



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

December 10, 2015

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Ledyard National Bank  
Charter Number 22210

320 Main Street, Norwich, VT 05055

Office of the Comptroller of the Currency

99 Summer Street, 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.

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## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

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

The major factors supporting the institution's CRA rating are:

- The Bank's level of lending, as reflected in its quarterly average net loan-to-deposit ratio is reasonable given the size as well as the assessment area (AA) credit needs, and relevant competitive factors.
- A substantial majority of the originated and purchased loans are made within the Bank's AA.
- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels.
- The bank demonstrates adequate responsiveness to the community development needs within its AAs.

## **Scope of Examination**

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

The evaluation period for the lending test covers the Bank's performance from January 1, 2013 through September 30, 2015. The evaluation period for the CD test is from October 31, 2012, the date of the last CRA evaluation, through December 10, 2015. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

LNB's primary loan product, based on loan originations and purchases during the evaluation period, was residential real estate mortgage loans including home purchase, refinance, and home equity loans. Based on originations during our evaluation period, residential real estate loans represented 63% by count and 51% by dollar amount. No other lending products were evaluated as part of our CRA evaluation.

We reviewed Bank generated reports and tested the accuracy of the output for our analysis. To evaluate the Bank's lending inside its AA we used a random sample of 20 residential real estate loans originated or purchased in New Hampshire and/or Vermont during January 1, 2013 through September 30, 2015. We also used a random sample of 20 residential real estate loans originated or purchased in New Hampshire and 20

residential real estate loans originated or purchased in Vermont, respectively, to evaluate the Bank's residential lending during the evaluation period.

## **Description of Institution**

Ledyard National Bank is a full-service interstate bank opened in 1991 in Hanover, New Hampshire; the main office was subsequently relocated to Norwich, Vermont. As of September 30, 2015, LNB had total assets of \$437 million and tier 1 capital of \$38.9 million. LNB is wholly owned by Ledyard Financial Group, Inc., a one-bank holding company. The Bank has a division, Ledyard Financial Advisors (LFA), which is a wealth management firm providing investment, tax, and wealth management services in the Dartmouth-Lake Sunapee Region. LFA activities were not considered in evaluating the Bank's overall CRA performance.

LNB operates seven banking branch offices in New Hampshire and Vermont. LNB offers residential and commercial loan products, as well as deposit services to its customers through its home office located in Norwich, Vermont, and six full-service branches in New Hampshire and Vermont. During the evaluation period, the Bank did not close or open any branches. The full-service branches in New Hampshire are located in the towns of Lebanon, Lyme, New London, West Lebanon, and two offices in Hanover. The Lebanon, New Hampshire and West Lebanon, New Hampshire branches are located in a middle-income geography, while the remaining branches are located in upper-income geographies. Branch hours are typically 09:00am to 05:00pm on weekdays and 09:00am to 12:00pm on Saturdays.

LNB offers a full range of consumer and commercial banking products and services. Consumer loan products include fixed and adjustable rate mortgages, second mortgages, home improvement, home equity lines of credit, mobile home, land, vacation home, automobile, personal, collateral, overdraft protection, personal lines of credit, and credit cards. Commercial loan products include commercial mortgages, term loans, lines of credit, Small Business Administration guaranteed loans, and Letters of Credit. The Bank's website, [www.ledyardbank.com](http://www.ledyardbank.com), provides a full listing and description of its deposit and loan services. The Bank also offers a variety of different account access alternatives including online banking with bill pay options and a mobile banking application. Automated teller machines (ATMs) are located at all seven offices.

Bank management has identified affordable housing, employment opportunities for persons with limited formal education or training, and transportation as the primary concerns in the Bank's AAs. Affordable health and/ or dental care were also identified as an additional need in the AAs.

