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Comptroller of the Currency  
Administrator of National Banks

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Northeastern District  
Boston Field Office  
150 Federal Street, Second Floor  
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## **Public Disclosure**

June 27, 1997

### **Community Reinvestment Act Performance Evaluation**

#### **Safety Fund National Bank**

Charter No. 2153  
470 Main Street, P. O. Box 8210  
Fitchburg, Massachusetts 01420

The Office of the Comptroller of the Currency  
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.

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## 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 CRA performance of *Safety Fund National Bank* prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of **June 27, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated "*Satisfactory*."

Primary factors supporting the bank's overall rating include:

- ▶ an adequate responsiveness to credit needs within the assessment area;
- ▶ a high percentage of home mortgage and small business loans were originated within the assessment area;
- ▶ a reasonable distribution of HMDA and small business loans within the assessment area;
- ▶ an adequate distribution of loans among borrowers of different income levels, and a good lending distribution to businesses of different sizes;
- ▶ a reasonable level of community development lending activity;
- ▶ sufficient use of flexible and innovative lending practices;
- ▶ qualified investments and contributions are adequate and include an innovative in-kind donation;
- ▶ delivery systems are reasonably accessible to all segments of the assessment area; and
- ▶ a good level of community development services.

The following table indicates the performance level of *Safety Fund National Bank* with respect to the lending, investment, and service tests.

Performance Levels	<i>Safety Fund National Bank</i> Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			
Low satisfactory	X	X	X
Needs to improve			
Substantial noncompliance			

\* Note: *The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.*

### ***Description of Institution***

Safety Fund National Bank (SFNB), with its main office in Fitchburg, Massachusetts, is one of three banking subsidiaries of CFX Corporation, a \$1.6 billion multi-bank holding company headquartered in Keene, New Hampshire. CFX Corporation also owns CFX Bank, a state bank headquartered in Keene, New Hampshire, and Orange Savings Bank, headquartered in Orange, Massachusetts. The principal business of the Banks is to serve as financial intermediaries, attracting deposits and making loans to, consumers, small and mid-sized businesses. In addition, CFX Mortgage, Inc., a wholly owned mortgage banking subsidiary of CFX Bank, operates loan production offices in Bedford and Keene, New Hampshire, and throughout the Bank's branch network. CFX Bank also owns 51% interest in CFX Funding L.L.C., which engages in the facilitation of lease financing and rated securitization. As of December 31, 1996, CFX Corporation operated forty-three full service offices, two loan production offices (LPO's), sixty-eight automated teller (ATM) and remote service banking locations in New Hampshire and central Massachusetts, and a trust division with assets of approximately \$370 million.

In February and March 1997, respectively, CFX Corporation entered into separate definitive agreements for acquisitions of Portsmouth Bank Shares, Inc. and Community Bankshares, Inc. Portsmouth Bank Shares Inc., and its banking subsidiary, Portsmouth Savings Bank, are headquartered, in Portsmouth, New Hampshire. Community Bankshares, Inc. and one of two bank subsidiaries, Concord Savings Bank, are headquartered in Concord, New Hampshire; the other subsidiary bank, Centerpoint Bank, is headquartered in Bedford, New Hampshire. All subsidiary banks of Portsmouth Bank Shares, Inc. and Community Bankshares, Inc. will be merged into CFX's New Hampshire banking subsidiary, CFX Bank. Upon completion of the acquisitions, CFX Corporation will have \$2.7 billion in assets, fifty-seven full service banking offices, two loan production offices (LPO), eighty-eight ATM and remote service locations in New Hampshire and Central Massachusetts, and a trust division with assets of approximately \$370 million. The combined Company will have a portfolio of mortgage loans and leases serviced for others in excess of \$1 billion.

SFNB's total assets as of March 31, 1997, were \$333 million. In addition to its main office, SFNB operated eleven full service branches in its assessment area. The branch network has a total of fourteen proprietary automated teller machines (ATM); six banking offices have drive-up facilities.

SFNB is primarily known as a commercial lender. Residential mortgage applications are accepted by SFNB, then forwarded to CFX Mortgage, Inc., for origination. However, SFNB recently started and plans to continue to periodically purchase residential mortgages from brokerage companies.

SFNB's \$184 million loan portfolio represents 55% of total assets. The majority of loans are real estate related with 41%, or \$75 million, in residential loans and 30%, or \$56 million, in commercial real estate loans. Commercial loans comprise 27%, or \$49 million and consumer loans 2%, or \$3 million of the loan portfolio. In addition, SFNB has three wholly-owned subsidiaries, The Lenders/Massachusetts, Inc. ("Lenders"), Prichard Plaza Realty Corp. ("Prichard"), and Safety Fund Securities Corporation ("Securities Corp."). Through 1993, Lenders originated, packaged, and sold residential mortgages. In 1994, these activities were discontinued, however, they continue to service loans. Prichard operates one commercial real estate property, of which SFNB is the principal tenant. Securities Corp. invests in debt securities for the benefit of SFNB. There are no financial or legal impediments preventing SFNB to help meet the credit needs of its community.

Competition is provided from larger multinational institutions, BankBoston and Fleet Bank N.A., and local and regional institutions such as Commerce Bank and Trust Company, Flagship Bank and Trust, Fitchburg Savings Bank, Leominster Enterprise Bank and Trust Company, and the First Massachusetts Bank, N.A., an operating subsidiary of the BankNorth Group, Inc. As well, SFNB also competes with other financial institutions, such as thrifts, mortgage companies, and non-bank financial institutions.

### ***Description of Assessment Area (AA)***

SFNB's single AA comprises all census tracts and block numbering areas (BNAs) in Worcester County. The AA includes the entire Worcester metropolitan statistical area (MSA), and portions of the contiguous Fitchburg-Leominster and Boston MSAs, and non-MSAs in Worcester County. SFNB's AA meets the regulatory guidelines and does not arbitrarily exclude low- and moderate-income areas. There are 158 census tracts and block numbering areas in the AA. As noted in the table on the next page, 77% of the census tracts are middle or upper income. The seven low income census tracts are located in two geographical areas, one in the City of Fitchburg, and six in the City of Worcester. The thirty moderate income census tracts are located in the cities of Gardner (2), Leominster (2), Fitchburg (3), Worcester (11), and the towns of Athol (1), Brookfield (1), Dudley (1), Devens (1), Milford (3), Webster (2), and Southbridge (3).

