



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

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

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Factory Point National Bank
Charter Number 3080
Post Office Box 1567, Route 7A, Main Street
Manchester Center, Vermont 05255**

**The Office of the Comptroller of the Currency
New England Field Office
150 Federal Street, Second Floor
Boston, Massachusetts 02110**

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

GENERAL INFORMATION

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of *The Factory Point National Bank* prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of *January 4, 1999*. 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 77%, is more than reasonable as it does not include \$32.5 million in residential mortgage loans sold in the secondary market over the past three years.
- ▶ A substantial majority of loan originations, 96%, are made within the assessment area.
- ▶ The distribution of credit to borrowers of different income levels in the assessment area is reasonable with 10% of the number of home mortgage originations to low-income families and 11% to moderate-income families.
- ▶ A good percentage, 78%, of commercial lending is to small businesses.

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

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

DESCRIPTION OF INSTITUTION

The Factory Point National Bank (FPNB) is a \$162 million community bank located in Bennington County in south central Vermont. It is wholly owned by Factory Point Bancorp, Inc., a one bank holding company. There are six banking offices. FPNB's main office and one branch are located in the town of Manchester Center. Arlington, Dorset, Rutland and Springfield each contain one branch.

A variety of credit products are offered. Residential real estate mortgages comprise \$55 million or 52% of the \$106 million loan portfolio. Commercial loans constitute \$42 million or 39% of the portfolio. Within commercial lending, commercial real estate loans comprise \$30 million or 28% of the loan portfolio, and commercial loans are \$12 million or 11%. Consumer loans comprise the remainder of the portfolio at \$9 million (9%). The bank was assigned a "satisfactory" CRA rating at the preceding examination dated March 28, 1996. There are no financial or legal impediments that would prevent the institution from helping to meet the credit needs of the assessment area.

FPNB's primary competitors in the Manchester area are Chittenden Bank, First Vermont Bank, Bennington Co-operative Savings and Loan and The Merchants Banks. Kittredge Mortgage Corporation offers further competition for home mortgage financing. In the Rutland market, the bank competes with Albank, Key Bank of Vermont, Chittenden Bank, Vermont National Bank, First Vermont Bank, First Brandon National Bank and Heritage Credit Union. The Springfield area's competition includes The Merchants Bank, Vermont National Bank, Brattleboro Savings and Loan, and in New Hampshire, Connecticut River Bank.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to identify an assessment area in which its CRA performance will be evaluated. The bank has defined one assessment area which consists of fifty-one (51) block numbering areas (BNA's). Thirteen BNA's are located in Bennington county, twenty-three in Rutland county, six in Windham county and nine in Windsor county. Forty-three of the BNA's (84%) are middle income. One BNA (2%) is moderate income and seven (154%) are upper income BNA's. There are no low income BNA's in the assessment area.

The population of this suburban/rural assessment area is stable with 136 thousand individuals. The Housing and Urban Development (HUD) non-metropolitan statistical area (MSA) median family income is \$38,200. In the assessment area, low income families comprise 18% of the population, moderate income families 19%, middle income families 25% and upper income families 38%. The median housing value for the area is \$103 thousand and the median age of the housing stock is 40 years. Owner occupied housing is 48% and rental occupied housing is 22% of the total. Vacant housing units are high at 30%, reflective of seasonal use.

The bank has three distinct markets: Manchester, Rutland and Springfield. The Manchester economy is strong and largely dependent on tourism. There are numerous service-providers such as inns, bed and breakfast establishments and restaurants. There are also antique shops and an extensive network of discount factory outlets which attract tourists year-round. The economy in Rutland, while less robust, has experienced a significant and successful revitalization. It is primarily dependent on manufacturing and retail. General Electric is a primary employer. The Springfield economy is depressed. It had been dependent on the machine tool industry with lackluster attempts to diversify the base. Currently, the economy exhibits slow signs of growth. As of September 1998, the state's seasonally adjusted unemployment rate, at 3.2%, is slightly below the New England states' averages of 3.6%. The state rate has improved from 3.9% one year ago.

