
Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

June 20, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ledyard National Bank
Charter Number 22210
320 Main Street
Norwich, Vermont 05055**

**Office of the 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 Community Reinvestment Act (CRA) performance of **Ledyard National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 20, 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.

Ledyard National Bank has demonstrated a sound commitment to CRA through:

- o An average loan to deposit ratio of 74.6% over the last two years;
- o Originating 80% of loans within the assessment area in 1995 and;
- o A satisfactory record of origination of small business loans.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>LEDYARD 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

Ledyard National Bank (LNB) is a \$96 million institution located in east-central Vermont where Interstate Highways 89 and 91 meet, about halfway between Boston and Montreal. LNB relocated its main office to Norwich, Vermont (population 3300) from Hanover, New Hampshire on January 5, 1996 to take advantage of bank branching legislation. The Lyme, NH branch is also new having opened October 23, 1995. Hanover, population 9,100, is the

founding community for this bank which opened in 1991. In addition to the former headquarters as its major branch, LNB operates a second Hanover branch, and standalone ATM. LNB is well located to compete in this highly-competitive, 10-bank market which surrounds Dartmouth College.

LNB is the only locally owned bank in Hanover, NH. Primary competition in its market area consists of three locally owned community banks. Branch operations of two large New England based regional banks, an upstate New York-based bank, and a large Vermont bank are other competitors. Due to this competition, LNB decided in 1993 to focus lending activity on small businesses; a market that the branches of larger out-of-state banks had difficulty serving.

At March 31, 1996, the bank's loan portfolio was nearly equally divided between consumer-based products (30%), commercial loans (33%), and commercial real estate (37%). There are no financial or legal impediments limiting this bank's ability to help meet credit needs in its two-state assessment area.

DESCRIPTION OF NEW HAMPSHIRE (NH) ASSESSMENT AREA

LNB has selected four towns, representing five block numbered areas (BNAs) as its NH assessment area. Combined population is 24,000. Income levels are high. Four BNAs reflect middle income characteristics. The fifth is an upper income BNA with 38% of the population and average family income equal to 182% of the statewide non MSA median family income of \$39,000.

Anchored by Dartmouth College and nationally recognized medical facilities, population levels are stable and housing starts are modest. Dartmouth enjoys graduate and undergraduate enrollment of 6,000 students and employs 3,000. Three major hospitals lead by Dartmouth Hitchcock employ 5,500. Area unemployment is 3%.

Owner occupied housing comprises 51% of the housing stock throughout the assessment area. Rental units represent 30% of the housing stock, of which 27% is occupied due its popularity with graduate students and visiting professors. The median value of housing is \$113,000 making housing difficult for a family with less income than the statewide median.

The bank and community contact, the Town of Hanover Community Counselor, stated that the real estate market was expensive and affordable family housing was slow to develop. Community needs were said to be centered in keeping elderly residents in their homes, identifying financially strong investors to support affordable family housing programs, and continuing to offer bank services with personal contact. To help address these needs, LNB participated in a construction loan for affordable housing and initiated the Improve-It Loan to fund repair costs for families with limited income.

DESCRIPTION OF VERMONT (VT) ASSESSMENT AREA

LNB has selected four towns, representing five block numbered areas (BNAs) as its VT assessment area. Combined population is 17,000. Income levels are high. Two BNAs reflect

middle income characteristics and three reflect upper income compared to the statewide non MSA \$34,400 median.

The assessment area shows economic stability through the presence of Dartmouth College and the Dartmouth Hitchcock Medical Center located two miles from the Vermont headquarters. Unemployment averages 3%. Owner occupied housing represents 53% of the overall housing stock as rental is popular with students and visiting professors. The median housing value is \$119,300.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

LNB’s average loan to deposit ratio for the past two years is 74.6% and is considered reasonable.

Similarly situated banks in Vermont with assets less than \$250 million during the same period had loan to deposit ratios ranging from 51.4% to 90.5%. Comparing LNB’s loan to deposit ratio with similar New Hampshire banks gives a more accurate perspective based upon the bank’s historical presence and operations. In this analysis, similarly situated banks with assets less than \$250 million had loan to deposit ratios ranging from 43.7% to 87.6%.

