



## **PUBLIC DISCLOSURE**

May 4, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Aroostook County FS & LA  
Charter Number 703995

43 High Street  
Caribou, ME 04736-2710

Office of the Comptroller of the Currency

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 Satisfactory.**

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

The major factors supporting the institution's Community Reinvestment Act (CRA) ratings are:

- Aroostook County FS & LA's ("Aroostook" or "Bank") level of lending, as reflected in its loan-to-deposit ratio, is reasonable.
- A substantial majority of the Bank's loans were made inside the assessment area (AA).
- The distribution of home loans reflects reasonable distribution among borrowers of different income levels.
- The geographic distribution of home loans reflects reasonable distribution in the moderate-income census tracts.

**SCOPE OF EXAMINATION**

Aroostook was evaluated using Small Bank CRA examination procedures, including a lending test. The lending test evaluates the Bank's record of meeting the credit needs of its AA through its lending activities. The evaluation period for the lending test covers performance from January 1, 2013 through December 31, 2014 and compares results to the 2010 U.S. Census data.

Aroostook's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans. The December 31, 2014 Federal Deposit Insurance Corporation (FDIC) Call Report indicates that 1-4 family residential loans represent almost 88% of the total loan portfolio. For the purposes of this evaluation, residential loans include home purchases, home refinance, and home improvement loans. In order to assess the Bank's lending activity, we sampled 20 home loans originated by Aroostook during the evaluation period.

**DESCRIPTION OF INSTITUTION**

Aroostook County FS & LA is a federally chartered mutual thrift institution headquartered in Caribou, Maine. The Bank reported total assets of \$95.2 million and tier 1 capital of \$11.6 million as of December 31, 2014. The Bank maintains three offices, including the main office and operations center located in Caribou, and a branch office in Presque Isle, Maine. Operating hours are reasonable, as both locations are open 8:30 am to 4:00 pm Monday through Thursday with extended hours on Friday to 6:00 pm. Drive-through access is available at each location Monday through Thursday from 8:30 am to 5:00 pm, with extended hours on Friday to 6:00 pm and Saturday from 9:00 am to 1:00 pm. Both branch locations feature an automated teller machine (ATM)

for 24-hour banking access. No branches were opened or closed during the evaluation period.

Aroostook offers a standard array of traditional loan and deposit products to meet both personal and business customers banking needs. The Bank's website, <https://www.yourhomebank.com>, provides a listing and description of its deposit and loan services. Personal account options include checking and savings accounts; certificates of deposit (CDs); individual retirement accounts (IRAs); health savings accounts (HSAs); and debit/ATM cards. The Bank offers a variety of different account access alternatives including online banking with bill pay functionality and telephone banking services.

As of December 31, 2014, gross loans totaled \$77.1 million and the portfolio composition remained materially unchanged from the previous performance evaluation. The Bank offers a number of products to the surrounding community including residential mortgage loans, home equity loans, commercial & industrial loans, and individual loans.

The following table provides a summary of the loan mix.

<b>Loan Portfolio Summary by Loan Product December 31, 2014</b>	
Loan Category	% of Total Loans and Leases
1-4 Family Residential	88%
Commercial & Industrial	6%
Individual	3%
Other Real Estate	3%

*Source: December 2014 FDIC Call Report*

Aroostook has no financial or legal impediments to meeting the credit needs of the community. The Bank was rated "Satisfactory" at the previous CRA evaluation dated November 2, 2009.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

The CRA requires a bank to define the AA in which it will be evaluated. Aroostook's AA consists of Aroostook County, which is located in a non-metropolitan statistical area (non-MSA) and contains 24 census tracts ("geographies"). There are no low-income tracts, three moderate-income tracts, 20 middle-income tracts, and one upper-income tract. All 20 middle-income tracts were designated as underserved non-MSA tracts in 2014. The Bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low or moderate-income (LMI) tracts.