As of September 30, 2015, LNB reported loans of \$272 million. Since the prior CRA evaluation in 2012, the Bank's loan portfolio has grown \$44 million and, the loan mix has remained relatively consistent since that time. The loan portfolio is comprised of 87% real estate, 8% commercial, and 5% consumer loans. The following table provides a summary of the loan mix:

<b>Loan Portfolio Summary by Loan Product September 30, 2015</b>	
<b>Loan Category</b>	<b>% of Gross Loans and Leases</b>
1-4 Family Residential Mortgage – Closed End	37%
Home Equity	7%
Commercial & Industrial	8%
Commercial Real Estate	42%
Construction and Development	1%
Consumer	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 "Satisfactory" using the ISB procedures at the last CRA evaluation dated October 31, 2012.

## **Selection of Areas for Full-Scope Review**

LNB has branches in two states, New Hampshire and Vermont, collectively known as the Upper Valley Region. The CRA requires a bank to define the AA in which it will be evaluated. We selected the Bank's entire AA and reviewed it as two separate AAs, which included all branches and deposit taking ATMs, as well as the contiguous towns/cities around these offices. The Bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The New Hampshire AA is not located within a metropolitan statistical area (MSA) and was reviewed as one single AA. The New Hampshire AA, which includes portions of Grafton, Merrimack, and Sullivan Counties, is comprised of contiguous towns/cities around the New Hampshire branches. The Vermont AA is also not located within a MSA and was reviewed as a single AA. The AA is comprised of towns within Orange County and portions of Windsor County. Additional information about these AAs can be found in the Bank's public file.

For each state where the Bank had a branch during the evaluation period, a full-scope review was conducted for at least one AA in the state. The analysis of the New Hampshire AA is being heavily weighted as the majority of the Bank's deposits, loans, and branches are within the New Hampshire AA. The Vermont AA was not as heavily weighted, as only one of the seven full-service branches is located in Vermont and approximately 22 percent of deposits and 32 percent of loan originations during the evaluation period are attributed to operations in Vermont. Due to low deposit market share and limited lending, the Vermont AA received a lower weight in the overall rating.

## **Ratings**

The Bank's overall rating is a blend of the state ratings. Performance in the state of New Hampshire was most heavily weighted in arriving at overall conclusions as the substantial majority of Bank branches, loan originations, and deposits are attributed to the AA. Six out of the seven full-service branches are located in New Hampshire, and approximately 78 percent of deposits and 68 percent of the loan originations are

attributed to operations in New Hampshire. Refer to the “Selection of Areas for Full-Scope Review” above and the “Scope” section under each State Area Rating section for information regarding how each AA was weighted in arriving at the respective ratings for each test.

## Conclusions with Respect to Performance Criteria

LNB’s performance under the lending test is Satisfactory. The Bank’s loan-to-deposit ratio is reasonable and a substantial majority of home loans is originated inside the Bank’s AA. Overall, the distribution of loans reflects reasonable penetration among individuals of different income levels. Geographic distribution of home loans is not meaningful as there are no low- or moderate-income census tracts in the Bank’s AA.

### Loan-to-Deposit Ratio

The Bank’s loan-to-deposit ratio is reasonable given LNB’s size, financial condition, AA credit needs, and the loans sold in the secondary market. The Bank’s net loan-to-deposit ratio averaged 71 percent over the last twelve quarters since the previous CRA evaluation. During this period, the loan-to-deposit ratio ranged from a quarterly low of 67 percent to a high of 76 percent. LNB’s loan-to-deposit ratio is slightly lower than the national peer bank median quarterly average of 76 percent over the same period.

### Lending in Assessment Area

A substantial majority of LNB’s primary loan product was made within the Bank’s AA and the bank meets the standard for satisfactory performance. LNB originated 90 percent by number and 96 percent by dollar amount of loans in the AAs. The following table details the Bank’s lending within the AA by number and dollar amount of loans.