The population of the AA is more than seven hundred thousand. The AA's median family income is \$40,471. As reflected in the table on the next page, 3% and 18%, of the households in the AA reside in low- and moderate-income tracts, respectively. In addition, 19% and 17% of the families in the assessment area are low- and moderate- income families, respectively. The AA's median housing value is \$130 thousand. The median age of housing stock is forty-six years. Total occupied housing units in the AA are 93%; 57% owner-occupied, 36% rental occupied, and 7% vacant.

<b>ASSESSMENT AREA DEMOGRAPHICS</b>
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<i>Census Tract Characteristics</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households Residing in the Census Tracts</i>	<i>Family Income Characteristics</i>
Low	7	4%	3%	19%
Moderate	30	19%	18%	17%
Middle	92	58%	61%	26%
Upper	29	19%	18%	38%
<b>Total</b>	158	100%	100%	100%

The major employers in the assessment area include large manufacturing companies such as General Electric, Wyman-Gordon, the Norton Company, Simonds Industries; hospitals such as the Central N.E. Health Alliance, University of Massachusetts Medical Center, and the Medical Center of Central Massachusetts; the plastics industry, including Plastics, Inc. and Sterelite, Inc.; as well as local colleges and universities such as Fitchburg State College, Holy Cross, Clarke University, Assumption College, and the Worcester Poly Tech Institute. Other industries supporting the AA include tool and die makers, chemical, engineering, and biotechnology. Massachusetts seasonally adjusted unemployment rate is 3.9% as of March 1997, down from 4.6% in March 1996 and 5.9% at our last CRA examination.

Affordable housing for purchase and small business and micro loans were described as primary credit needs by bank management and community contacts.

***Scope of CRA Review:***

Our review covered the time period from January 1, 1995 to December 31, 1996 for all Home Mortgage Disclosure Act (HMDA) reportable loans. SFNB also elected to have us consider their affiliate lending for HMDA reportable loans in their assessment area. Starting in 1997, HMDA loans were accepted by SFNB, then forwarded to CFX Mortgage, Inc., a wholly owned subsidiary of CFX Bank, for origination. Commercial, Small Business Administration (SBA), and community development loans evaluated covered the time period from January 1, 1996 through March 31, 1997. The review was assisted by management's compilation of data, as required by the regulation. Also, investments matured and initiated, and services purchased over the time period were reviewed.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

**LENDING TEST**

### *Lending Activity*

SFNB's lending levels reflect an adequate responsiveness to the assessment area credit needs. The bank's net loan to deposit ratio, averaged 61.9% between December 31, 1994 and March 31, 1997. The peer group average for the same time period was 73.6%.

During the evaluation period, SFNB assets increased from \$273 million to \$333 million. Within that time period, the gross loans increased from \$144 million to \$184 million, primarily in residential and commercial real estate mortgages of \$28 million and \$22 million, respectively.

### *Assessment Area Concentration*

SFNB's lending reflects a high percentage of home mortgages and small business loans originated in the assessment area. On a combined basis for the evaluation period, 93% of the number and 86% of the dollar amount of HMDA reportable and small business loans were originated in their assessment area.

The table below details SFNB's HMDA and small business lending for 1995, 1996, and year-to-date March 31, 1997. SFNB did not originate HMDA reportable loans starting in 1997. HMDA loans are accepted by SFNB and forwarded to their affiliate CFX Mortgage, Inc. for origination. Also, small business loans originated in 1995 were not analyzed as the bank was not required to collect and report data until January 1, 1996.

<b>HMDA and Small Business Loan Originations (in 000's) within Assessment Area Calendar Year 1995, 1996, and as of March 31, 1997</b>				
		<i>HMDA Loans</i>	<i>Small Business Loans</i>	<i>Totals</i>
<b>1995</b>	<b># Loans / %</b>	<b>88 / 85%</b>	<b>N/A</b>	<b>88 / 85%</b>
	<b>\$ Amt / %</b>	<b>7,895 / 79%</b>	<b>N/A</b>	<b>7,895 / 79%</b>
<b>1996</b>	<b># Loans / %</b>	<b>87 / 94%</b>	<b>208 / 95%</b>	<b>295 / 95%</b>
	<b>\$ Amt / %</b>	<b>7,944 / 87%</b>	<b>9,239 / 94%</b>	<b>17,183 / 91%</b>
<b>As of Mar-31-97</b>	<b># Loans / %</b>	<b>N/A</b>	<b>24 / 89%</b>	<b>24 / 89%</b>
	<b>\$ Amt / %</b>	<b>N/A</b>	<b>1,387 / 85%</b>	<b>1,387 / 85%</b>
<b>Totals</b>	<b># Loans / %</b>	<b>175 / 89%</b>	<b>232 / 95%</b>	
	<b>\$ Amt / %</b>	<b>15,839 / 83%</b>	<b>10,626 / 93%</b>	

### *Geographic Distribution*

#### **Home Mortgage Lending**

SFNB's geographic distribution of HMDA reportable loans in its assessment area is adequate. On a combined basis for the evaluation period, no originations were in low income census tracts and 10% of the number of originations and 7% of the dollar volume were in moderate income census tracts. This is reasonable compared to the geographic distribution of aggregated HMDA lending for all lenders in Worcester County in 1995 and the percentage of owner-occupied housing in the assessment area. For all lenders in Worcester County, 1% and 9% of the number of loans originated were in low- and moderate-income census tracts, respectively. SFNB's demographic data also shows low levels of owner-occupied housing in low- and moderate-income census tracts at 1% and 10%, respectively. As well, low income census tracts are primarily occupied with rental housing. Therefore, lending opportunities for mortgage loans are limited.

The table below details SFNB's geographic distribution of HMDA loans, by census tract, for 1995 and 1996. Year-to-date March 31, 1997 data represent loans originated in SFNB's assessment area by its affiliate, CFX Mortgage, Inc.

<b>Geographic Distribution of HMDA Loans</b>						
<i>Census Tract Characteristics</i>		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
<b>1995</b>	# Loans / %	0 / -	8 / 9%	60 / 68%	20 / 23%	88
	\$ Amt / %	0 / -	565 / 7%	4,757 / 60%	2,573 / 33%	7,895
<b>1996</b>	# Loans / %	0 / -	9 / 10%	52 / 60%	26 / 30%	87
	\$ Amt / %	0 / -	578 / 7%	4,070 / 51%	3,296 / 42%	7,944
<b>YTD 1997</b>	# Loans / %	0 / -	1 / 13%	6 / 75%	1 / 12%	8
	\$ Amt / %	0 / -	130 / 10%	880 / 69%	261 / 21%	1,271
<i>% Owner-Occupied Households in AA</i>		1%	10%	65%	24%	
<i>% of Aggregate Lending in Worcester County</i>		1%	9%	63%	27%	

### **Small Business Lending**

SFNB lending to small business in all portions of its assessment area is reasonable. On a *combined* basis for the evaluation period, 3% of the number of originations and 5% of the dollar amount were to small businesses in low income census tracts. Also, 14% of the number of originations and 13% of the dollar amount of small business loans were in moderate income census tracts. This activity is reasonable when compared to the percentage of small businesses within each census tract.

