



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

December 13, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Millbury National Bank
Charter Number: 13835**

**18 Main Street
Post Office Box 318
Millbury, MA 01527**

**Comptroller of the Currency
Boston Duty Station
150 Federal Street, Second Floor
Boston, MA 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 CRA performance of **Millbury National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 13, 1996. 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 61% for the past eight quarters beginning December 31, 1994.
- ▶ A substantial percentage of the bank’s lending is within their assessment area.
- ▶ The bank’s distribution of lending among borrowers reflects a strong record to small businesses but only a fair penetration to individuals of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Millbury 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 last examination.		

DESCRIPTION OF INSTITUTION

Millbury National Bank (MNB) is a \$35 million independent bank located 45 miles west of Boston. MNB's main office is located in downtown Millbury and one branch is in North Grafton; both in Worcester County. Each office has drive-up windows and extended hours. MNB has one non-deposit taking automated teller machine in a local grocery store. As of September 30, 1996, the \$19 million loan portfolio is comprised of 69% real estate loans (28% residential and 41% commercial), 19% commercial loans and 12% consumer loans. A full range of credit products is made available to the general public. The bank does not sell any of its mortgages into the secondary market, nor do they purchase loans. No offices have been closed since our last CRA examination, December 31, 1993. There are no legal impediments that would prevent MNB from meeting the credit needs of its assessment area.

Competition consists primarily from several types of financial institutions including credit unions, savings banks, co-operatives, mortgage companies, and branches of larger multinational organizations.

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's assessment area consists of 37 census tracts within Worcester County and are located in the Boston and Worcester Metropolitan Statistical Areas. The income levels of the census tracts are two moderate income, twenty-eight middle income, and seven upper income. There are no low income census tracts. The towns that make up the assessment area were selected as they are where MNB has traditionally maintained their highest loan and deposit activity.

The total population of the assessment area is 162,909. Median family income of the area is \$49,900. Median housing value for the area is \$137,500 and the median age of the housing stock is 38 years old. Total occupied housing units is 93% which consists of owner occupied and rental occupied housing of 66% and 27%, respectively. Vacant housing is 6%.

The major employers in the area are Wyman Gordon, Fallon Clinic, and Nortons. Additionally, the area is supported by light manufacturing, industrial distribution, and hi-tech companies such as the Worcester Telegraph and Gazette, Compus Engineering, GEN Manufacturing, and OMNI Multi-media. It is also supported by a variety of small (retail) businesses, and professional services. The area primarily serves as a bedroom community to the nearby city of Worcester and is predominantly blue collar. While the local economy is stable, local retail businesses are doing very well. Unemployment is 3%.

Economic development, small business, and housing related lending were described as the primary needs for the community by a community contact and 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 61%. Average loan to deposit ratios for the nineteen small banks in Worcester County range from 53% to 88%. MNB's loan to deposit ratio was 60% as of September 30, 1996.

Lending In Assessment Area

The table below shows that the substantial majority of MNB's loans are within their assessment area. For 1995 and year-to-date (YTD) 1996, 95% of the total number of originations were within MNB's assessment area. We used 1994, 1995, and year-to-date (YTD) HMDA reportable loans and management's semi-annual CRA reports for our review. We determined management's reports to be reasonably accurate.

Percentage of Lending within MNB's Assessment Area						
Loan Type	Number of Originations			Dollar Amount of Originations		
	1994	1995	YTD 1996	1994	1995	YTD 1996
Home Purchase, Home Improvement, Refinancing, Multifamily Loans	40%	83%	73%	45%	84%	59%
Consumer Loans	93%	96%	94%	92%	88%	91%
Business Loans	n/a	96%	97%	n/a	96%	98%
Totals for Loan Portfolio	n/a	95%	95%	n/a	94%	92%

Lending To Borrowers of Different Incomes and Businesses of Different Sizes

MNB's overall lending to borrowers of different incomes and businesses of different sizes is satisfactory and generally reflects the population within their assessment area. MNB's volume and distribution of business and consumer lending offsets their nominal levels of HMDA reportable loan originations.

MNB has a strong record of lending to small businesses. Management started collecting their volume of small business lending in 1996. As of June 30, 1996, 84% of the number of loans were to businesses with revenues less than \$1 million, as were 83% of the dollar amount of loans. The average small business loan was \$31 thousand. As well, 100% of the loans were to businesses with a loan amount of less than \$1 million. This is due to MNB's size. As of September 30, 1996, the largest loan MNB could make was \$525 thousand.

Lending To Borrowers of Different Incomes and Businesses of Different Sizes (Continued)

Management also indicated that they originate, on average, one Small Business Administration loan per year. MNB also participates in the *Greater Blackstone Valley Community Loan Program*. This program was developed in early 1995 and consists of a group of local banks to help small businesses in obtaining loans ranging from \$2-10 thousand. MNB is the smallest bank in the consortium. Originations are included in the small business analysis above.

Additionally, MNB's lending to borrowers of different incomes for consumer loans is good. MNB's percentage for consumer loan originations from 1994, 1995, and through June 30, 1996, revealed that 41% of the number of loans and 29% of the loan volume originated, were made to borrowers with incomes less than \$30 thousand. Management uses 70% of the median income when analyzing the distribution of instalment loans, which is more conservative than the moderate income percentage in the regulation.

MNB originations of HMDA reportable loans to borrowers of different income levels is not strong. Since our last CRA examination and through September 30, 1996, 3% of MNB's HMDA reportable loan originations were to low- and moderate-income individuals, and is disproportionate to the 31% low- and moderate-income population within their assessment area. Management indicated this is primarily due to MNB being a commercial bank and that they are not competitive with their pricing of mortgage-related products. They also explained that they do not actively market their residential mortgage products, but rather offer them more as a service to their customers. HMDA reportable loans comprised only 4% of all loan originations from 1995 through September 30, 1996.

Geographic Distribution of Loans

Of the 37 census tracts, no tracts were designated as low income and only two were designated as moderate income. For this reason, an analysis of the geographic distribution of loans was not meaningful.

Response to Complaints

MNB responses to consumer complaints could not be evaluated as no complaints were received since the last CRA examination.

Fair Lending Examination

A fair lending examination was performed concurrently with this examination. No evidence of illegal disparate treatment was noted. Also, the bank is in compliance with all substantive provisions of the fair lending anti-discrimination laws and regulations.