Table 1 - Lending in LNB AA (000’s)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate Loans	18	90%	2	10%	20	3,690	96%	163	4%	3,853
Totals	18	90%	2	10%	20	3,690	96%	163	4%	3,853

Source: Selected sample of residential real estate loans for the period of 1/1/2013 to 09/30/2015

## 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.

## State Rating

### State of New Hampshire

#### **CRA Rating for New Hampshire: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Outstanding**

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels.
- The Bank demonstrates excellent responsiveness to community development needs within the AAs through its community development investments, loans, and services.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE**

The Bank operates primarily in the state of New Hampshire. The area includes Upper Valley and Lake Sunapee regions. The New Hampshire AA includes six branch offices and deposit taking ATMs, as well as, the town/cities around these offices. The New Hampshire AA includes portions of Grafton, Merrimack, and Sullivan Counties and consists of 17 continuous census tracts. The AA is comprised of ten middle-income (59 percent) tracts and seven upper-income (41 percent) tracts. The New Hampshire AA does not include any low- or moderate-income geographies. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

LNB operates in a competitive market with competition from regional large commercial banks, and local savings banks and credit unions. The Federal Deposit Insurance Corporation's Deposit Market Share Report, for June 30, 2015, indicates that 22 financial institutions operate branches within the three counties that make up the New Hampshire AA. LNB ranks 8th with deposit market share of approximately 4 percent. The Bank's local competitors include, but are not limited to Lake Sunapee Bank, FSB; Mascoma Savings Bank; Merrimack County Savings Bank; and Woodsville Guaranty Savings Bank. Larger regional banks provide further competition and include TD Bank, National Association; Bank of America, National Association; and Citizens Bank, National Association.

Economic indicators as of September 2015 from Moody's show that New Hampshire's economy is expanding steadily as a result of strong growth in the state's two metro areas. New Hampshire's unemployment rate of 3.6 percent is the fourth lowest among all the states. The Moody's report also indicates that New Hampshire's expansion will strengthen due to faster private sector growth while job creation in manufacturing will fuel faster income gains and faster household formation to support stronger home sales. As of September 2015, the unemployment rate within the three counties that make up

the New Hampshire AA averaged 2.6 percent, which is well below national unemployment rate of 4.9 percent.

Top employers in the New Hampshire AA include Dartmouth-Hitchcock Medical Center, Dartmouth College, Timken Aerospace, Alice Peck Day Memorial Hospital, Hypertherm Manufacturing, Luminescent Systems, Thermadyne Holding corp., and Mascoma Savings Bank. The median housing prices in the AA remain relatively high in comparison to the 2014 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the AA, particularly low-income households. Based on data from Zillow.com and city-data.com, the average median cost of housing for the towns that comprise the New Hampshire AA is \$272 thousand, which is well above the New Hampshire state average of \$223 thousand.

Demographic information of the New Hampshire AA is broken out in the table below:

Demographic Information for New Hampshire AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)***	17	0%	0%	59%	41%
Population by Geography	78,646	0%	0%	59%	41%
Owner Occupied Housing by Geography	22,531	0%	0%	61%	39%
Family Distribution by Income Level	20,051	14%	16%	21%	49%
2010 Census Median Family Income (MFI)		\$66,238	Median Housing Value*		\$272,142
HUD Updated MFI: 2014		\$66,238	Households Below Poverty Level		9%
			Unemployment Rate **		2.6%

Source: 2010 U.S. Census data

\*Data from Zillow.com and city-data.com

\*\*Data from US Bureau of Labor Statistics as of 09/30/2015. Rate is average for Merrimack, Sullivan, and Grafton Counties.

## SCOPE OF EVALUATION IN NEW HAMPSHIRE

Performance in the New Hampshire AA was given the most weight in the overall conclusions as the majority of Bank branches, loans, and deposits are located here. Six of the seven full-service branches are located in the New Hampshire AA and approximately 78 percent of deposits and 68 percent of loan originations are attributed to operations in New Hampshire.

