



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 13, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Litchfield
Charter Number: 709

13 North Street - P.O. Box 578
Litchfield, Connecticut 06759

Office of the Comptroller of the Currency

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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 Satisfactory.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Major factors supporting the overall ratings include.

- The First National Bank of Litchfield's (FNBL) CRA performance is evaluated based on two assessment areas (AA). The two AA's are the "Litchfield AA" and the "Canton AA".
- FNBL's distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects satisfactory dispersion.
- A majority of the loans originated by FNBL were within its AAs.
- The net loan-to-deposit (LTD) ratio is reasonable given the size and financial condition of the institution as well as the AAs' credit needs, and relevant competitive factors.
- The bank's level of community development (CD) activities is considered adequate given its size and capacity, considering the CD needs and opportunities of its AAs.

Scope of Examination

The First National Bank of Litchfield was evaluated under the Intermediate Small Bank examination procedures, which include a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and CD services.

The evaluation period used for both tests covers the bank's performance since the prior CRA examination, August 8, 2006, through the start date of this review, October 13, 2009. The lending test includes a review of home mortgage loans and small business loans as these were determined to be FNBL's primary loan products.

To assess FNBL's performance under the lending test, we used the Home Mortgage Disclosure Act's Loan Application Register (HMDA-LAR) information. We also selected a random sample of 42 commercial loans to use in performing the assessment. The CD test evaluation considered qualified CD loans, investments, and services.

As part of the Intermediate Small Bank CRA evaluation, we conducted a data integrity review. The accuracy and applicability of lending activities for loans originated during the evaluation period were verified and found to be accurate. CD loans, investments,

and services submitted by bank management were also verified to ensure they met the regulatory definition for community development.

Description of Institution

FNBL is a \$550 million asset institution headquartered in Litchfield, Connecticut (CT). The bank is owned by the First Litchfield Financial Corporation, a one bank holding company. FNBL is a full service community bank that offers a wide variety of loan and deposit products. FNBL operates eight branch offices in Litchfield County, which are located in Goshen, Litchfield, Marble Dale, New Milford, Roxbury, Torrington Hilltop, Torrington North, and Washington Depot. FNBL also operates one branch office in the town of Canton in Hartford County, CT.

Recent branch office openings and closings include the Torrington Hilltop Branch, opened on November 6, 2006, and the Torrington Fair Branch, closed on November 18, 2007. Management does not plan on opening additional branch offices in the near term. Branches operate under normal business hours with ATM services available 24 hours a day seven days a week.

FNBL continues to grow with total assets marginally increasing by 1.2% from \$544 million on June 30, 2008 to \$550 million on June 30, 2009. Asset growth between 2007 and 2008 was greater at 4.9%. There are no legal or financial impediments to FNBL's ability to meet the credit needs of its AAs. FNBL received a "Satisfactory" CRA rating at the prior CRA examination dated August 7, 2006.

FNBL has traditionally been a residential mortgage lender with a focus on serving the needs of the local community. Over the past several years, management has placed greater emphasis on providing commercial loans to local businesses. Business strategies continue to stress serving the needs of the AAs. Total loans have steadily increased and stand at \$383 million on June 30, 2009, a 12.8% increase from the same period in 2008 which is after a 9% increase for the same time period in 2007. At June 30, 2009, net loans and leases represented 70% of total assets, which is consistent with other peer banks. The loan portfolio mostly consists of residential mortgages and home equity loans (49.7%), commercial real estate loans (19.2%), commercial and industrial loans (12%), construction and development loans (10.3%), and lease financing (6.9%). At June 30, 2009, tier one risk based capital was \$40 million and represented 10.3% of risk weighted assets, compared to \$36.3 million or 10.4% of risk weighted assets for the same period in 2008.

Description of Assessment Area(S)

FNBL has two assessment areas in Northwestern Connecticut, as described below.

Litchfield Assessment Area

The first assessment area (AA) is the “Litchfield AA” which management defines to be all of Litchfield County, CT. This AA has 51 Census Tracts (CTS) that consist of four moderate-income, 35 middle-income, and 14 upper-income tracts. There are no low-income CTS in this AA. The “Litchfield AA” is located in a non-Metropolitan Statistical Area (MSA). Economic conditions within the AA are relatively stable, but in line with economic conditions in the U.S. as a whole. The unemployment rate as of August 31, 2009 was 7.9% for the AA. This is in line with the state unemployment rate which is also 7.9%, according to the 2009 U.S. Bureau of Labor and Statistics data. The majority of businesses in the AA are in the service industry, followed by construction and the retail trade. Major employers include various state and local government entities, numerous individual retailers, the Litchfield District Schools, and the Charlotte Hungerford Hospital.