The table below details SFNB's distribution of small business loans by census tract for *1996 and year-to-date March 31, 1997*.

<b>Geographic Distribution of Small Business Loans</b>
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<i>Census Tract Characteristics</i>	1996		January - March 31, 1997		<i>% of Businesses in each Census Tract</i>
	<i># Loans / %</i>	<i>\$ Amt / %</i>	<i># Loans / %</i>	<i>\$ Amt / %</i>	
<b>Low</b>	<b>7 / 3%</b>	<b>507 / 6%</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>6%</b>
<b>Moderate</b>	<b>32 / 16%</b>	<b>1,350 / 15%</b>	<b>1 / 4%</b>	<b>20 / 1%</b>	<b>18%</b>
<b>Middle</b>	<b>123 / 60%</b>	<b>4,625 / 50%</b>	<b>17 / 71%</b>	<b>850 / 61%</b>	<b>56%</b>
<b>Upper</b>	<b>44 / 21%</b>	<b>2,702 / 29%</b>	<b>6 / 25%</b>	<b>517 / 37%</b>	<b>21%</b>
<b>Totals</b>	<b>206</b>	<b>9,184</b>	<b>24</b>	<b>1,387</b>	<b>100%</b>

### ***Borrower Characteristics***

#### **Home Mortgage Loans**

SFNB's overall HMDA lending to borrowers of different income levels is adequate. Within the evaluation period, 4% of the number of originations and 1% of the dollar amount of mortgage loans were to low income individuals. In addition, 22% of the number of originations and 14% of the dollar volume were to moderate income individuals. This compares favorably to borrower income characteristics and the aggregate lending for all lenders in Worcester County in 1995. In 1995, the aggregate lending of all lenders by number of originations in Worcester County to moderate income borrowers was 18%.

SFNB's lending to low income borrowers is reasonable considering limited opportunity for home mortgages, the median housing value in the assessment area, and the strong competition from larger financial institutions. Additionally, during 1996 SFNB did not actively market HMDA loans due to its acquisition by CFX Corporation and subsequent consolidation of its mortgage function into the affiliate bank's mortgage banking subsidiary.

The table on the following page shows SFNB's lending performance to borrowers of different incomes for home purchase and refinancing in 1995 and 1996. Only home purchase and refinance loans were reviewed as they constituted 92% of all HMDA loan originations or 99% of the volume during our evaluation period.

In addition, the analysis of affiliate HMDA loans through March 31, 1997 was not meaningful to our analysis. The information is not included in the table given the minimal number of loans originated within SFNB's assessment area (7 loans / \$961 thousand). This is attributed to delays from the consolidation of SFNB's mortgage underwriting to the subsidiary mortgage company in 1996 and 1997.

<b>Borrower Characteristics of HMDA Loans by Loan Product Calendar Year 1995 and 1996.</b>					
		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>
<b>Home Purchase</b>					
<b>1995</b>	<b># Loans / %</b>	<b>1 / 2%</b>	<b>11 / 20%</b>	<b>23 / 42%</b>	<b>20 / 36%</b>
	<b>\$ Amt / %</b>	<b>10 / *</b>	<b>840 / 16%</b>	<b>1,991 / 37%</b>	<b>2,575 / 47%</b>
<b>1996</b>	<b># Loans / %</b>	<b>2 / 4%</b>	<b>8 / 18%</b>	<b>18 / 40%</b>	<b>17 / 38%</b>
	<b>\$ Amt / %</b>	<b>88 / 2%</b>	<b>568 / 13%</b>	<b>1,482 / 34%</b>	<b>2,242 / 51%</b>
<b>Totals</b>	<b># Loans / %</b>	<b>3 / 3%</b>	<b>19 / 19%</b>	<b>41 / 41%</b>	<b>37 / 37%</b>
	<b>\$ Amt / %</b>	<b>98 / 1%</b>	<b>1,408 / 14%</b>	<b>3,473 / 35%</b>	<b>4,817 / 49%</b>
<b>Family Income Characteristics</b>		<b>19%</b>	<b>17%</b>	<b>26%</b>	<b>38%</b>
<b>Refinancing</b>					
<b>1995</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>7 / 30%</b>	<b>6 / 26%</b>	<b>10 / 43%</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>445 / 19%</b>	<b>401 / 17%</b>	<b>1,485 / 64%</b>
<b>1996</b>	<b># Loans / %</b>	<b>3 / 8%</b>	<b>6 / 16%</b>	<b>9 / 24%</b>	<b>20 / 52%</b>
	<b>\$ Amt / %</b>	<b>112 / 3%</b>	<b>299 / 8%</b>	<b>628 / 18%</b>	<b>2,500 / 71%</b>
<b>Totals</b>	<b># Loans / %</b>	<b>3 / 5%</b>	<b>13 / 21%</b>	<b>15 / 25%</b>	<b>30 / 49%</b>
	<b>\$ Amt / %</b>	<b>112 / 2%</b>	<b>744 / 13%</b>	<b>1,029 / 18%</b>	<b>3,985 / 67%</b>
<b>Family Income Characteristics</b>		<b>19%</b>	<b>17%</b>	<b>26%</b>	<b>38%</b>

\* = less than 1% of the number and/or volume of originations

### **Small Business Loans**

SFNB's small business lending is good. SFNB is a certified SBA lender. In the SBA's 1995 fiscal year-end report, SFNB was recognized as one of the top ten lenders (rated 4th) to small businesses in Massachusetts out of 53 lenders and banks of all asset sizes. In the SBA's 1996 fiscal year-end report, SFNB ranked 7th out of 25 banks with assets between \$100 - 500 million.

In addition, 83% of the number of SFNB's business loan originations were of a loan size less than \$100 thousand for 1996 and year-to-date 1997 combined. Nine percent of the business loan originations were of a loan size between \$100 - \$250 thousand with 8% more than \$250 thousand, but less than \$500 thousand.

On a combined basis for the evaluation period, 58% of the number of originations and 32% of the dollar amount were to businesses with revenues less than \$1 million. Business loans representing

42% of the number of originations and 68% of the dollar volume were made to businesses with revenues greater than \$1 million. Demographic data show 87% of the businesses in SFNB's assessment area meet small business characteristics. SFNB's lending distribution to small businesses and farms by revenue size is reasonable considering the mature small business loan market and the competition with other financial institutions. The table below indicates the distribution of small business loans by revenue size for 1996 and through March 31, 1997.