In assessing the Bank's performance, we contacted a local organization that serves people struggling with poverty by providing food, shelter, education, clothing and support. The organization strives to set the national standard of excellence for addressing homelessness and poverty. Our contact mentioned that affordable housing

remains a primary need in the area. She mentioned that the available housing stock is not in good condition and that there is a significant shortage of decent housing for low- and moderate-income families. The contact indicated that the Upper Valley housing stock is 3000 units below the needed affordable housing units. In addition, to the affordable housing needs, basics such as food, transportation, and financial coaching were identified as needs within the community. Local banks, including LNB, were perceived positively for their involvement with the organization and in the community. The contact specifically mentioned three local institutions for their generous support, including Ledyard National Bank. Our contact indicated that there are many opportunities for local financial institutions to participate in the CD needs of the area. The contact mentioned local institutions could help by providing grants and donations for organizations serving low- and moderate-income families as well as by providing financing for affordable housing projects. The institutions can also support the continuous run of local financial coaching classes, which are currently funded by Consumer Financial Protection Bureau (CFPB) grants. The grants supporting the program are expected to end in 2016.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE**

### **LENDING TEST**

The Bank's performance under the lending test in New Hampshire is rated Satisfactory. The distribution of residential loans reflects reasonable penetration among individuals of different income levels. Geographic distribution of residential loans was not evaluated, as the New Hampshire AA does not include any low- or moderate-income census tracts.

#### **Lending to Borrowers of Different Incomes**

##### *Home Loans*

The distribution of residential loans to borrowers reflects reasonable penetration among borrowers of different income levels. The percent of residential real estate loans made to low-income borrowers is lower than the percentage of low-income families within the AA. The percent of residential real estate loans made to moderate-income borrowers significantly exceeded the percent of moderate-income families within the AA.

The Bank's performance is considered reasonable given the market competition within the New Hampshire AA as well as the high median housing values in the AA relative to the median family income. Although LNB does not report under the Home Mortgage Disclosure Act (HMDA), based on 2013 HMDA Peer Mortgage Data, LNB competes with 163 financial institutions within the AA for residential real estate loans. The Peer Mortgage Data reports that the overall market share within the AA is dominated by larger regional and nationwide banks, with the top five financial institutions holding approximately 50 percent of the overall market share for residential lending. Additionally, the 2013 HMDA Peer Mortgage Data indicates that there is further competition for loans made to low-income borrowers. HMDA lenders extended 85

residential loans to low-income borrowers within the AA, with the top five institutions accounting for approximately 56 percent of the overall market share.

The high median housing prices relative to the median family incomes also limits lending opportunities to low-income borrowers. Based on the data obtained from Zillow.com and City-data.com, the average median value for all the towns/cities comprising the New Hampshire AA is \$272 thousand. The 2014 HUD updated median family income is \$66,238, which means the maximum income that is considered low-income is \$33,119. Therefore, low-income borrowers may have difficulty qualifying for home loans.

The following table shows the distributions of home loans among borrowers of different income levels compared to the percent of families in each income category within the New Hampshire AA:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in NH AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		NA
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	% of Number of Loans
Residential Real Estate Loans	14	10	16	35	21	20	49	35	0

Source: Loan sample (1/1/2013 to 09/30/2015); 2010 US Census

**Geographic Distribution of Loans**

Geographic distribution of loans was not reviewed within the New Hampshire AA, as there are no low- or moderate-income tracts within the AA.

**Responses to Complaints**

LNB did not receive any CRA complaints during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The Bank’s performance under the CD test in New Hampshire is rated Outstanding. The Bank’s community development performance demonstrates excellent responsiveness to community development needs in its AA through CD loans, investments, and services.

**Number and Amount of Community Development Loans**

LNB originated a high level of CD loans during the evaluation period. The Bank originated five loans totaling \$4.1 million during the evaluation period that qualified as community development loans. The CD loans made by the Bank provided financing for organizations that provide affordable housing, promote economic development and/or

revitalize low- or moderate-income geographies and provide services targeted towards low- and moderate-income individuals. The CD loans made by the Bank targeted the identified needs within the community.

