



Comptroller of the Currency
Administrator of National Banks

Boston Field Office
150 Federal Street, Second Floor
Boston, Massachusetts 02110

PUBLIC DISCLOSURE

July 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Lenox National Bank
Charter Number 4013**

**7 Main Street
Lenox, Massachusetts 01240**

**Office of the Comptroller of the Currency
Boston Field Office
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 Lenox National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **July 14, 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:

- A reasonable loan to deposit ratio of 54% as of June 30, 1997.
- A substantial percentage of the bank's lending within the assessment area.
- Strong performance lending to borrowers of different income levels and to small businesses.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Lenox 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 Lenox National Bank (LNB) is a \$32 million bank located in Berkshire county in western Massachusetts. The bank does not have a holding company. LNB's full-service main office is located in downtown Lenox. The bank has one full-service branch in Lenox on the Pittsfield line. The bank does not have any ATMs or other facilities. Competition is intense and consists of several local community banks including Lenox Savings Bank, Lee Savings Bank, The First National Bank of the Berkshires, City Savings Bank, Berkshire Bank, and Greylock Federal Credit Union, as well as branches of large regional and multinational banks.

LNB offers a variety of loan products. As of June 30, 1997, the bank's loan portfolio totaled \$16 million or 49% of total assets. The portfolio was comprised of: residential real estate, \$8 million or 49%; commercial and commercial real estate, \$7 million or 43%; and consumer loans, \$1 million or 7%. The bank does not sell loans in the secondary market, nor does it purchase loans. There are no financial or legal impediments that would prevent LNB from helping to meet the credit needs of the community.

DESCRIPTION OF ASSESSMENT AREA

LNB's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income areas. LNB has defined one assessment area which consists of five census tracts (CTs) within the Pittsfield Metropolitan Statistical Area. The geographies by income category within the assessment area consist of four middle-income and one upper-income CTs. There are no low- or moderate-income census tracts within the assessment area.

The population of the assessment area is 19,088. Median family income in the assessment area is \$44 thousand. Median housing value in the assessment area is \$158 thousand and the median age of the housing stock is 39 years. Owner occupied housing comprises 54% of the total.

Tourism is the primary economic sector in the area. Local attractions include Tanglewood, the summer home of the Boston Symphony Orchestra; the Berkshire Performing Arts Theater/National Music Foundation; Shakespeare & Company; and the Norman Rockwell Museum. There is a sizeable increase in population during the summer as many New York City, Boston, and Southeastern U.S. residents have summer homes in the area. Businesses include various inns, restaurants, and retail shops which primarily service the tourists during the summer and fall months. The local economy is good, as tourism has increased over the past several years. Unemployment within the assessment area is 2%.

Both the community contact and bank management indicated that, due to intense competition in the area, there are currently no unmet credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

LNB's loan to deposit ratio is reasonable. LNB is by far the smallest bank in the area and its ability and opportunities to lend have been impacted accordingly due to a comparatively lower legal lending limit and more limited products/services offered. The bank's average loan to deposit ratio for the past six quarters was 53%. The ratio fluctuated between 46% and 54% over the past six quarters, and stands at 54% as of June 30, 1997. The bank's loan to deposit ratio has been influenced by steady loan growth and seasonal fluctuations in the level of total deposits.

LENDING IN ASSESSMENT AREA

LNB's lending within its assessment area is satisfactory. We reviewed the distribution of loan originations for the bank's three primary categories of loans for the time period beginning January 1, 1996 and ending June 30, 1997. The three primary categories represent 99% of the bank's loans and include residential real estate loans (REM), commercial and commercial real estate loans (CML), and consumer loans (CON). Our analysis found that, overall, 79% by number and 82% by dollar volume of originations were within the bank's assessment area. We used internally generated reports to analyze the lending pattern inside and outside the assessment area. We tested the reports and found them to be accurate. (\$ Amt-000's)

Percentage of Lending Within LNB's Assessment Area

Loan Originations - January 1, 1996 - June 30, 1997								
Loan Type	Inside Assessment Area				Outside Assessment Area			
	#Loans	%	\$Amt	%	#Loans	%	\$Amt	%
REM	32	73	3,510	84	12	27	656	16
CML	60	88	2,387	82	8	12	507	18
CON	84	76	785	75	26	24	257	25
Total	176	79	6,682	82	46	21	1,420	18

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

LNB's lending to low- and moderate-income individuals is strong. Our analysis was based on a review of 1996 and year-to-date 1997 Home Mortgage Disclosure Act Loan Application Registers (HMDA-LARs), and a sampling of consumer lending activity. We reviewed 100% of HMDA-LAR reportable loans and sampled 46% of all consumer loans originated from January 1, 1996 to June 30, 1997. As evident on the following table, the bank's performance with respect to lending to low- and moderate-income individuals is strong. While 31% of families within the assessment area fall within the low- and moderate-income categories, LNB's loan originations (by number) to individuals in these categories is significantly higher at 49%.

Residential and Consumer Loan Originations By Income Of Borrower

Percentage of Residential and Consumer Loan Originations January 1, 1996 - June 30, 1997				
	Low	Moderate	Middle	Upper
LNB's Lending Pattern	31%	18%	22%	29%
% of Families Within Each Income Category	14%	17%	25%	44%

LNB's lending to businesses of different sizes is also strong. LNB originated 68 commercial and commercial real estate loans to 50 business during the period beginning January 1, 1996 and ending June 30, 1997. The average loan size was \$43 thousand. Eighty seven percent of the loans originated were for less than \$100 thousand. Our analysis was based on a sample of loan originations of 27 (54%) different businesses to determine the borrowers gross annual revenues. Based on this review, we found that 85% of the originations were to small businesses (businesses with gross annual revenues of less than \$1 million).

GEOGRAPHIC DISTRIBUTION/RESPONSE TO COMPLAINTS

There are no low- or moderate-income census tracts in the bank's assessment area. As a result, an analysis of the geographic distribution of loans would not be meaningful. The bank has not received any complaints related to its CRA performance since the last examination.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified. No evidence of illegal disparate treatment was noted.