



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**June 24, 2002**

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

**National Iron Bank  
Charter Number 1214**

**195 Main Street  
Salisbury, CT 06068**

**Comptroller of the Currency  
Northeastern District  
1114 Avenue of the Americas, Suite 3900  
New York, NY 10036**

**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.**

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# **INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING**

**This institution is rated Satisfactory.**

This rating is based on the following factors:

- The average Loan to Deposit ratio in the evaluation period is 70.3%. This evidences a satisfactory level of lending.
- A significant majority of loans, 78% by number and 66% by dollar amount, are originated inside the assessment area.
- The distribution of loans to borrowers of different income levels and businesses of different revenue sizes is satisfactory.
- No consumer complaints were filed relating to the bank's efforts to meet the credit needs of its assessment area.

## **DESCRIPTION OF INSTITUTION**

National Iron Bank (NIB) is an \$86 million community bank. NIB is an intrastate bank with its main office at 195 Main Street, Salisbury, Connecticut (CT). Salisbury is in a rural setting in northwestern CT. The area is a southern extension of the Berkshire Region of Massachusetts. In addition to its headquarters office, there are three full-service branches. The branch located in Falls Village, CT was closed during the evaluation period. The closing of this branch had a neutral impact on helping to meet the credit needs of the community. The bank operates automatic teller machines (ATMs) at all banking offices.

NIB's primary business is taking deposits and making loans. As of March 31, 2002, the \$45 million loan portfolio represented 52% of total assets. Residential mortgages equaled 73% of total loans while commercial mortgages equaled 6%, consumer loans equaled 15%, and commercial and industrial loans equaled 6%. Both competitive pressure for fixed rate loans and secondary market high fees to fund low loan volumes adversely impacted mortgage origination volumes in 2001 and 2002. Rising interest rates throughout 1999 combined with stable and high rates in the first six months of 2000 adversely impacted refinance loan volume. Nevertheless, residential mortgages evidence a satisfactory volume of loans.

Competition is strong. There are more than 40 local and regional banks and mortgage company affiliates of nationwide banking companies in NIB's assessment area. Large bank competition comes from Sovereign Bank's purchase of former Fleet Bank offices, Washington Mutual Insurance Company's mortgage operations, Norwest Mortgage, Inc., and Chase Manhattan Mortgage. PNC Mortgage Corp. was a competitor earlier in the evaluation period. Community bank competition rests with Salisbury Bank and Trust, Canaan National Bank, First National Bank of Litchfield, and Litchfield Bancorp.

The bank offers a wide variety of home mortgage and consumer loans as well as a standard core of commercial loans for small businesses. There are no financial or legal impediments that would prevent the bank from helping to meet the credit needs of the community.

We last evaluated NIB's performance under CRA as of February 10, 1997, and the evaluation resulted in a "satisfactory" rating. The time period for this public evaluation is January 1, 1997 to March 31, 2002.

## **DESCRIPTION OF NON-METROPOLITAN ASSESSMENT AREA**

National Iron Bank's assessment area (AA) meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies. The AA is comprised of eight contiguous geographies within Litchfield County in northwestern Connecticut, and all eight are middle-income geographies. Seven geographies are located in a non-Metropolitan Statistical Area (non-MSA), and one geography is in the adjacent Danbury Metropolitan Statistical Area (MSA). We determined that the AA does not extend substantially beyond the boundaries of the MSA.

The total population in the AA is 19,964. The weighted average of MSA/non-MSA Updated Median Family Income is \$62,700. There are 5,429 families, of which 15% are low-income and 19% are moderate-income. There are 7,990 households, of which 5.5% are below the poverty level.

Major employers in the area are service industries, including five college preparatory schools, Sharon Hospital, a highly fragmented hospitality industry, and town governments. Manufacturing jobs are centered in Becton Dickinson in Canaan, CT. Unemployment is 2.1%, significantly below the national average of 5.9%.

There are two primary impediments to home ownership by low- and moderate-income individuals. One is income levels that are comparatively low to housing costs. As stated above, the weighted average of MSA/non-MSA Updated Median Family Income is \$62,700. While this is high with respect to other rural areas of New England, it is not high compared to AA housing costs and, in many cases, represents the income of two-income families.

The other factor is the low number of affordable homes. Housing values have been pushed higher by very significant economic and environmental influences exerted by individuals outside the area. The natural environment of mountains, lakes, and forests that spawned a genteel tourism industry centered on arts and music, was inviting to wealthy urban dwellers for primary and secondary homes. As a result, demographic data showing occupied housing at 58% and vacant housing at 22% is more likely 80% owner occupied first and second homes. Housing values have increased to more than \$204,000.

With income levels less than \$31,350, low-income families cannot purchase housing valued at more than six and one-half times family income. Moderate-income families, which have income

levels up to \$50,160 and comprise almost 19% of all families, face stiff debt-service requirements since median-valued housing is more than four times family income. At the same time, low levels of housing availability impede home purchases. The largely rural area, comprised of old farm tracts with declining agricultural activity, does not lend itself to housing expansion, affordable or otherwise.

