



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**October 20, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Randolph National Bank  
Charter Number 2274

Main Street  
Randolph, VT 05060

Office of the Comptroller of the Currency

New England Field Office  
20 Winthrop Square 2nd Floor  
Boston, MA 02110-1229

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Outstanding.**

The primary factors supporting the bank's overall rating include:

- The loan-to-deposit ratio is more than reasonable;
- A substantial majority of the bank's loans are originated within the designated assessment area (AA); and
- The distribution of loans reflects excellent penetration among borrowers of different income levels.

**SCOPE OF EXAMINATION**

CRA activities at Randolph National Bank (RNB) were completed using full-scope review procedures for its entire AA. Our review covered the bank's performance from January 1, 2006 through June 30, 2008. Purchase money mortgage loans were determined to be the bank's primary loan product and were reviewed as part of this examination.

**DESCRIPTION OF INSTITUTION**

Randolph National Bank (RNB) is a wholly owned subsidiary of Central Financial Corporation, a one bank holding company located in Randolph, Vermont (VT), which is the county seat of Orange County. During the evaluation period, RNB has undergone changes in its corporate structure by adding two new branch locations and relocating an existing branch.

RNB, originally chartered as The National Bank of West Randolph, was established by local investors in 1875 to serve a region dominated by agriculture, forestry, railroads and manufacturing. Today RNB has assets in excess of \$135 million and provides services to rural areas in central and eastern VT through seven full-service banking offices and nine Automated Teller Machines (ATMs).

RNB offers normal business hours during the week and also offers Saturday lobby and drive-in hours. RNB's main office and an additional branch office are located in Randolph. Additional branches are located in Bethel, Quechee, Rochester, Royalton and Williamstown. RNB's nine ATMs are located in at each of its locations and other off-site areas. Seven of the ATMs are accessible 24 hours per day, seven days per week.

The bank's products include a variety of traditional deposit and loan products, and twenty-four hour telephone banking and on-line Internet bill payment services. The

bank's Internet website provides detailed information on products and services for both consumers and businesses.

As of June 30, 2008 the bank's net loan portfolio totaled \$114 million, representing 85.56% of total assets. The loan portfolio consists of 37% commercial and commercial real estate, 55% residential real estate, and 8% consumer. The primary loan product that was reviewed at this examination was determined to be first lien purchase money residential mortgage loans. During this evaluation period, January 1, 2006 through June 30, 2008, RNB originated 365 of these loans.

According to June 30, 2008 Summary of Deposits Data from the Federal Deposit Insurance Corporation, RNB's market share of deposits in Orange County was 21.80% which ranked second out of six institutions operating in this county. RNB's main office is located in Orange County. Wells River Savings Bank, with \$129 million in assets, is ranked first with 37% of the market share of deposits in Orange County.

RNB also has five branches in Windsor County (in the bank's AA) and is ranked fifth with a market share of 6%. The top four competitors for market share in Windsor County are from a large trust bank headquartered in VT, and branches of large institutions headquartered in neighboring states.

RNB received a "Satisfactory" rating at the last CRA examination dated April 7, 2003. RNB faces no impediments, legal or otherwise, that hinder its ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

RNB has one defined AA. According to 2000 Census, the AA is comprised of 12 census tracts (CTs) within Addison, Orange, Rutland, and Windsor Counties in VT. No part of the bank's AA is located in a metropolitan statistical area (MSA). The town of Randolph is the geographical and focal hub of RNB's AA.

The bank's AA meets the requirements of the regulation and does not arbitrarily exclude any low- to-moderate income tracts. Eleven CTs in the AA are middle-income tracts and one CT is an upper-income tract.

**Table 1** reflects the AA demographics based on 2000 Census Bureau data and the 2008 Housing and Urban Development Agency (HUD) data.

