE ASSESSMENT AREA

Loan Originations - (000's)								
May-December 1995 & Calendar Year 1996								
Loan Type	1995 - Inside Assessment Area				1996 - Inside Assessment Area			
	#Loans	%	\$ Amt	%	#Loans	%	\$ Amt	%
Mtge's	72	97%	4,009	98%	268	99%	16,802	100%
Comm l	159	99%	3,819	99%	411	99%	12,896	99%
Cons.	506	91%	2,748	88%	933	94%	6,026	93%
Total	737	93%	10,576	95%	1,612	96%	35,724	98%

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

The distribution of loans among borrowers of different income levels is reasonable, given the demographics of the assessment area. Our analysis of lending to borrowers of different incomes is based upon Pemi’s residential, small business, and consumer lending activity.

We reviewed 100% of Pemi’s residential mortgage lending from May to December 1995, and during 1996 by analyzing management prepared reports. These reports were tested for accuracy. Table 2 shows Pemi’s lending to borrowers of different incomes by both the number and dollar amount of originations within the bank’s assessment area.

**TABLE 2
LENDING TO BORROWERS OF DIFFERENT INCOMES**

Residential Real Estate Originations - (000's)									
	May - December 1995				1996				HUD Family Distribution
	#Loans	%	\$ Amt	%	#Loans	%	\$ Amt	%	
Low	12	17%	374	9%	18	7%	682	4%	21%
Mod	26	36%	1,332	33%	55	21%	2,687	16%	22%
Middle	13	18%	801	20%	74	28%	4,205	25%	27%
Upper	21	29%	1,502	38%	121	44%	9,228	55%	30%
Total	72	100%	4,009	100%	268	100%	16,802	100%	100%

At management’s request, we reviewed Pemi’s lending to borrowers of different income levels who obtained consumer loans. We reviewed 92% of the number and 93% of the volume of Pemi’s consumer originations for 1996. We used management prepared reports and tested the data for accuracy. Similar data was not available for 1995. Table 3 illustrates Pemi’s excellent responsiveness to low and moderate income borrowers in their assessment area as 58% of the number and 47% of the volume of consumer loan originations were to loan and moderate income borrowers. However, consumer loans only make up 10% of the bank’s loan portfolio.

TABLE 3
LENDING TO BORROWERS OF DIFFERENT INCOMES

Consumer Lending - (000's) - 1996					
	# Loans	%	\$ Amt	%	HUD Family Distributio n
Low	243	28%	961	17%	21%
Moderate	258	30%	1,667	30%	22%
Middle	228	27%	1,626	29%	27%
Upper	125	15%	1,350	24%	30%
Total	854	100%	5,604	100%	100%

Pemi's small business lending is strong. However, commercial loans comprise only 30% of the loan portfolio. We reviewed 96% of the number and 93% of the volume of Pemi's commercial originations in 1996. We used management prepared reports and tested the data for accuracy. Similar data for 1995 was not available. Small business loans, defined as businesses with gross annual revenues below \$1 million, accounted for 89% of the number and 84% of the volume of commercial originations. This reflects a high level of attention to small business credit needs within the community. The average size of all commercial loans from May to December 1995 was \$24,000 and \$31,000 during 1996. Additionally, 96% of the small business originations were for loans less than \$100,000 from May to December 1995, and 92% during 1996.

Geographic Distribution of Loans

Of the eighteen BNA's, there are no low income and only two moderate income areas. For this reason, an analysis of the geographic distribution of loans was not meaningful.

Response to Complaints

Pemi's responsiveness to consumer complaints could not be evaluated as no complaints were received since the last CRA examination.

Qualified Investments

Pemi has two qualified investments. The bank is a member of the New Hampshire Community Reinvestment Corporation (NHCRC), a non-profit corporation established in 1995 by 31 New Hampshire financial institutions. NHCRC provides end-financing and

technical assistance to facilitate the development of affordable housing in New Hampshire. Pemi has committed an aggregated of \$290 thousand to participate in loans through the program. They have currently committed \$62 thousand for five projects. Although, as of our CRA examination date, there were no outstandings in any of the projects, management expects these commitments to be funded in 1997 after construction has been completed. In addition, Pemi has made grants totaling \$5,000 to the Whole Village Family Resource Center. The center consists of various social service agencies that primarily support low and moderate income individuals and families. Ten of the agencies housed at the Center serve 3,000+ low income families (92%) and 82 moderate income families (3%).

Fair Lending Examination

A fair lending examination was performed concurrently with the CRA examination. Pemi's performance under the Fair Lending laws is satisfactory. Practices and policies used by lending staff are adequate. Pemi has an effective second review program. We found no violations of the substantive provisions of the anti-discrimination laws and regulations.