We met with one community contact during the examination, a local social service agency. The contact said that primary community credit needs are centered in affordable housing. NIB is a viable resource for this need in the AA.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our examination focused on loans originated from January 1, 1997 through March 31, 2002. We used random sampling techniques included in our CRA examination guidelines to develop performance criteria. Home mortgage loans and consumer loans received the majority of weighting in our analysis. Of these two product lines, slightly more weight was given to mortgage loans due to the difficulty in making home mortgage loans in this assessment area.

### Loan-to-Deposit Ratio

NIB's Loan to Deposit ratio is adequate and it meets the standard for satisfactory performance. The bank's Loan to Deposit ratio averaged 70.3% during the evaluation period, which contained 21 calendar quarters.

### Lending in Assessment Area

National Iron's lending in the AA meets the standard for satisfactory performance. A substantial majority of loans, by number and dollar volume, were originated in the AA. Originated loans in the AA are 78% by number and 66% by dollar amount. The table below depicts the level of lending in the AA by major product lines. For example, 44 loans in our sample of real estate mortgages were made in the AA. This represents 73% of the mortgage sample and we conclude that 73% of mortgages written were made in the AA. In similar comparison, the 44 real estate mortgages made in the AA have original balances totaling approximately \$6.3 million. This amount is 66% of the total original dollar amount of our real estate mortgage sample.

**Lending in Assessment Area**

<b>Loan Product</b>	<b>Number of loans in AA</b>	<b>Percent of loan product sample</b>	<b>Dollar amount of loans in AA (\$000)</b>	<b>Percent of loan product sample</b>
Real Estate Mortgages	44	73	6,332	66
Small Business	16	80	2,223	62
Consumer	18	90	290	97
Total	78	78	8,845	66

Data obtained from random sampling.

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

The distribution of loans among borrowers of different income levels and businesses of different sizes is satisfactory. The next table reflects the number of residential real estate loans originated to each income level. The data was obtained from random loan sampling. The percent of families in the AA is from the most current data available in 2002.

**Lending to Borrowers of Different Income Levels  
Residential Real Estate Loans**

Income Level	Number of loans*	Percent of loans	Dollar amount (\$000)	Volume percent	Percent of families in AA
Low	6	10	442	5	15
Moderate	11	18	819	9	19
Middle	14	23	1,563	16	27
Upper	29	49	6,783	70	39
Total	60	100	9,607	100	100

\* Data obtained from random sampling.

The bank's residential mortgage lending to low-income individuals is significantly less than the percentage of low-income families in the AA. Residential mortgage lending to moderate-income individuals is slightly less than the percentage of moderate-income families in the AA. Low levels of affordable housing inventory and comparatively high values of existing housing stock mitigate performance within low- and moderate-income populations. Qualifying for a residential mortgage is a significant financial challenge for low- and moderate-income families in the AA.

**Lending to Borrowers of Different Income Levels  
Consumer Loans**

Income Level	Number of loans*	Percent of loans	Dollar amount (\$000)	Volume percent	Percent of families in AA
Low	2	25	6	11	15
Moderate	3	38	31	56	19
Middle	3	37	18	33	27
Upper	0	0	0	0	39
Total	8	100	55	100	100

\* Includes only those loans for which borrower income was available. Bank does not collect income data on loans secured by Certificates of Deposit. Data obtained from random sampling.

NIB's consumer loan performance with low-income individuals is greater than the percentage of low-income families within the AA. NIB's consumer loan originations to moderate-income families significantly exceed the percentage of moderate-income families within the AA. NIB's performance of support to low- and moderate-income families in need of consumer loans is satisfactory.

**Lending to Businesses of Different Sizes  
Business Loans**

Business	Number of	Percent of	Dollar amount	Volume	Percent of
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Size	loans*	loans	(\$000)	percent	businesses in AA
All	20	100	3,582	100	100
Small Business*	16	80	1,425	40	92

\* Data developed from random sampling.

NIB's lending to small businesses is satisfactory. The bank makes 80% of its business loans to small businesses compared to 92% of all businesses in the AA that are small businesses. A small business is defined as a business with gross annual revenues of \$1 million or less.

Approximately 70% of NIB's business loans were for amounts less than \$100 thousand. Small businesses generally seek loans of less than \$100 thousand.

### **Geographic Distribution of Loans**

Not applicable.

### **Responses to Complaints**

There have been no complaints relating to CRA issues.

### **Fair Lending Review**

We performed an analysis of public comments and consumer complaint information applicable to the scope of this examination (home mortgage loans, consumer loans, and loans to small businesses) according to the OCC's risk-based fair lending examination approach. Based on this analysis, a comprehensive fair lending examination was not conducted in connection with the CRA evaluation. The most recent comprehensive fair lending examination was performed prior to this evaluation period.