<b>TABLE 1 Demographic Information For Full Scope Area: Randolph National Bank Non MSA AA</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	12	0.00	0.00	91.67	8.33	0.00
Population by Geography	39,167	0.00	0.00	84.93	15.07	0.00
Owner-Occupied Housing by Geography	11,662	0.00	0.00	84.13	15.87	0.00
Business by Geography	4,040	0.00	0.00	83.74	16.26	0.00
Farms by Geography	159	0.00	0.00	91.19	8.81	0.00
Family Distribution by Income Level	10,598	15.85	18.89	25.44	39.82	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	3,682	0.00	0.00	87.64	12.36	0.00
Median Family Income		46,084	Median Housing Value		109,894	
HUD Adjusted Median Family Income for 2008		57,300	Unemployment Rate (2000 US Census)		2.02%	
Households Below Poverty Level		10%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2008 HUD updated MFI

The economic condition of VT is deteriorating and is at risk of falling into recession, according to Moody's economic website. The unemployment rate for the state of VT has risen to 4.2% as of August 2008. According to the Bureau of Labor Statistics, the August 2008 unemployment rate for Addison County was 4.1%, Orange County was at 3.6%, Rutland County was at 5.2%, and Windsor County was at 3.6%.

The local economy does not depend on any particular industry. There are several manufacturers, some tourism, and a significant volume of self-employed individuals. Orange County, in the North Central region of VT, has several popular ski areas and historic towns. Randolph is home to a number of manufacturers, such as Ethan Allen Furniture, Inc., New England Precision, Progressive Plastics, Inc., and New England Precision, Inc.

Rutland and Windsor Counties are in the South Central region of VT. These counties are popular vacation destinations, offering hiking, boating, fishing, and wildlife. This region is home to manufacturers such as Master Lock, Stanley Tools, and The Stanley Works.

Addison County is located in the Champlain Valley region of VT. Companies such as IBM and IDX are located here. This region is also Vermont's educational center and home to the University of Vermont, Vermont College, Saint Michaels College, and many other higher educational institutions.

Banks in the area that are considered local competitors are all substantially larger in asset size than RNB. These banks include Chittenden Trust Company, Mascoma Savings Bank, RBS Citizens NA, and TD Bank, NA.

We completed one community contact as part of this Small Bank CRA Examination and reviewed two additional community contacts in the OCC Community Contact Database for organizations in the bank's AA. The three contacts were regional non-profit organizations. The contact stated local banks try and meet the housing needs of the community and confirmed that affordable housing was a primary need of the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

RNB's performance under the Lending Test is "Outstanding".

### Loan-to-Deposit Ratio

RNB's loan-to-deposit ratio (LTD) reflects strong performance. We reviewed the quarterly average loan-to-deposit ratios for the 21 quarters from June 30, 2003 through June 30, 2008, inclusive. During this period, RNB's loan-to-deposit ratio averaged 96%, which is well above the national peer bank average of 75% during the same period. This percentage is more than reasonable given the bank's size, lending capacity and competitive market.

### Lending in Assessment Area

A substantial majority of purchase money mortgage loans originated during the evaluation period were within the AA. RNB substantially exceeds the standards for satisfactory performance for lending in the AA. An analysis of our random sample purchase money mortgages disclosed that 95% of the loans were originated within the AA.

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

RNB's lending to low- and moderate-income families is excellent.

<b>Family Income Level</b>	<b># of Loans</b>	<b>% of Loans</b>	<b>Income Level of Families in AA</b>
<b>Low</b>	11	19%	15.85%
<b>Moderate</b>	9	16%	18.89%
<b>Middle</b>	17	30%	25.44%
<b>Upper</b>	20	35%	39.82%
<b>Total</b>	<b>57</b>	<b>100%</b>	<b>100%</b>

**Table 2** above shows that the bank's lending to low-income families exceeds the distribution of families with low-incomes in the bank's AA. This penetration is excellent.

The percentage of loans made to moderate-income borrowers is near to the percentage of moderate-income families in the AA. Considering the affordability of housing in the AA, this performance is reasonable.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful. The bank's AA consists of 12 CTs, 11 of which are middle-income tracts and one is an upper-income tract.

### **Responses to Complaints**

RNB did not receive any complaints about its performance in helping to meet credit needs in the assessment area during this evaluation period.

### **Fair Lending Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.