<b>Distribution of Small Business Loans by Revenue Size within Assessment Area</b>					
<i>Business Revenue Size</i>	<b>1996</b>		<b>January - March 31, 1997</b>		<i>% of Small Businesses in AA</i>
	<b># Loans / %</b>	<b>\$ Amt / %</b>	<b># Loans / %</b>	<b>\$ Amt / %</b>	
<b>0 &lt; 1MM</b>	<b>218 / 61%</b>	<b>9,834 / 33%</b>	<b>27 / 43%</b>	<b>1,632 / 27%</b>	<b>87%</b>
<b>&gt; 1MM</b>	<b>139 / 39%</b>	<b>19,571 / 67%</b>	<b>36 / 57%</b>	<b>4,417 / 73%</b>	<b>13%</b>
<b>Totals</b>	<b>357 / 100%</b>	<b>29,405 / 100%</b>	<b>63 / 100%</b>	<b>6,049 / 100%</b>	<b>100%</b>

## **COMMUNITY DEVELOPMENT LENDING**

SFNB originates a reasonable level of community development loans considering its size and resources. Community development loans are those that do not meet the definition of home mortgage, small business or small farm loans but do meet the definition of community development in the CRA regulation [12 CFR 25.12(h)]. Based upon bank reports that we found accurate and our review of files, SFNB originated four loans since the last CRA exam amounting to \$409 thousand. SFNB committed \$200 thousand to a corporation in 1996 to facilitate economic development and revitalization in downtown Fitchburg, which include low- and moderate- income census tracts, by offering low-interest financing to start-up businesses and expanding or improving small businesses. To-date, one loan has been originated from that loan pool. One loan was also made to an affordable housing organization. The remaining two loans were to local nonprofit organizations for day care and other social services which benefit low- and moderate - income individuals or geographies. All of the identified loans were made in SFNB's assessment area.

### ***Innovative or Flexible Lending Practices***

During the evaluation period, SFNB's flexible underwriting practices were limited to a mortgage and small business loan program, the Home Ownership Opportunity Program (HOOP) and the Massachusetts Business Development Corporations Capital Access Program, respectively.

The city of Leominster's HOOP program is directed to stabilizing and improving the living conditions in targeted area neighborhoods by increasing owner occupancy, upgrading aging and deteriorating housing stock, and making home ownership affordable to low- and moderate- income first-time home buyers. Preference is given to Leominster residents. Families and individuals who have not owned a home within the last three years or have incomes at or below 80% of median income are eligible for the program.

The program offers more flexible underwriting when compared to traditional mortgage products, i.e., 5% minimum down payment with 2% allowable as a gift or a soft second loan, down payment assistance, gap financing, and/or monthly mortgage interest subsidies. Also, flexible qualifying

ratios for single and 2-4 family purchasers are offered. SFNB originated three loans to individuals totaling \$100 thousand since the last CRA examination under this program.

The Massachusetts Business Development Corporation's Capital Access Program (MassBusiness) assists small businesses to obtain loans for new businesses, expanding or continuing to operate profitably, as well as gain access to capital where none currently exists. MassBusiness, through money directly appropriated by the state, provides "cash collateral" guarantees (credit enhancements) for bank's willing to make loans to small businesses using more flexible underwriting standards. SFNB originated eleven loans totaling \$408 thousand since the last CRA examination under this program.

## **INVESTMENT TEST**

During 1995 and 1996 qualified investments were modest totaling \$165 thousand. The largest investment was SFNB's innovative in-kind donation of the Gardner banking office to the Gardner Industrial Development Corporation (GIDC) and paying one year's lease as a working capital injection. The remaining investments were donations and charitable contributions.

SFNB's donating the former branch building to GIDC was creative and provided a very significant benefit to the community. Gardner is economically stagnant. Forty percent of Gardner's geographies are moderate income census tracts. GIDC's objective in this community is small business development. Basic office-space and infrastructure, and working capital was needed. SFNB's creative donation helped to improve economic conditions in this community. Examples of GIDC activities include providing Gardner Visiting Nursing Association offices and facilities for elderly and child day-care. GIDC has also sold real estate to prospective new employers. Transactions like these promote economic development to expand employment and advance community services to low-and moderate-income families.

In-Kind Donation of Property	\$ 60,000 (Appraised Value)
Expenses tied to in-kind donation	12,000 (One-year lease without occupancy)
Fitchburg by Design	30,000
Investments in CDC's	1,500
Other grants / donations	<u>61,500</u>
<b>Totals:</b>	165,000

SFNB donated \$15,000 in 1995 and 1996 to Fitchburg by Design. This corporation facilitates economic development and revitalization in downtown Fitchburg by offering low-interest financing to start-up, expanding or improving small businesses.

SFNB donated \$1,000 in 1995 to the Fitchburg / Twin Cities CDC Micro-Enterprise Development program which promotes economic development by financing small businesses to low- and moderate- income individuals.

SFNB donated \$500 in 1996 to the Greater Gardner CDC. The CDC has a Working Capital Micro-Loan program providing financial and technical assistance to low- and moderate-income self-employed business owners.

The grants and donations listed on the previous page, are various contributions to affordable housing groups, youth programs, and other organizations supporting activities essential to low- and moderate- income individuals' and/or geographies.

## SERVICE TEST

SFNB's delivery systems are reasonably accessible throughout the assessment area. The bank's record of opening or closing offices has not affected the accessibility to bank services. Branch hours are reasonable. Branch hours and services have been established through traditional banking hours, as well as from incorporating the results of branch surveys.

SFNB's branch offices and ATM network reasonably reflect the geographies in the assessment area as reflected in the table below. SFNB exhibits good representation in low income census tracts. The moderate income tracts are located in close proximity to SFNB's main office and other branches. These offices adequately service the consumers in moderate income census tracts.

As indicated in the table below, 73% of SFNB's offices and 78% of the proprietary ATM's are in middle and upper income census tracts with 27% of the offices in low income census tracts. In addition, eleven offices (79%) provide 24 hour access via ATM's. Three of the branches are also in grocery stores that have extended Saturday hours.