Lending in the Assessment Area

We found that a majority of loans were originated within the assessment area. In 1995, the two assessment areas comprised 80% of all lending. LNB maintains information by zip code to evaluate the location of their borrowers. Our review focused on commercial loans because the bank generally does not make residential mortgages. Applications are forwarded to a mortgage company for underwriting. Other consumer-based loans show modest originations. Commercial loan balances are about equally distributed between commercial and commercial real estate. In addition, LNB participates in Small Business Administration (SBA) programs evidenced by 12 originations and is a member of NH Community Reinvestment Corp., a \$30 million statewide, multi-bank initiative to fund affordable housing. Presently, five projects are under construction. The bank joined with the Business Finance Authority of NH to help meet the needs of businesses with annual sales less than \$5 million and credit needs up to \$500,000. To date, eight originations have been funded. Recently LNB initiated the Improve-It Loan, an unsecured loan up to \$10,000 for homeowners with incomes less than \$40,000. Proceeds repair roofs, heating systems, replace windows or add insulation. Eleven loans have been originated.

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

We sampled 100% of the bank’s commercial loans originated in 1995 and analyzed original loan amounts from the loan trial balance. LNB’s emphasis on loan amounts less than \$100,000, as shown below, is a proxy for active small business lending.

Percentage of Commercial Loan Originations by Loan size for 1995				
	<\$100,000	\$100,000 to \$300,000	\$300,000 to \$500,000	>\$500,000

Commercial	76%	12%	7%	5%
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We sampled 17% of non real estate loans to determine a distribution of commercial borrowers' revenue level. The following table of borrower revenue distribution confirms our small business lending proxy.

Percentage Distribution of Small Business Borrowers by Annual Revenue		
	<\$1,000,000	>\$1,000,000
Revenue	86%	14%

Tracking borrowers by geographic distribution was not meaningful because there was not any low to moderate income BNAs.

During the concurrent Fair Lending examination, no violations of any anti-discrimination laws or regulations were found.

State Rating

CRA Rating for New Hampshire is Satisfactory.

Factors supporting LNB's satisfactory rating include aggressive entry into small business lending when residential mortgages became uncompetitive and loan product development which helped meet affordable housing and home maintenance requirements for families with low to moderate income.

Description of Institution's Operations in New Hampshire.

LNB commenced operations in 1991. Total assets have grown to \$96 million. The New Hampshire focus of business generation is in the four contiguous towns of Hanover, Lebanon, Lyme, and Orford. Two branches and an ATM are in Hanover and a new branch opened in Lyme in October 1995.

Conclusions with Respect to Performance Tests in New Hampshire

LNB originates a few loans outside of New Hampshire and Vermont. They are modest in number and dollar volume. However, LNB originated 303 loans in New Hampshire, or 72% of all 1995 originations, for approximately \$26 million. Of these, 78% in number and 68% in dollar volume, totaling \$17.7 million were in the assessment area.

Both commercial real estate and commercial loans, is the focus of lending due to highly competitive residential lending conditions. Commercial activity accounts for 99 statewide originations of which 72 were in the assessment area. Within commercial, there is a well defined small business focus evidenced by the \$80 thousand average statewide and assessment area loan size.

Specific to New Hampshire, LNB is involved in lending programs to help meet local needs. LNB has joined with the Business Finance Authority of New Hampshire to provide up to \$500,000 to businesses which represent more than normal risk. Eight originations have recently been made. These borrowers must have revenue less than \$5,000,000. LNB is, also, an active participant in the Small Business Administration's "Low-Doc" program. Twelve originations have been made in conjunction with the SBA.

The geographic distribution of loans was not meaningful to our evaluation.

State Rating

CRA Rating for Vermont is Satisfactory.

Factors supporting LNB's satisfactory rating include relocating the bank headquarters to Vermont in January 1996 and active lending programs to help meet the needs of an expanded assessment area.

Description of Institution's Operations in Vermont.

LNB commenced operations modestly in Vermont shortly after 1991. More recently as the possibility of locating a branch there became a strategic goal, business volume increased. The Vermont focus of business generation is the four towns of Norwich, Hartford, Thetford, and Stratford comprising the Vermont portion of the assessment area. Commercial lending is actively pursued. There is a definite small business orientation.

Conclusions with Respect to Performance Tests in Vermont.

LNB originates a few loans outside of New Hampshire and Vermont. They are modest in number and dollar volume. However, LNB originated 118 loans in Vermont, or 28% of all 1995 originations, for approximately \$10 million. Of these, 85% in number and 73% in dollar volume, totaling \$7.2 million were in the assessment area.

Commercial real estate and commercial loans are the focus of lending due to highly competitive residential lending conditions. Commercial activity accounts for forty-one statewide originations of which thirty-three were in the assessment area. Within commercial, there is a well defined small business focus evidenced by the \$83 thousand average statewide and \$72 thousand average assessment area loan size.

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Geographic distribution of loans was not meaningful to our evaluation.