The highlights of the Bank's community development loans are as follows:

- A \$3.3 million construction loan and a \$554 thousand letter of credit were provided to finance construction and offsite work of a 21-unit affordable housing project located in Lebanon, New Hampshire. All 21 units in the project are Section 8 housing.
- The Bank provided three loans totaling \$300 thousand to a local community development financial institution (CDFI). The CDFI collaborates with a wide range of donors, lenders, businesses, nonprofits, and government partners. The organization provides the financing and support that people with low and moderate incomes need to have affordable housing, quality jobs, childcare and early education for their children, and to become financially independent.

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

The Bank's level of CD investments and donations within New Hampshire AA is outstanding considering the Bank's capacity, significant market competition and the availability of community development opportunities. LNB's investments and donations during the assessment period totaled approximately \$3.3 million. This is comprised of five CD investments and 68 grants/donations to 27 community development organizations that serve the New Hampshire AA. In addition, the Bank made nine grants/donations to two community development organizations that serve the New Hampshire and the Vermont AA. LNB also has one prior period investment in a Housing Investment Fund for \$1.1 million. The majority of the Bank's community development investments, grants and donations were targeted towards organizations that provide affordable housing and basic needs for low- and moderate-income individuals, both an identified need within the AA. While the actual level of Bank donations made was higher, these donations met the definition of community development.

Larger investments made by the Bank included:

- The Bank made a \$2.1 million investment in a low-income housing tax credit opportunity offered by a regional Housing Investment Fund. The investment supports four units for an affordable housing project located within the Bank's New Hampshire AA.
- A \$1.03 million investment was made in a low-income housing tax credit opportunity offered by a regional Housing Investment Fund. The investment supports two units for an affordable housing project located within the Bank's AA.

- The Bank made three grants totaling \$100 thousand to the New Hampshire Community Development Finance Authority (CDFA) to assist them with providing affordable housing, job creation and retention, and economic development. CDFFA targeted the grants towards two local organizations that serve the Bank's AA.
- The Bank has one prior period investment for \$1.1 million investment in a Housing Investment Fund that promotes housing and economic development within the states of New Hampshire and Maine. The Bank's investment supports three units for an affordable housing project located within the New Hampshire AA.

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

The Bank's level of community development services in the New Hampshire AA is excellent. Accessibility to the Bank's delivery systems in the AA is good. LNB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has six full-service branch locations within the New Hampshire AA. LNB does not have any branches located in a low- or moderate-income geography, as there are no low- or moderate-income tracts within the AA.

The Bank does not charge loan servicing fees for 18 residential real estate loans, located within the Bank's New Hampshire and Vermont AAs, for a local organization that promotes affordable housing within the Upper Valley region. LNB also waives ATM surcharge fees for all low- and moderate-income individuals that access the ATMs using their Electronic Benefits Card (EBT) provided by the Division of Family Assistance. The Bank pays an annual fee to remain connected to the EBT network allowing low- and moderate-income individuals access to their ATM network. The Bank originated and services five personal loans within their AA, which are part of a local program that promotes financial stability and job retention for low-income wage earners. LNB participates in a program, which uses the Interest on Lawyers Trust Account (IOLTA) to help fund improvements in the administration of justice and delivery of legal services to low-income individuals. The Bank also participates in the Federal Home Loan Bank's (FHLB) Equity Builder Program that assists low- or moderate-income borrowers with grants for down payment assistance. The Bank originated three Equity Builder loans within the New Hampshire AA during the evaluation period.

Additionally, 11 LNB employees and officers were involved with nine organizations, which promote affordable housing and provide basic services for low- and moderate-income individuals within the AA. During the review period, LNB employees devoted numerous hours to these organizations serving the New Hampshire AA. Prominent CD services are highlighted below:

- A senior vice president (SVP) serves on the Board of local public housing agency that promotes affordable housing for low- and moderate-income individuals.