The “Litchfield AA” meets all regulatory guidelines and does not arbitrarily exclude low- or moderate-income areas. According to the 2000 Census data, the total population was 182,193, which included 49,810 families and 71,594 households. The income distribution by CTS of this AA consists of 0% low-income, 25% upper income, 67% middle income, and 8% moderate income CTS.

The following table shows the “Litchfield AA” demographic information based on the 2000 Census results and updated 2009 HUD data:

“Litchfield AA” 2009 Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	51	0.00	7.84	66.67	25.49	0.00
Population by Geography	182,193	0.00	6.20	62.58	31.23	0.00
Owner-Occupied Housing by Geography	53,813	0.00	4.21	62.74	33.05	0.00
Business by Geography	19,684	0.00	6.44	61.16	32.40	0.00
Farms by Geography	933	0.00	1.61	57.13	41.26	0.00
Family Distribution by Income Level	49,810	14.09	17.23	25.90	42.79	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	15,598	0.00	10.17	69.05	20.78	0.00
Census Median Family Income (MFI)		\$61,239	Median Housing Value		\$166,344	
HUD Adjusted Median Family Income for 2009		\$80,300	Unemployment Rate (2000		2.08%	
HUD Adjusted Median Family Income for 2008		\$79,600	U.S. Census)			
HUD Adjusted Median Family Income for 2007		\$76,100				
Households Below Poverty Level		5%				

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 U.S. Census and 2009 HUD updated MFI

Competition between financial institutions within this AA is strong. FNBL competes with local community banks as well as regional banks for both loans, and deposits. FNBL

ranked fourth in deposits among 18 banks with a 9.7% market share. The largest banks in this AA by deposit market share are Webster Bank N.A. with 17.6%, Torrington Savings Bank with 13.8%, Thomaston Savings Bank with 9.7%, Salisbury Bank & Trust CO. with 8.4%, Bank of America N.A. with 8.4%, and Wachovia Bank N.A. with 7.5%.

FNBL ranked 35th in residential mortgage loans out of 353 institutions with a 0.8% market share. This market also includes a large number of non-depository institutions. Countrywide Home Loans has the largest residential mortgage loan market share at 10%; and other major depository institutions and their market shares are: Bank of America N.A. with 3.9%, Webster Bank N.A. with 2.8%, Torrington Savings Bank with 1.3%, Thomaston Savings Bank with 1.3%, Wachovia Bank N.A. with 1%, and Salisbury Bank & Trust CO. with 0.7%.

In conducting the assessment of the bank's performance, we contacted two representatives from local government agencies. The contacts identified small business lending as a primary credit need in the area. Many large firms have continued to leave the area in recent years, and small businesses continue to be opened that are in need of credit services. Both contacts stated that community banks have made reasonable efforts in servicing the financial needs of the community and the banks are actively involved in CD activities. The contacts were not aware of complaints filed against the local community banks, including FNBL. The contacts also noted they are proud of the local community banks for being actively involved in their communities and their efforts to engage in the economic initiatives of the region.

Canton Assessment Area

The "Canton AA" is FNBL's second AA and is defined by bank management as the town of Canton, CT, which is located in the Hartford County MSA. This AA consists of two CTS, including one middle-income and the other an upper-income CTS. There are no low-income or moderate-income CTS in this AA. Economic conditions within this AA are relatively stable, but in line with economic conditions in the U.S. as a whole. The unemployment rate as of August 31, 2009 was 6% which is moderately lower than the state unemployment rate of 7.9%, according to the U.S. Bureau of Labor Statistics data. The majority of businesses in the AA are in the service industry, followed by the retail trade and construction. Major employers are the Canton Board of Education, Cherry Brook Health Care Center, Farmington Valley Association, Kohl's' Department Store, and Shaw's Supermarket.