The 2010 U.S. Census data reflects a total population of 71,870 living within the AA, including 30,672 households and 19,604 families. LMI families represent approximately 43% of total families within the AA and almost 16% of households live below the poverty

level. Aroostook County's 2014 unemployment rate was 7.6%. The following table reflects the AA's demographic and economic characteristics based on 2010 U.S. Census data and 2014 data from the U.S. Department of Housing and Urban Development (HUD) and Bureau of Labor Statistics (BLS).

<b>Demographic Information for Aroostook AA (2014)</b>					
Demographic Characteristics	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	24	0%	13%	83%	4%
Population by Geography	71,870	0%	12%	84%	4%
Owner-Occupied Housing by Geography	22,116	0%	12%	84%	4%
Family Distribution by Income Level	19,604	23%	20%	22%	35%
Distribution of LMI Families through AA Geographies	8,398	0%	15%	82%	2%
2010 Median Family Income (MFI)		\$47,590	Median Housing Value		\$86,783
2014 HUD Adjusted MFI		\$51,782	Households Below Poverty Level		16%
2014 Unemployment Rate, not seasonally adjusted*			7.6%		

Source: 2010 U.S. Census data and 2014 HUD updated MFI

\*Data from the US Bureau of Labor Statistics at <http://www.bls.gov/data/>

The FDIC Deposit Share Report for June 30, 2014 indicates that six financial institutions operate within the Bank's AA. Aroostook ranks 5<sup>th</sup> with total deposits of \$84.5, million representing a 9% market share. The Bank's local competitors include, but are not limited to, Katahdin Trust Company; Machias Savings Bank; and Bangor Savings Bank. Larger regional banks that provide further competition include TD Bank and KeyBank.

Competition for the Bank's primary loan product is high and 2012 Peer Mortgage Market Share data indicates that Aroostook competes with 71 lenders within their AA. Many nationwide lenders without offices inside the AA are present in the area's lending market. These lenders include Wells Fargo; Bank of America; Citibank; JPMorgan Chase; Ally; and US Bank. Also competing heavily are the previously mentioned nationwide, regional, and local institutions, as well as large mortgage companies such as Quicken Loans; GMAC Mortgage LLC; PHH Mortgage Corporation; and Mortgage Network. The top three lenders control over 54% of new originations by count and over 47% by dollar amount. Aroostook ranks 4<sup>th</sup> with a market share of approximately 9% based on both a number and dollar amount basis.

According to the January 2015 Moody's Analytics data, Maine continues to lag the nation in key economic data. Job additions have trailed the national average since 2010, hurting wage income and limiting the positive contribution from housing gains. The healthcare field continues to grow at a modest pace while public sector payrolls continue to drag economic growth. Business costs are among the highest in the nation due to high tax rates and energy costs. The economy is expected to strengthen this year, but job and income growth will continue to be below the national average. The

near-term outlook for Bath Iron Works is encouraging, which should have a positive effect on the manufacturing performance. The longer-term outlook is less encouraging due to the weakening demographics, as the state will struggle to attract high value-added investment and jobs.

Bank management identified a need for residential lending programs to support affordable housing. As a result, the Bank introduced the "Down Payment Savings Program," where potential homebuyers make a monthly CD deposit until they reach their down payment goal. The Bank monitors borrowers on an ongoing basis to ensure timely monthly deposits and, if the borrower deposits the full amount by the maturity date, they may be eligible for bonuses used towards closing costs or the down payment of their mortgage. In addition, we interviewed a community contact who is familiar with the credit needs of the AA and involved with economic development and community services. In summary, credit and banking needs identified include small business loans and organizations to support capital injection. Many state programs are hesitant to invest in northern Maine due to the rural environment and isolation from major population centers. The contact also recommended streamlining the approval process for the Small Business Administration's (SBA) guarantee program in order to attract a broader pool of applicants.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### ***LENDING TEST***

Aroostook's performance under the lending test is Satisfactory. The Bank's level of lending, as reflected in its loan-to-deposit ratio, is reasonable. A substantial majority of home loans were made inside the Bank's AA. The distribution of loans among borrowers of different income levels is reasonable. The geographic distribution of loans in moderate-income tracts is reasonable.