- A branch manager serves on the Board of a local organization that provides a pre-school program targeted towards low- and moderate-income kids.
- A financial advisor serves on the Board, as well, as the finance and investment committee of a local organization that provides support services for low- and moderate-income women.
- A commercial relationship manager and senior financial advisor serve on the Board of a local organization that provides health care and hospice services, and the majority of the individuals served by the organization are considered low- or moderate-income.
- A Board member serves as a court appointed special advocated for a local organization that works with abused and neglected children to find them safe permanent homes.
- A Board member serves on the Board and as the president of a local non-profit organization that provides community service targeted towards low- and moderate-income seniors.
- A Board member serves on the Board and as a treasurer of a statewide charitable foundation that has grant programs targeted towards low- and moderate-income individuals.
- The human resource director serves on the human resource committee of a local non-profit organization that provides free housing for low- and moderate-income families that cannot afford housing while their children receive healthcare at a local children's hospital.

Five employees and officers are involved with six different organizations, which serve both the New Hampshire and Vermont AAs. The organizations promote affordable housing and community services targeted towards low- and moderate-income individuals. Prominent services in the New Hampshire and Vermont AAs include:

- A branch manager serves on the Board of a local non-profit organization that provides shelter and food pantry services targeted towards low- and moderate-income individuals.
- A branch manager serves on the Board of a local housing coalition that promotes affordable housing in the Upper Valley region.

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

Considering the Bank's capacity, the need, and the availability of CD opportunities, LNB's CD performance in the state of New Hampshire, through CD loans, investments, and services demonstrates excellent responsiveness to the needs of the AA.

## State Rating

### State of Vermont

#### **CRA Rating for Vermont: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Satisfactory**

The major factors that support this rating include:

- The borrower distribution of loans reflects reasonable penetration among individuals of different income levels.
- The Bank demonstrates adequate responsiveness to community development needs within the AAs through its community development loans, donations, and services.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT**

LNB has its main office in Norwich, Vermont. This office also serves as the only full-service location in Vermont. The Vermont AA lies west of the Connecticut River and includes towns in Orange County and parts of Windsor County. The Vermont AA is comprised of 11 census tracts with no low- or moderate-income census tracts. There are eight middle-income (73 percent) census tracts and three upper-income (27 percent) census tracts. The Vermont AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Market competition within the Vermont AA is high with the Bank facing competition from regional large commercial banks and local savings banks. The Federal Deposit Insurance Corporation's Deposit Market Share Report for June 30, 2015, indicates that 11 financial institutions operate branches within the two counties that make up the Vermont AA. LNB ranks eighth with deposit market share of approximately 5.24 percent. The Bank's local competitors include Mascoma Savings Bank, Lake Sunapee Bank, FSB, Wells River Savings Bank, and Merchants Bank. Larger nationwide institutions that provide additional competitions include Peoples United Bank, National Association, TD Bank, National Association, and Citizens Bank, National Association.

The most recent Moody's economic indicators as of September 2015 indicate that Vermont's economy continues to make gradual progress; however, job growth has consistently trailed national averages. Single-family home sales have also continued to lag the national performance. New job creation has been concentrated primarily in lower-wage industries affecting income growth and demand for housing. Healthcare is the state's best performing industry due to strengthening demand that owes in part to the Affordable Care Act. Vermont's economy is expected to lag that of the nation. As of September 2015, the unemployment rate within the two counties that make up the

Vermont AA averaged 3.7 percent, which is well below national unemployment rate of 4.9 percent.

Major employers in the Vermont AA include Dartmouth Hitchcock Medical Center, Dartmouth College, Hypertherm, Alice Peck Day Hospital, and local school systems. The median housing prices in the AA remains relatively high in comparison to the 2014 HUD Adjusted Median Family Income. The expensive housing market limits the availability of affordable housing for low- and moderate-income families in the AA, particularly low-income households. Based on data from Zillow.com and city-data.com, the average median cost of housing for the towns that comprise the Vermont AA is \$264 thousand, which is well above the Vermont state average of \$219 thousand.