<b>Distribution of Delivery Systems (Branches and ATM Facilities)</b>			
<i>Census Tract Characteristics</i>	<i>Branches</i>	<i>Proprietary ATM Facilities</i>	<i>Number and % of Census Tracts in AA</i>
	<i># / %</i>	<i># / %</i>	
<b>Low</b>	<b>3 / 27%</b>	<b>3 / 22%</b>	<b>7 / 4%</b>
<b>Moderate</b>	<b>0 / 0%</b>	<b>0 / 0%</b>	<b>30 / 19%</b>
<b>Middle</b>	<b>7 / 64%</b>	<b>10 / 71%</b>	<b>92 / 58%</b>
<b>Upper</b>	<b>1 / 9%</b>	<b>1 / 7%</b>	<b>29 / 18%</b>
<b>Totals</b>	<b>11 / 100%</b>	<b>14 / 100%</b>	<b>158 / 100%</b>

Since our last CRA examination, one branch located in a moderate income census tract was closed in March 1997 due to inactivity. Management indicated the branch closing did not adversely affect consumers' access to bank services. A study showed that customers were using banking services at a nearby branch office in the same town. Additionally, SFNB intends to close a branch in July 1997 in a low income census track and open a new branch in a moderate income census tract. The new branch location will effectively provide banking services to the residents in the low income census tract.

## COMMUNITY DEVELOPMENT SERVICES

SFNB provides a good level of community development services. Primary services include financial planning, credit counseling, and technical assistance on financial matters for consumers and

small businesses. The following is a listing and description of some of the community development services provided in the assessment area:

- ▶ **North Central Massachusetts CRA Coalition** - A bank officer is Treasurer for this organization which promotes CRA initiatives and provides technical expertise to the agency's home ownership, basic banking and education, economic development, financial planning/evaluation, needs assessment, and marketing committees.
- ▶ **Fitchburg by Design** - A bank officer sits on this nonprofit corporation's loan pool committee that reviews and approves applicant funding. The mission of the organization is to develop and revitalize downtown Fitchburg through low-interest financing to start-up, expanding or improving small businesses.
- ▶ **Student Financial Aid Night** - Two bank officers made presentations and provided technical expertise on how to obtain financial aid for student loans.
- ▶ **Navigating Your Way through Financial Statements** - A bank officer provided technical expertise through a presentation on understanding financial statements.
- ▶ **Massachusetts Business Development Corporation Capital Access Program** - A bank officer represents SFNB and lends technical expertise to a program designed to assist and promote credit availability to small businesses throughout Massachusetts (refer to Innovative or Flexible Lending Practices for more detail on the program).
- ▶ **Worcester Community Banking Council** - A bank officer chaired the Council's loan pool committee which reviewed applications and approved funding for home purchase and rehabilitation loans, including affordable housing.

SFNB's offers an affordable Basic Checking account product, there are no minimum balance requirements and low fees.

## **FAIR LENDING EXAMINATION**

A concurrent fair lending review did not identify any violations of anti-discrimination laws and regulations. SFNB's fair lending policies, procedures and training programs have been effective in assisting lenders on these issues.

# Metropolitan Statistical Areas

## Conclusions with Respect to Performance in Fitchburg-Leominster MSA (MSA 2600)

SFNB’s performance in helping to meet the credit needs of its assessment area in Fitchburg-Leominster MSA 2600 is consistent with its overall performance.

## Summary of Institution’s Operations in MSA 2600

Full service banking is provided throughout this portion of the assessment area. Six offices (55%) are located within this MSA. All offices offer a full range of loans and deposit services and products, as well as 24 hour access to ATM’s. SFNB’s business focus in the assessment area is mortgage financing and small business lending, which is consistent throughout the assessment area.

## Description of Fitchburg-Leominster MSA 2600

The portion of MSA 2600 included in SFNB’s assessment area contains twenty-eight census tracts. The demographics of the assessment area are provided in the table below. As noted in the table, 71% of the census tracts are middle or upper income. The low income census tract is in the City of Fitchburg. In addition, moderate income census tracts are in the cities of Gardner (2), Leominster (2) and Fitchburg (3).

<b>ASSESSMENT AREA DEMOGRAPHICS</b>				
<b>Fitchburg-Leominster MSA 2600</b>				
<i>Census Tract Characteristics</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households in Census Tracts</i>	<i>Family Income Characteristics</i>
Low	1	4%	2%	20%
Moderate	7	25%	22%	17%
Middle	16	57%	60%	26%
Upper	4	14%	16%	37%
<b>Total</b>	<b>28</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

One hundred and thirty-five thousand individuals populate the MSA. The median family income is \$37,121 and median housing value is \$117 thousand within the MSA. The median age of housing stock is fifty-one years. Total occupied housing units is 92%, with 55% owner-occupied, 37% renter-occupied, and 7% vacant.

The major employers in the assessment area are General Electric, Simonds Industries, Aubuchon Hardware, and Central N.E. Health Alliance, all located in Fitchburg. The plastics industry is also a

large employer, and includes Tucheck Housewares, Inc., Plastikan, Inc. and Sterelite, Inc., all located in Leominster. As well, Fitchburg State College is a large employer in the area. Other industries supporting the assessment area include tool and die makers and machine shops.

**Discussion of Performance Tests in Fitchburg-Leominster MSA 2600**

*Lending Test*

During the evaluation period, 56% of the number and 53% of the volume of all of SFNB’s HMDA loans were originated in MSA 2600.

*Geographic Distribution*

**Home Mortgage Lending**

The table below reflects that SFNB’s geographic distribution of HMDA loans during the evaluation period closely approximates that of owner occupied housing in the assessment area.

<b>Geographic Distribution of HMDA Loans Fitchburg-Leominster MSA 2600</b>						
<i>Census Tract Characteristics</i>		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
<b>1995</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>5 / 10%</b>	<b>33 / 67%</b>	<b>11 / 22%</b>	<b>49</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>314 / 8%</b>	<b>2,530 / 62%</b>	<b>1,215 / 30%</b>	<b>4,059</b>
<b>1996</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>7 / 15%</b>	<b>35 / 73%</b>	<b>6 / 12%</b>	<b>48</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>463 / 11%</b>	<b>2,543 / 62%</b>	<b>1,089 / 27%</b>	<b>4,095</b>
<b>Totals</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>12 / 12%</b>	<b>68 / 70%</b>	<b>17 / 18%</b>	<b>97</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>777 / 10%</b>	<b>5,073 / 62%</b>	<b>2,304 / 28%</b>	<b>8,154</b>
<b>Census Tracts in AA</b>		<b>4%</b>	<b>25%</b>	<b>57%</b>	<b>14%</b>	
<b>% Households in AA</b>		<b>2%</b>	<b>22%</b>	<b>60%</b>	<b>16%</b>	
<b>% Owner-Occupied Households in AA</b>		<b>*</b>	<b>13%</b>	<b>64%</b>	<b>23%</b>	

\* = less than 1/2 of 1% of the Owner-Occupied Households in AA.