The "Canton AA" meets all regulatory guidelines and does not arbitrarily exclude low or moderate-income areas. According to the 2000 Census data, the total population of this AA was 8,840 which included 2,467 families and 3,493 households. The income distribution by CTS of this AA consists of 0% low-income, 0% moderate-income, 50% middle-income, and 50% upper-income.

The following table shows the "Canton AA" demographic information based on the 2000 Census results and updated 2009 HUD data:

"Canton AA" 2009 Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	2	0.00	0.00	50.00	50.00	0.00
Population by Geography	8,840	0.00	0.00	44.95	55.05	0.00
Owner-Occupied Housing by Geography	2,838	0.00	0.00	42.35	57.65	0.00
Business by Geography	1,263	0.00	0.00	56.06	43.94	0.00
Farms by Geography	56	0.00	0.00	37.50	62.50	0.00
Family Distribution by Income Level	2,467	11.11	15.48	21.73	51.68	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	656	0.00	0.00	57.16	42.84	0.00
Census Median Family Income (MFI)		\$64,156	Median Housing Value		175,338	
HUD Adjusted Median Family Income for 2009		\$85,100	Unemployment Rate (2000		1.76%	
HUD Adjusted Median Family Income for 2008		\$81,100	U.S Census)			
HUD Adjusted Median Family Income for 2007		\$77,100				
Households Below Poverty Level		3%				

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census and 2009 HUD updated MFI

Competition between financial institutions in this AA is strong. FNBL competes with both local community banks as well as regional banks for deposits and loans. FNBL ranked fourth in deposits with a 9.2% market share among four banks. Other bank competitors in the AA and their deposit market share are Collinsville Savings Society with 41.8%, Bank of America N.A. with 24.8%, and Webster Bank N.A. with 24.2%.

FNBL ranked 66th in residential mortgage loans out of 135 institutions with a market share of 0.4%. There are a large number of non-depository institutions in this AA competing for residential mortgage loans, including Countrywide Home Loans which has the largest market share at 9%. Other major depository institutions and their market share include Bank of America N.A. with 6.2%, Collinsville Savings Society with 2.6%, and Webster Bank N.A. with 0.4%.

We were unsuccessful in establishing a community contact for this AA. We made several efforts to reach out to local government agencies and institutions, but did not receive a response in sufficient time for this evaluation. However, FNBL management indicated that small business loans are a primary credit need in the "Canton AA". Many large firms have continued to leave the area in recent years and small businesses continue to be opened that are in need of credit services.

Conclusions with Respect to Performance Tests

LENDING TEST

FNBL's performance under the lending test for the combined "Litchfield AA" and "Canton AA" is rated **satisfactory**. The net loan-to-deposit (LTD) ratio which identifies the level of lending activity was reasonable. FNBL originated a majority of its loans within the AAs. In performing this test, more weight was given to lending to borrowers

of different incomes and businesses of different sizes. This was due to the fact that there are no low-income CTS and moderate-income CTS account for approximately 8% of the total CTS within the AAs. Consequently, geographic distribution of loans is of less importance. The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of loans reflects a good dispersion throughout the CTS of the "Litchfield AA." We did not perform a geographic distribution analysis for the "Canton AA" as it would not be meaningful since the "Canton AA" has no low- or moderate-income CTS. There were no conspicuous lending gaps identified within the AAs.

Loan-to-Deposit (LTD) Ratio

FNBL's net LTD ratio is reasonable given the bank's size, financial condition, and the AAs identified credit needs. The ratio is calculated using net loans and leases to total deposits as reported in the Uniform Bank Performance Report, which is derived from quarterly Consolidated Reports of Condition and Income information (Call Reports) submitted to regulators. FNBL's LTD ratio has steadily trended upward and averaged 96% based on calculations from the twelve quarters ending June 30, 2009 since the prior CRA examination. FNBL's lowest LTD ratio for the period was 85% on September 30, 2006 and the highest was 108% on March 31, 2009. The bank's LTD ratio compares favorably with other community banks of similar size, location, and product offerings. The eight institutions in its peer group had LTD ratios averaging 95% and ranging from 80% to 110%.

Lending in Assessment Area

A majority of the loans originated by FNBL were within the AAs. We reviewed the distribution of loan originations during the evaluation period for FNBL's primary loan categories (residential mortgage loans and commercial loans). Based on the HMDA-LAR data and a sample of 42 commercial loans, 89% of the primary loan products were originated within the AAs.