Demographic information of the Vermont AA is broken out in the table below:

Demographic Information for Vermont AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)***	11	0%	0%	73%	27%
Population by Geography	34,463	0%	0%	71%	29%
Owner Occupied Housing by Geography	10,563	0%	0%	69%	31%
Family Distribution by Income Level	9,478	15%	17%	20%	48%
2010 Census Median Family Income (MFI)		\$60,519	Median Housing Value*		\$264,000
HUD Updated MFI: 2014		\$60,519	Households Below Poverty Level		9%
			Unemployment Rate **		3.7%

Source: 2010 U.S. Census data

\*Data from Zillow.com and city-data.com

\*\*Data from US Bureau of Labor Statistics as of 09/30/2015. Rate is average for Orange and Windsor Counties.

## SCOPE OF EVALUATION IN VERMONT

Performance in the Vermont AA was not as heavily weighted as performance in the New Hampshire AA. Only one of seven full-service branches is located in Vermont and approximately 22 percent of deposits and 32 percent of loan originations during the evaluation period are attributed to operations in Vermont. Performance in New Hampshire AA was most heavily weighted in arriving at overall conclusions as the majority of Bank branches, loans, and deposits are attributed to operations in New Hampshire.

In assessing the Bank’s performance within the Vermont AA, we reviewed a recent community contact whose mission is dedicated to providing affordable housing for low- and moderate-income families in the Upper Valley region. The organization offers a variety of housing options including rental apartments, single family homes, and mobile homes. The contact indicated that affordable housing remains the greatest need in the

Upper Valley area. He mentioned that the organization's wait list includes over 300 families who are expected to be several years away from obtaining affordable housing. The contact stated that the main driver for this need is the cost of properties, employment rates, and associated wages. Our contact mentioned that there are many opportunities for local financial institutions to participate in the needs of the area by providing funding to their programs. Local banks, including LNB, were perceived positively for their involvement with the organization and in the community. The contact stated that Mascoma and Ledyard had recently (within the last year) provided grants to support the organization's mission.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT**

### **LENDING TEST**

The Bank's performance under the lending test in Vermont is rated Satisfactory. The distribution of residential loans reflects reasonable penetration among individuals of different income levels. Geographic distribution of residential loans was not evaluated, as the Vermont AA does not include any low- or moderate-income census tracts.

#### **Lending to Borrowers of Different Incomes**

##### *Home Loans*

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. The percent of residential real estate loans made to low-income borrowers exceeds the percentage of low-income families within the AA. The percent of residential real estate loans made to moderate-income borrowers also exceeds the percent of moderate-income families within the AA. The Bank's performance is considered satisfactory given the market competition within the Vermont AA. Although LNB does not report under the Home Mortgage Disclosure Act (HMDA), based on 2013 HMDA Peer Mortgage, LNB competes with 83 financial institutions within the AA for residential real estate loans. The Peer Mortgage Data reports that the overall market share within the AA is dominated by larger regional and nationwide banks with the top five financial institutions holding approximately 44 percent of the overall market share for residential lending.

The following table shows the distributions of home loans among borrowers of different income levels compared to the percent of families in each income category within the Vermont AA:

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in VT AA</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		NA
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	% of Number of Loans
Residential Real Estate Loans	15	25	17	25	20	10	48	40	0

Source: Loan sample (1/1/2013 to 09/30/2015); 2010 US Census

**Geographic Distribution of Loans**

Geographic distribution of loans was not reviewed within the Vermont AA, as there are no low- or moderate-income tracts within the AA.

**Responses to Complaints**

LNB did not receive any CRA complaints during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The Bank’s performance under the CD test in Vermont is rated satisfactory. The Bank’s community development performance demonstrates adequate responsiveness to community development needs in its assessment area through CD loans, donations, and services.

**Number and Amount of Community Development Loans**

The Bank’s level of CD loans is Satisfactory. The Bank originated seven loans totaling \$919 thousand during the evaluation period that qualified as CD loans. The CD loans made by the Bank provided financing for organizations that provide affordable housing, promote economic development and/or revitalize low- or moderate-income geographies and provide services targeted towards low- and moderate-income individuals. The CD loans made by the Bank targeted the identified need within the community.