On a combined basis for the evaluation period, no originations were in low income census tracts. However, 12% of the number of originations and 10% of the dollar amount were in moderate income census tracts. SFNB’s lending in low- and moderate-income census tracts is reasonable when compared to the percentage of owner-occupied housing and other assessment area demographics.

SFNB has only one low income census tract in MSA 2600 which offers limited opportunities for mortgages due to the significant number of multifamily and rental units. Demographic data for SFNB’s also shows minimal owner-occupied housing in low-and moderate-income census tracts.



For example, owner-occupied housing is less than one-half of one percent of housing stock in low income census tracts and 10% in moderate income census tracts. As a result, demand for residential housing financing is limited.

### Small Business Loans

On a combined basis for the evaluation period, 2% of the number of originations and 7% of the dollar amount of small business loans were in low income census tracts. As well, 22% of the number of originations and 25% of the total dollar amount were for small business loans in moderate income census tracts. SFNB's performance is reasonable as it closely mirrors the composition of small businesses within the various census tract categories in the MSA. The table below shows SFNB's geographic distribution of small business lending in the Fitchburg-Leominster MSA 2600.

<b>Geographic Distribution of Small Business Loans Fitchburg-Leominster MSA 2600</b>						
		<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>	<b>Total</b>
<b>1996</b>	<b># Loans / %</b>	3 / 2%	29 / 22%	77 / 59%	22 / 17%	131
	<b>\$ Amt / %</b>	295 / 7%	1,151 / 28%	1,983 / 48%	699 / 17%	4,128
<b>YTD 1997</b>	<b># Loans / %</b>	0 / -	1 / 11%	7 / 78%	1 / 11%	9
	<b>\$ Amt / %</b>	0 / -	20 / 4%	493 / 94%	10 / 2%	523
<b>Totals</b>	<b># Loans / %</b>	3 / 2%	30 / 22%	84 / 60%	23 / 16%	140
	<b>\$ Amt / %</b>	295 / 7%	1,171 / 25%	2,476 / 53%	709 / 15%	4,651
<b>% of Small Businesses w/in Census Tracts</b>		4%	25%	57%	14%	

### Borrower Characteristics

#### Home Mortgage Loans

On a *combined* basis for the evaluation period, 5% of the number of originations and 1% of the dollar volume were to low income individuals. In addition, 28% of the number of originations and 18% of the dollar volume were to moderate income individuals comparing favorably to the borrower income characteristics in the MSA. SFNB's lending to low income borrowers is reasonable when considering the intense competition from large financial institutions in their assessment area. In addition, during 1996 SFNB did not actively market HMDA loans due to the bank's acquisition by CFX Corporation and subsequent consolidation of its mortgage activities into an affiliate bank's mortgage banking subsidiary. Lastly, there are limited opportunities for home mortgages in this MSA based on the median housing values in the assessment area. The table below shows SFNB's lending performance to borrowers of different incomes for all HMDA loan products in 1995 and 1996.

<b>Borrower Characteristics of HMDA Loans by Loan Product Calendar Year 1995 and 1996 Fitchburg-Leominster MSA 2600</b>						
		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Totals</i>
<i>HMDA Loans</i>						
<b>1995</b>	# Loans / %	3 / 6%	16 / 34%	14 / 30%	14 / 30%	47
	\$ Amt / %	22 / 1%	885 / 22%	1,185 / 29%	1,957 / 48%	4,049
<b>1996</b>	# Loans / %	2 / 4%	11 / 23%	19 / 40%	16 / 33%	48
	\$ Amt / %	87 / 2%	570 / 14%	1,344 / 33%	2,094 / 51%	4,095
<b>Totals</b>	# Loans / %	5 / 5%	27 / 28%	33 / 35%	30 / 32%	95
	\$ Amt / %	109 / 1%	1,455 / 28%	2,539 / 31%	4,051 / 50%	8,144
<i>Family Income Characteristics</i>		20%	17%	26%	37%	

### Small Business Lending

During the evaluation period, small business lending in MSA 2600 represented 62% of the number and 46% of the dollar volume of all small business lending. In comparison to all business loans originated, 74% of the number of loans and 39% of the dollar amount were to small businesses. SFNB performance in small business lending is reasonable in relation to the total percentage of small businesses in MSA 2600. In addition, there is strong competition for small business loans from other financial institutions. The table below shows small business lending distribution within the MSA 2600 in 1996 and through March 31, 1997.

<b>Distribution of Small Business Loans by Revenue Size within Assessment Area Fitchburg-Leominster MSA 2600</b>					
<i>Business Revenue Size</i>	<b>1996</b>		<b>January - March 31, 1997</b>		<b>% Businesses in AA</b>
	# Loans / %	\$ Amt / %	# Loans / %	\$ Amt / %	
<b>0 &lt; 1MM</b>	131 / 74%	4,128 / 38%	9 / 69%	523 / 58%	87%
<b>&gt; 1MM</b>	45 / 26%	6,807 / 62%	4 / 31%	374 / 42%	13%
<b>Totals</b>	176 / 100%	10, 935 / 100%	13 / 100%	897 / 100%	

### COMMUNITY DEVELOPMENT LOANS

All of the community development loans during the review period originated in the Fitchburg-Leominster 2600 MSA. These loans pertained to affordable housing and not-for-profit

organizations for the benefit of day care and other social services provided to their service area, including low- and moderate- income individuals or geographies. Refer to **Community Development Lending** section of the Performance Evaluation for details.

**INVESTMENT TEST**

SFNB’s qualified investments in the Fitchburg-Leominster MSA totaled \$146,500, representing 89% of all qualified investments. The largest segment is an innovative in-kind donation of its Gardner branch to Gardner Industrial Development Corporation (GIDC), and a one-year non-occupant lease for working capital. Combined amounts were \$72 thousand. GIDC is a Community Development Corporation dedicated to small business development and expanded services to low- and moderate-income families which facilitate employment. The remainder of the qualified investments consisted of donations and contributions to community development corporations, youth programs, and other not for profit organizations supporting activities essential to low- and moderate-income individuals and/or geographies in MSA 2600.

**SERVICE TEST**

The table that follows reflects branch offices and proprietary ATM facilities in MSA 2600 located in middle and upper income census tracts. However, the low income census tract in the downtown business section of the City of Fitchburg is serviced by SFNB’s main office and ATM. In addition, SFNB facilities are in close proximity to all moderate income census tracts and adequate consumer service is provided to families in these areas. Branch distribution compares adequately to the geographies in MSA 2600.