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

The Bank's loan-to-deposit (LTD) ratio is reasonable given the AA credit needs, market competition, and economic factors. The Bank's LTD ratio averaged 86% over the last 22 quarters, since the previous CRA evaluation. During this period, the LTD ratio ranged from a low of 82% to a high of 92%. The average LTD ratio for all national banks, thrifts, and FDIC-insured institutions within the State of Maine was 102% during the same period. While Aroostook's LTD ratio is below the peer average, the peer group contains many larger institutions with significantly different business models and economic footprints. The AA's relative isolation from major population and industry centers further limits opportunities for lending.

### Lending in Assessment Area

A substantial majority of the Bank's primary loan products were made within the Bank's AA, exceeding the standard for satisfactory performance. All of the loans sampled were made within the AA. The sample of 20 loans was from the evaluation period of January 1, 2013 to December 31, 2014.

The following table details the Bank's lending within its AA by number and dollar amount of loans.

<b>Lending within the Assessment Area (AA)</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	20	100%	0	0%	20	\$597	100%	\$0	0%	\$597

*Source: Random sampling of 20 residential loan originations and purchases from 1/1/2013 through 12/31/2014*

### Lending to Borrowers of Different Incomes

The distribution of home loans originated in the Bank's AA reflects reasonable distribution among borrowers of different income levels. The percent of home loans made to low-income borrowers is significantly below the percent of aggregate lending data, which is the primary comparator. The percent of home loans made to moderate-income borrowers is reasonable compared to the percent of aggregate lending data.

The Bank's overall performance for home loans made to borrowers of different income levels is considered satisfactory given economic factors. Economic recovery in the AA has been anemic relative to both the State of Maine and national averages. Manufacturing and heavy industry-related jobs saw dramatic reductions following the closing of the Loring Air Force Base in 1994. The aging population includes a number of individuals with disabilities and those relying on fixed-incomes, and continues to be exacerbated by young individuals moving to southern areas of the state in their pursuit of academic endeavors and more attractive employment opportunities. While local communities continue their attempt to attract new manufacturing operations, industry growth has been sluggish and new opportunities remain heavily concentrated in the service-related sectors.

Strong competition further limits the opportunities for LMI lending. There are 71 active lenders within the AA, with the top three lenders controlling over 54% of new originations by count and over 47% by dollar amount. Aroostook ranks 4<sup>th</sup> with a market share of approximately 9% based on both a number and dollar amount basis. The Bank recently introduced their "Down Payment Savings Program" in an effort to target more LMI borrowers, increase home ownership, and encourage reinvestment in Aroostook County.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the aggregate lending data for HMDA reporters within the AA.

Borrower Distribution of Residential Real Estate Loans in the AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Loans	7%	0%	17%	20%	25%	20%	39%	60%

Source: Random sampling of 20 residential loan originations and purchases from 1/1/2013 through 12/31/2014. Aggregate Lending Data is based on 2013 Peer Mortgage Data. For 12% of the peers, income was not available.

### Geographic Distribution of Loans

The geographic distribution of home loans reflects reasonable distribution in moderate-income tracts. There are no low-income tracts located in the Bank's AA. The percent of home loans in moderate-income tracts are significantly below the percent of aggregate lending data. However, 100% of sampled loans were located in middle-income census tracts that are designated as an underserved middle-income geography. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

The following table details the Bank's performance compared to the aggregate lending data for all HMDA reporters within the Bank's AA.

Aggregate Lending Data for Geographic Distribution in the AA								
Tract Income	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans	% of Aggregate Lending Data	% of Number of Loans
Home Loans	0%	0%	11%	0%	84%	100%	5%	0%

Source: Random sampling of 20 residential loan originations and purchases from 1/1/2013 through 12/31/2014

### Responses to Complaints

There were no CRA complaints received by the Bank or the OCC during the evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal Savings Association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.