Micro and small business loans, affordable housing, first-time and/or flexible home buyer financing and revolving loan funds for economic development were described as the primary credit needs for the assessment area by both bank management and community contacts involved in community development and affordable housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

This review covered the time period from January 1, 1996 to December 31, 1998 for residential real estate mortgages and commercial loans.

Loan to Deposit Ratio

FPNB's average loan to deposit ratio equaled 77% for the past eleven quarters. This performance is more than reasonable as it does not include \$32.5 million in residential mortgage loans originated and sold to the secondary market during 1996, 1997 and 1998. As of September 30, 1998, the loan to deposit ratio is 72%. This ratio has decreased from 83% at our prior examination due to deposit growth, competition impacting loan demand and a larger volume of sold loans. As of June 30, 1998, the bank ranks ninth out of the sixteen banks with total assets less than \$250 million in the state of Vermont. Loan to deposit ratios range from 62% to 92% for these Vermont banks.

Lending in the Assessment Area

A substantial majority of lending is within FPNB’s assessment area with 96% in number and 91% of the dollar amount, for the evaluation period, as reflected in *Table 1*. The major loan products are residential real estate mortgages and commercial loans. FPNB is not subject to the Home Mortgage Disclosure Act (HMDA) requirements. Our analysis was based on a sample of 20% of the number of residential mortgage and commercial loan originations.

TABLE 1
PERCENTAGE OF LENDING WITHIN THE ASSESSMENT AREA

Loan Originations - (000's)								
Loan Type	<i>Inside Assessment Area</i>				<i>Outside Assessment Area</i>			
	#Loans	%	\$ Amt	%	#Loans	%	\$ Amt	%
Mortgages	81	94%	8,839	95%	5	6%	433	5%
Comm'l Loans	79	98%	5,425	85%	2	2%	921	15%
Total	160	96%	14,264	91%	7	4%	1,354	9%

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

Borrowers of Different Incomes

The distribution of loans among borrowers of different income levels is reasonable given the demographics of the assessment area. For the evaluation period, 10% of the number of originations were to low-income families and 11% to moderate-income families. Median housing prices limit ownership opportunities for low and moderate-income families. Our analysis was based on a sample of 20% of the number of originations.

The non-MSA median family income is \$38,200. Low-income is defined as an income below 50% (\$19,100), moderate-income is at least 50% and less than 80% (\$19,100 to \$30,560), middle-income is at least 80% and less than 120% (\$30,560 to \$45,840) and upper-income is defined as income 120% or more (\$45,840) of the median family income for the MSA. *Table 2* reflects the breakdown of residential real estate mortgage originations among borrowers of different income levels in the assessment area by number and dollar amount for the evaluation period.

TABLE 2
LENDING TO BORROWERS OF DIFFERENT INCOMES

HMDA Real Estate Originations - (000's)					
	# Loans	%	\$ Amt	%	HUD Family Distribution
<i>Low</i>	8	10%	521	6%	<i>18%</i>
<i>Moderate</i>	9	11%	714	8%	<i>19%</i>
<i>Middle</i>	16	20%	1,053	12%	<i>25%</i>
<i>Upper</i>	48	59%	6,551	74%	<i>38%</i>
<i>Total</i>	81	100%	8,839	100%	<i>100%</i>

Businesses of Different Sizes

FPNB's performance reflects a good level of attention to small business credit needs within its assessment area. Our analysis was based on a sample of 20% of the number of all commercial lending activity for the evaluation period. Small business loans (commercial loans for \$1 million or less) to small businesses (businesses with gross annual revenues below \$1 million), account for 78% of the number (62 loans) and 65% of the dollar amount (\$3,543 thousand) of commercial loan originations. The average size of all commercial loans was \$78,350. Additionally, 74% of the number of originations were for loans less than \$100,000.

Geographic Distribution of Loans

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

Response to Complaints

FPNB has received no complaints relating to CRA performance since the prior CRA examination.

Fair Lending Examination

A fair lending review was performed concurrently with this examination. FPNB's compliance with the Fair Lending laws is satisfactory. No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. Practices and procedures used by the lending staff in daily activity are adequate.