<b>Distribution of Delivery Systems (Branches and ATM Facilities) Fitchburg-Leominster MSA 2600</b>			
<i>Census Tract Characteristics</i>	<i>Branches</i>	<i>Proprietary ATM Facilities</i>	<i>Number and % of Census Tracts in AA</i>
	<i># / %</i>	<i># / %</i>	
<b>Low</b>	<b>1 / 17%</b>	<b>1 / 13%</b>	<b>1 / 4%</b>
<b>Moderate</b>	<b>0 / 0%</b>	<b>0 / 0%</b>	<b>7 / 25%</b>
<b>Middle</b>	<b>4 / 64%</b>	<b>6 / 75%</b>	<b>16 / 57%</b>
<b>Upper</b>	<b>1 / 16%</b>	<b>1 / 12%</b>	<b>4 / 14%</b>
<b>Totals</b>	<b>6 / 100%</b>	<b>8 / 100%</b>	<b>28 / 100%</b>

**COMMUNITY DEVELOPMENT SERVICES**

SFNB’s level of community development services is adequate. Primary services include financial planning, credit counseling, and technical assistance on credit issues. Services include those

targeted or accessible to low-and moderate-income individuals and small businesses. For a more detailed listing and description of services offered, see *Community Development Services* section of this Performance Evaluation.

**Conclusions with Respect to Performance in Worcester MSA (MSA 9240)**

SFNB’s performance in helping to meet the credit needs of its assessment area in the Worcester MSA 9240 is consistent with the bank’s overall performance.

**Summary of Institution’s Operations in MSA 9240**

Full service banking is provided throughout this portion of the assessment area. Five offices (45%) are located within this MSA. All offices offer a full range of loan and deposit services/products, as well as 24-hour access to ARMS. SFNB’s business focus in the MSA is mortgage financing and small business lending, which is consistent throughout the assessment area.

**Description of Worcester MSA 9240**

The portion of MSA 9240 included in SFNB’s assessment area includes 107 census tracts. The demographics are provided in the table below. As noted, the majority (71%) of the census tracts are middle or upper income tracts. All low income census tracts are in the City of Worcester. Moderate income census tracts are in the towns of Brookfield (1), Dudley (1), Southbridge (3), Webster (2), and the City of Worcester (11).

<b>ASSESSMENT AREA DEMOGRAPHICS Worcester MSA 9240</b>				
<i>Census Tract Characteristics</i>	<i># Census Tracts</i>	<i>% of Total Tracts</i>	<i>% of Households in Census Tracts</i>	<i>Family Income Characteristics</i>
Low	6	6%	4%	19%
Moderate	18	17%	16%	18%
Middle	63	58%	62%	25%
Upper	20	19%	18%	38%
<b>Total</b>	<b>107</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Four hundred and sixty-eight thousand individuals populate the MSA. Median family income for the MSA is \$41,667. The median housing value in the MSA is \$132 thousand. The median age of housing stock is forty-four years. Total occupied housing units is 92%, with 55% owner-occupied, 37% renter-occupied; vacant housing is 6%.

Major employers in the assessment area are the Norton Company, Wyman-Gordon, Allmerica Financial, the University of Massachusetts Medical Center, and the Medical Center of Central Massachusetts, all located in Worcester. Additionally, local colleges and universities such as Holy Cross, Clarke University, Assumption College, and the Worcester Poly Tech Institute are large employers in the area. Other industries supporting the MSA include, chemical, engineering, and biotechnology.

## Discussion of Performance Tests in Worcester MSA 9240

### *Lending Test*

During the evaluation period, 41% of the number and 44% of the dollar volume of all SFNB HMDA loans originated in MSA 9240.

### *Geographic Distribution*

#### **Home Mortgage Loans**

On a combined basis for the evaluation period, no originations were in low income census tracts in the assessment area. However, 7% of the number of originations and 5% of the dollar amount were in moderate income census tracts. The table below reflects that SFNB's geographic distribution of HMDA loans during the evaluation period is reasonable when compared to that of owner occupied housing at 1% and 8% in low- and moderate-income census tracts, respectively. Six low income census tracts in the MSA are all located in the City of Worcester. SFNB has limited opportunities for mortgages due to the large number of multifamily and rental units in these tracts. The table below details SFNB's geographic distribution of HMDA loans, by census tract, for 1995 and 1996 in the Worcester MSA 9240.

<b>Geographic Distribution of HMDA Loans Worcester MSA 9240</b>						
		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
<b>1995</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>3 / 8%</b>	<b>27 / 71%</b>	<b>8 / 21</b>	<b>38</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>251 / 7%</b>	<b>2,227 / 62%</b>	<b>1,108 / 31%</b>	<b>3,586</b>
<b>1996</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>2 / 6%</b>	<b>14 / 42%</b>	<b>17 / 52%</b>	<b>33</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>115 / 4%</b>	<b>1,263 / 39%</b>	<b>1,826 / 57%</b>	<b>3,204</b>
<b>Totals</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>5 / 7%</b>	<b>41 / 58%</b>	<b>25 / 35%</b>	<b>71</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>366 / 5%</b>	<b>3,490 / 52%</b>	<b>2,934 / 43%</b>	<b>6,790</b>
<b><i>Census Tracts in AA</i></b>		<b>6%</b>	<b>17%</b>	<b>58%</b>	<b>19%</b>	
<b><i>% Households in AA</i></b>		<b>4%</b>	<b>16%</b>	<b>62%</b>	<b>18%</b>	
<b><i>% Owner-Occupied Households in AA</i></b>		<b>1%</b>	<b>8%</b>	<b>67%</b>	<b>24%</b>	

## Small Business Loans

On a combined basis for the evaluation period, 5% of the number of originations and 4% of the dollar amount were for small business loans in low income census tracts. Also, 4% of the number of originations and 3% of the dollar volume for small business loans were in moderate income census tracts. SFNB lending to businesses in moderate income census tract is adequate when considering the mature small business loan market and the competition from other financial institutions for these loans. The table below details SFNB's distribution of small business lending by census tract in the Worcester MSA 9240 for 1996 through March 31, 1997.

