
Comptroller of the Currency
Administrator of National Banks

Boston Duty Station
150 Federal Street, Second Floor
Boston, Massachusetts 02110

PUBLIC DISCLOSURE

February 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Milford National Bank and Trust Company
Charter Number 866**

**300 East Main Street
Milford, Massachusetts 01757**

Office of the Comptroller of the Currency

**Boston Duty Station
150 Federal Street
Boston, Massachusetts 02110**

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

GENERAL INFORMATION

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

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Milford National Bank and Trust Company** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Primary factors supporting the bank's overall rating include:

- ▶ An average loan to deposit ratio of 60% for the past eight quarters beginning March 31, 1995.
- ▶ A substantial percentage of the bank's lending within their assessment area.
- ▶ Strong performance lending to borrowers of different income levels and to small businesses.

The following table indicates the performance level of The Milford National Bank and Trust Company with respect to each of the five performance criteria.

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

DESCRIPTION OF INSTITUTION

The Milford National Bank and Trust Company (MNB) is a \$127.5 million (as of December 31, 1996) bank located in south central Massachusetts. The bank does not have a holding company. MNB has its main office and two of its branches in Milford. An additional branch is located in Mendon. The main office and three branches are located in Worcester county. The main office and all branches are full service and have automated teller machines.

Competition throughout the assessment area consists of other independent community banks as well as branches of large regional and multinational banks.

MNB offers a variety of loan products. As of year end 1996, the bank's loan portfolio of \$65.6 million (51% of total assets) was comprised of 60% commercial and commercial real estate loans, 18% residential mortgages, 11% construction loans, 6% installment loans, 3% multifamily real estate, and 2% all other. The bank does not sell any loans into the secondary market, nor does it purchase loans. There are no legal impediments which would hinder the bank in helping to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

MNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas. MNB has defined one assessment area which consists of forty six census tracts within the Boston and Worcester Metropolitan Statistical Areas. The geographies by income category within the assessment area consist of one low-income, three moderate-income, twenty four middle- income, ten upper-income, and eight tracts where income information was unavailable.

The total population of the assessment area is 213,178. Median family income for the area is \$54 thousand. Median housing value for the area is \$152 thousand, and the median age of the housing stock is 36 years. Owner-occupied housing comprises 71% of the total.

The construction manufacturing, and services industries are the primary economic sectors for the area. Primary employers are the Milford-Whitinsville Regional Hospital, Boston Scientific Corp., Waters Corp., EMC Corp., and the Visiting Nurse Association. Unemployment within the assessment area is 3%.

Small business lending was described as the primary need for the area by the community contacts and bank management.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

MNB's loan to deposit ratio is reasonable. MNB's average loan to deposit ratio for the past eight quarters was 60%. Average loan to deposit ratios for the nineteen Worcester county small banks (defined as banks with total assets less than \$250 million) range from 53% to 88%. MNB's loan to deposit ratio was 56% as of December 31, 1996.

LENDING IN ASSESSMENT AREA

The distribution of MNB's primary loan products (commercial and commercial real estate, including construction loans-comml, residential mortgages-REM, and installment loans-I/L), shows that 85% of the total by number and 78% by dollar amount were made within the assessment area. The focus of our review was on these products, as they make up the majority of MNB's loan portfolio. We used a trial balance of these loan products originated between January 1, 1995 and December 31, 1996 to assess location inside and outside the assessment area. The trial balance was tested and found to be accurate. Please refer to the table below for percentages of different loan products. (\$ Amt-000's)

| Loan Originations - January 1, 1995 - December 31, 1996 | | | | | | | | |
|---|------------------------|-----------|---------------|-----------|-------------------------|-----------|---------------|-----------|
| Loan Type | Inside Assessment Area | | | | Outside Assessment Area | | | |
| | #Loans | % | \$Amt | % | #Loans | % | \$Amt | % |
| comml | 628 | 85 | 49,755 | 77 | 112 | 15 | 15,141 | 23 |
| REM | 87 | 89 | 3,617 | 89 | 11 | 11 | 429 | 11 |
| I/L | 585 | 85 | 4,668 | 85 | 103 | 15 | 794 | 15 |
| total | 1,300 | 85 | 58,040 | 78 | 226 | 15 | 16,364 | 22 |

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

MNB's lending to low- and moderate-income individuals is strong. Our analysis of lending to borrowers of different incomes is based on a sampling of the bank's consumer and residential lending activity. We sampled 26% of consumer and 29% of residential originations for the time period beginning January 1, 1995 and ending December 31, 1996. As can be seen from the following table, 29% of families in the assessment area fall in the low- and moderate-income category. MNB's percentage of

loan originations (by number) to individuals in these two income categories is significantly higher at 55%.

| Analysis of MNB's Lending by Borrower Income January 1, 1995 - December 31, 1996 | | | | |
|---|------------|-----------------|---------------|--------------|
| | Low | Moderate | Middle | Upper |
| MNB's Actual Lending Pattern | 33% | 22% | 23% | 22% |
| % of Families Within Each Tract Category | 13% | 16% | 27% | 44% |

MNB does a significant volume of its commercial lending to small businesses (businesses with gross annual revenues less than \$1 million per year). There was a total of 740 new commercial and commercial real estate loans made from January 1, 1995 through December 31, 1996. The average loan size was \$88 thousand. Seventy percent of the loan originations were for loans less than \$100 thousand. We sampled 130 (18%) of the originations to determine the borrower's gross annual revenues. Our sample disclosed that 83% of business loans were to small businesses.

GEOGRAPHIC DISTRIBUTION/RESPONSE TO COMPLAINTS

Of the 46 census tracts in the bank's assessment area, only four (9%) were designated as low or moderate income. An analysis of the geographic distribution of loans was not deemed to be meaningful.

No complaints relative to the bank's CRA activities have been received since the previous examination.

This institution is in compliance with all substantive provisions and technical provisions of the anti-discrimination laws and regulations. No evidence of illegal disparate treatment was noted.