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Comptroller of the Currency  
Administrator of National Banks

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

## PUBLIC DISCLOSURE

May 31, 1996

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rockport National Bank  
Charter Number 1194  
16 Main Street  
Rockport, Massachusetts

The Office of the Comptroller of the Currency  
Boston Duty Station  
150 Federal Street, 2nd Floor  
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 Rockport National Bank prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of May 31, 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".

Rockport National Bank has satisfactory CRA performance as supported by:

- Reasonable average loan to deposit ratio of 65%.
- A majority of loan originations are made within the assessment area.
- The distribution of loan originations throughout the assessment area is reasonable.
- Good distribution of loans extended to borrowers of differing income levels, inclusive of low and moderate income individuals.
- Nearly all commercial lending is to small businesses as defined by the regulation.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>ROCKPORT 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

Rockport National Bank (RNB) is a \$46 million bank located 37 miles northeast of Boston in the Town of Rockport. RNB's main office and one branch are both located within Rockport town limits. Each office has an automated teller machine (ATM). The bank's loan portfolio is comprised of 60% residential real estate loans, 29% commercial and/or commercial real estate loans, and 11% consumer installment loans. There are no legal impediments that would prevent RNB from helping to meet the credit needs of its community.

## DESCRIPTION OF ASSESSMENT AREA :

RNB's assessment area consists of one census tract located within the Boston metropolitan statistical area (MSA). This tract is middle income. The total population (permanent) for this area registers at seven thousand. The Housing and Urban Development (HUD) MSA median family income is \$53,100. The median housing value is \$222 thousand with the median age of housing stock being 54 years. Owner occupied housing is 47% of the total. Renter occupied housing is 35% of the total. The remaining housing units are available for seasonal rentals.

Primary industries consist of tourism and lobstering. The local economy is stable with minimal growth opportunities and seasonal operating cycles.

Competition within the immediate assessment area is moderate with one major competitor, Granite Savings Bank. The adjacent community of Gloucester has eight banking outlets that offer further competition.

Small business and housing related lending were described as the primary credit needs for the assessment area by both bank management and community contacts.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

RNB's average loan to deposit ratio for the past eight quarters was 64.5%. The ratio as of March 31, 1996 was 66.3%. The bank is in the 53rd percentile in net loans to deposits when compared to nationwide peers but falls to the 43rd percentile when compared to local peers. However, RNB compares favorably to its primary competitor, Granite Savings Bank, which has a loan to deposit ratio of 55.6%. Average loan to deposit ratios for banks in Essex County range from 27% to 93%.

The major loan products are Home Mortgage Disclosure Act (HMDA) reportable real estate mortgages, home equity lines, instalment, and small business. An analysis of credit distribution in 1995 and 1994 shows that the majority of the lending is from within the assessment area when the number of loans is considered. These values vary slightly by loan products as can be seen in the table on the following page.

TABLE 1  
PERCENTAGE OF LENDING WITHIN RNB'S ASSESSMENT AREA

1995	
Loan Product	Number of Loans
Real Estate Mortgages	70%
Home Equity Lines	78%
Instalment	66%
Small Business	77%
1994	
Real Estate Mortgages	85%
Home Equity Lines	84%
Instalment	65%

Despite there being no low and moderate income census tracts within the assessment area, RNB's lending to low and moderate income individuals is good. The 1995 and 1994 origination analysis by number of real estate mortgages, home equity lines, and a sample (in 1995 - 31% and in 1994 - 42%) of instalment loans by borrower's income is reflected in the table below. The majority of these were within the assessment area.

TABLE 2  
PERCENTAGE OF LOAN ORIGINATIONS (BY NUMBER)  
BY INCOME CATEGORY OF BORROWER

1995				
	Low	Moderate	Middle	Upper
Mortgages	14%	14%	43%	29%
Equity Lines	11%	22%	11%	56%
Instalment	45%	34%	19%	2%
1994				
Mortgages	11%	18%	21%	50%
Equity Lines	5%	21%	21%	53%
Instalment	33%	20%	31%	16%

Our analysis of a sample (38%) of instalment loans originated from January 1996 through May 1996 revealed that 43% were made to low income individuals, and 29% to moderate income individuals. Comparable 1996 data for mortgages and home equity lines is not meaningful due to the low level of originations.

Small business lending adequately meets the needs of the assessment area’s commercial base. Nearly all of the business loans qualify as “small business” loans (annual revenues less than \$1 million). In 1995, RNB made 46 small business loans totaling \$225 thousand. In 1996 (January through May), RNB made 38 small business loans totaling \$231 thousand.

Data from the June 30, 1995 Call Report indicates that 100% of commercial real estate loans and 100% of commercial loans had origination amounts less than \$1 million. The following table reflects the bank’s lending to businesses.

TABLE 3  
PERCENTAGE OF SMALL BUSINESS LOANS BY SIZE OF LOAN  
(as of June 30, 1995)

LOAN SIZE	Commercial Real Estate		Commercial Loan	
	#	\$	#	\$
< \$100 M	43%	14%	100%	100%
\$100-250 M	43%	51%	0%	0%
\$250-1 MM	14%	35%	0%	0%
> \$1 MM	0%	0%	0%	0%

The census tract within RNB’s assessment area was middle income; therefore analysis of the geographic distribution of lending would not provide any meaningful information.

RNB’s performance under the Fair Lending laws is satisfactory. We found no violations of substantive provisions of the antidiscrimination laws and regulations. RNB has adequate policies, procedures, and review processes in place to help prevent any substantive Fair Lending violations.