<b>Geographic Distribution of Small Business Loans Worcester MSA 9240</b>						
		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Total</i>
<b>1996</b>	<b># Loans / %</b>	<b>4 / 6%</b>	<b>3 / 4%</b>	<b>39 / 57%</b>	<b>22 / 32%</b>	<b>68</b>
	<b>\$ Amt / %</b>	<b>212 / 4%</b>	<b>199 / 4%</b>	<b>2,390 / 50%</b>	<b>2,003 / 42%</b>	<b>4,804</b>
<b>YTD 1997</b>	<b># Loans / %</b>	<b>0 / -</b>	<b>0 / -</b>	<b>9 / 64%</b>	<b>5 / 36%</b>	<b>14</b>
	<b>\$ Amt / %</b>	<b>0 / -</b>	<b>0 / -</b>	<b>277 / 35%</b>	<b>507 / 65%</b>	<b>784</b>
<b>Totals</b>	<b># Loans / %</b>	<b>4 / 5%</b>	<b>3 / 4%</b>	<b>48 / 58%</b>	<b>27 / 33%</b>	<b>82</b>
	<b>\$ Amt / %</b>	<b>212 / 4%</b>	<b>199 / 3%</b>	<b>2,667 / 48%</b>	<b>2,510 / 45%</b>	<b>5,588</b>
<b>% of Small Businesses w/in Census Tracts</b>		<b>7%</b>	<b>15%</b>	<b>58%</b>	<b>20%</b>	

## Borrower Characteristics

### Home Mortgage Loans

SFNB's HMDA lending to borrowers of different income levels in this MSA is reasonable. On a combined basis for the evaluation period, 4% of the number of originations and 2% of the dollar amount were to low income individuals. In addition, 17% of the number of originations and 12% of the dollar amount were to moderate income individuals, which compares favorably to the borrower income characteristics in the MSA. SFNB's lending to low income borrowers is reasonable when considering the competition from the numerous financial institutions in their assessment area and the limited opportunities for home mortgages based on the median housing value in the assessment area. In addition, during 1996, SFNB did not actively market HMDA loans due to the bank's acquisition and consolidation of its mortgage function into the affiliate bank's mortgage banking subsidiary. The table on the following page shows SFNB's lending performance to borrowers of different incomes for HMDA loans in Worcester MSA 9240 during 1995 and 1996.

<b>Borrower Characteristics of HMDA Loans by Loan Product Calendar Year 1995 and 1996 in Worcester MSA 9240</b>						
		<i>Low</i>	<i>Moderate</i>	<i>Middle</i>	<i>Upper</i>	<i>Totals</i>
<i>HMDA Loans</i>						
<b>1995</b>	# Loans / %	0 / -	8 / 21%	15 / 40%	15 / 39%	38
	\$ Amt / %	0 / -	526 / 15%	1,207 / 34%	1,853 / 51%	3,586
<b>1996</b>	# Loans / %	3 / 9%	4 / 12%	9 / 27%	17 / 52%	33
	\$ Amt / %	113 / 4%	307 / 10%	647 / 20%	2,137 / 66%	3,204
<b>Totals</b>	# Loans / %	3 / 4%	12 / 17%	24 / 34%	32 / 45%	71
	\$ Amt / %	113 / 2%	833 / 12%	1,854 / 27%	3,990 / 59%	6,790
<i>Family Income Characteristics</i>		19%	18%	25%	38%	

### Small Business Lending

For the evaluation period, 36% of the number and 52% of the dollar volume of all small business loans were originated in this MSA. SFNB's performance relative to small business lending is adequate given the strong competition for small business loans from other financial institutions. The table on the following page shows the distribution of small business loans within the MSA in 1996 and through March 31, 1997 compared to the % of small businesses in the MSA.

<b>Distribution of Small Business Loans by Revenue Size within Assessment Area Worcester MSA 9240</b>					
<i>Business Revenue Size</i>	<b>1996</b>		<b>January - March 31, 1997</b>		<i>% of Total Small Businesses in MSA</i>
	# Loans / %	\$ Amt / %	# Loans / %	\$ Amt / %	
<b>0 &lt; 1MM</b>	68 / 49%	4,804 / 32%	14 / 34%	784 / 20%	86%
<b>&gt; 1MM</b>	70 / 51%	10,230 / 68%	27 / 66%	3,183 / 80%	14%
<b>Totals</b>	138 / 100%	15,034 / 100%	41 / 100%	3,967 / 100%	

### COMMUNITY DEVELOPMENT LOANS

There were no community development loans originated during the review period in this MSA.



## INVESTMENT TEST

SFNB's qualified investments in the Worcester MSA, totaled \$18,500, representing 11% of all qualified investments. Investments consisted of donations or contributions to community development corporations, youth programs, and other not-for-profit organizations supporting activities essential to low- and moderate-income individuals and/or geographies in the assessment area.

## SERVICE TEST

The table below reflects that all of the offices and proprietary ATM facilities in MSA 9240 are in low and middle income census tracts. The low income census tracts are primarily located in the downtown section of the City of Worcester. Moderate income census tracts are located in close proximity to SFNB's other branches. The offices adequately service the consumers in moderate income census tracts. The remaining branch distribution compares favorably to the geographies in MSA 9240.

<b>Distribution of Delivery Systems (Branches and ATM Facilities) Worcester MSA 9240</b>			
<i>Census Tract Characteristics</i>	<i>Branches</i>	<i>Proprietary ATM Facilities</i>	<i>Number and % of Census Tracts in AA</i>
	<i># / %</i>	<i># / %</i>	
<b>Low</b>	<b>2 / 40%</b>	<b>2/ 33%</b>	<b>6 / 6%</b>
<b>Moderate</b>	<b>0 / 0%</b>	<b>0/ 0%</b>	<b>18 / 17%</b>
<b>Middle</b>	<b>3 / 60%</b>	<b>4 /67%</b>	<b>63 / 58%</b>
<b>Upper</b>	<b>0 / 0%</b>	<b>0/0%</b>	<b>20 / 19%</b>
<b>Totals</b>	<b>5 / 100%</b>	<b>6/100%</b>	<b>107 / 100%</b>

## COMMUNITY DEVELOPMENT SERVICES

SFNB's level of community development services is reasonable. Primary services include standard financial planning, credit counseling, and technical assistance on credit matters. Services include those targeted or accessible to low- and moderate-income individuals and small businesses. For a more detailed listing and description of services offered, see *Community Development Services* section of this Performance Evaluation.

## APPENDIX

### Scope of Examination

<b>Time Period Reviewed</b>	1/1/95 to 3/31/97		
<b>Financial institution</b> Safety Fund National Bank			<b>Products reviewed</b> Mortgage Loans, Refinancing, and Small Business, and Small farm Loans.
<b>Affiliate(s)</b>	<b>Affiliate relationship</b>		<b>Products reviewed</b>
CFX Mortgage, Inc.	Affiliate Bank Subsidiary		Mortgage Loans
Safety Fund Securities Corporation	Bank Subsidiary		Investments
<b>List of Assessment Areas and Type of Examination</b>			
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Branches Visited</b>	<b>Other Information</b>
Massachusetts  MSA 2600 Fitchburg-Leominster, Worcester County MSA 9240 Worcester, Worcester County MSA 1120 Boston, Worcester County, Non-MSA of Worcester County	on-site		