The highlights of the Bank’s community development loans are as follows:

- The Bank provided four loans totaling \$400 thousand to a local community development financial institution (CDFI). The CDFI collaborates with a wide range of donors, lenders, businesses, nonprofits, and government partners. The organization provides financing and support that people with low and moderate incomes need to have affordable housing, quality jobs, childcare and early education for their children, and to become financially independent.
- The Bank provided \$194 thousand to purchase, renovate, and develop affordable apartments to be leased to low-and moderate-income tenants receiving section 8 housing assistance.

- The Bank provided \$300 thousand in construction financing to construct a pavilion to accommodate camping services for a local organization that serves low- and moderate-income children from all over Vermont.
- The Bank provides a \$25M revolving line of credit at zero percent interest to a local non-profit organization that is renewed annually. The purpose of the LOC is to allow the organization to make small loans to individuals to aid in housing costs, transportation costs etc. The mission of the organization is to serve people struggling with poverty by providing food, shelter, education, clothing and support.

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

The Bank's level of CD investments and donations within the Vermont AA is satisfactory considering the Bank's capacity, significant market competition, and the availability of community development opportunities. LNB's donations during the assessment period totaled approximately \$24 thousand. This is comprised of 39 grants/donations to eight community development organizations that primarily serve the Vermont AA. In addition, the Bank made nine grants/donations totaling \$4 thousand to two community development organizations that serve the New Hampshire and the Vermont AA. The majority of the Bank's community development investments, grants and donations were targeted towards organizations that provide affordable housing and basic needs for low- and moderate-income individuals, an identified need within the AA. While the actual level of Bank donations made was higher, these donations met the definition of community development.

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

The Bank's level of community development services in the Vermont AA is satisfactory. Accessibility to the Bank's delivery systems in the AA is good. LNB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The bank has one full-service branch location within the Vermont AA, which is not located within a low- or moderate-income geography.

The Bank does not charge loan servicing fees for 18 personal loans, located within the Bank's New Hampshire and Vermont AAs, for a local organization that serves people struggling with poverty by providing food, shelter, education, clothing and support. Additionally, eight LNB employees and officers are involved with four organizations, which promote basic needs for low- and moderate-income individuals within the AA. Prominent CD services are highlighted below:

- Three Bank employees assisted with fund raising efforts for a local non-profit organization that serves people struggling with poverty by providing food, shelter, education, clothing and support.

- A branch manager taught a financial literacy course focusing on budgeting, savings, and balancing the checkbook. The course was taught at a local non-profit organization that provides services for low- or moderate-income individuals.
- A SVP serves on the Board of a local non-profit organization that provides health and dental care for low- and moderate-income individuals and families.
- A SVP serves on the Board of a local non-profit organization whose mission is to bring together homeowners and volunteers to complete urgently needed home repairs for low-income homeowners, many of whom are elderly and/or disabled.

As noted in the CD service conclusions for the New Hampshire AA, five employees and officers are involved with six different organizations, which serve both the New Hampshire and Vermont AAs. The organizations promote affordable housing and community services targeted towards low- and moderate-income individuals. Prominent services in the New Hampshire and Vermont AAs include:

- A branch manager serves on the Board of a local non-profit organization that provides shelter and food pantry services targeted towards low- and moderate-income individuals.
- A branch manager serves on the Board of a local housing coalition that promotes affordable housing in the Upper Valley region.

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

Considering the Bank's capacity, the need, and the availability of CD opportunities, LNB's CD performance in the state of Vermont, through CD loans, donations, and services demonstrates adequate responsiveness to the needs of the AA.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: 01/01/2013 to 09/30/2015 Community Development Test: 10/31/2012 to 12/10/2015	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Ledyard National Bank (LNB) Norwich, Vermont	Residential Real Estate Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
New Hampshire AA (Non-MSA)	Full-Scope	
Vermont AA (Non-MSA)	Full-Scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Ledyard National Bank	Satisfactory	Satisfactory	Satisfactory
New Hampshire	Satisfactory	Outstanding	Satisfactory
Vermont	Satisfactory	Satisfactory	Satisfactory