The following table details the bank's lending within the AAs by number and dollar amount during the evaluation period.

Lending in Litchfield and Canton AAs										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE - Home Purchase	86	81.90%	19	18.10%	105	\$27,350	76.31%	\$8,489	23.69%	\$35,839
RE - Home Refinance	66	91.67%	6	8.33%	72	\$35,809	97.70%	\$843	2.30%	\$36,652
RE - Home Improvement	217	91.56%	20	8.44%	237	\$42,283	88.03%	\$5,747	11.97%	\$48,030
Commercial Loans	36	85.71%	6	14.29%	42	\$6,638	94.29%	\$402	5.71%	\$7,040
Totals	405	88.82%	51	11.18%	456	\$112,080	87.86%	\$15,481	12.14%	\$127,561

Source: HMDA-LAR and Commercial Loan Data

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

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes. Small business lending was identified as a credit need within both AAs. The borrower distribution for loans in the "Litchfield AA" is reasonable due to the bank's performance in small business lending. The borrower distribution for loans in the "Canton AA" is reasonable due to the bank's performance in small business lending. We did however place more weight on the bank's performance within the "Litchfield AA" given the higher population of low- to moderate-income individuals and small businesses.

Performance in the Litchfield AA

The borrower distribution of loans in the "Litchfield AA" is reasonable. Loans to small businesses was identified as a credit need in this AA. Consequently, we gave more weight to the bank's performance with small business lending than home mortgages. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels.

Home Loans

The distribution of home loans to borrowers reflects reasonable penetration among borrowers of different income levels. The bank originated 361 home loans over the past three years in this AA, including 98 loans to low- and moderate-income borrowers. The bank's level of lending to moderate-income borrowers for home refinance is good and reasonable for home purchase and home improvement. While the bank's level of lending to low income borrowers for home purchase and home improvement is low, this is reasonable taking into account demographics of this AA. According to the 2000 census data, the median cost of housing was \$166,344 and the average MFI for the years 2007 through 2009 was \$78,667. In 2009, a low-income individual earned less than \$40,149 annually. This income, relative to the median value of housing, presents

limited opportunities for low-income individuals to own homes. In addition, 5% of households in the area are below the poverty level.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of August 8, 2006 through October 13, 2009.

Borrower Distribution of Residential Real Estate Loans in "Litchfield AA"								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14.08%	3.57%	17.22%	17.86%	25.89%	19.05%	42.79%	47.62%
Home Refinance	14.08%	3.03%	17.22%	25.76%	25.89%	25.76%	42.79%	37.88%
Home Improvement	14.08%	8.53%	17.22%	18.96%	25.89%	21.80%	42.79%	46.45%

Source: HMDA data for 2006-2009 and HUD-updated 2000 U.S. Census data

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. Seventy-one percent of the bank's business loans originated during the loan sample time period in the AA were made to small businesses. Small businesses are businesses with gross annual revenue of one million dollars or less. This is considered reasonable compared to demographic data that shows 81% of the area's businesses are considered small businesses. The following table shows the distribution of commercial loans among different sized businesses in this AA.

Borrower Distribution to Businesses in "Litchfield AA"				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	80.89%	3.89%	15.23%	100.00%
% of Bank Loans in AA by #	71.43%	28.57%	0.00%	100.00%
% of Bank Loans in AA by \$	66.04%	33.96%	0.00%	100.00%

Source: Business loan data sampled from 2006-2009

Performance in the Canton AA

The borrower distribution of loans in the "Canton AA" is reasonable. Loans to small businesses was identified as a credit need in this AA. Consequently, we gave more weight to the bank's performance with small business lending than home mortgages. The distribution of loans to businesses reflects good penetration among businesses of different sizes. The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels.

Home Loans

The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels. Bank management originated seven home loans over the past three years in this AA, of which none were loans to low-and moderate-income borrowers. Even when taking into account the AA’s poverty rate of 3% and unemployment rate of 6%, the bank’s level of lending to low- and moderate-income borrowers is significantly below comparable demographic data.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of August 8, 2006 through October 13, 2009.

Borrower Distribution of Residential Real Estate Loans in “Canton AA”								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	11.11%	0.00%	15.48%	0.00%	21.73%	0.00%	51.68%	100.00%
Home Refinance	11.11%	0.00%	15.48%	0.00%	21.73%	0.00%	51.68%	0.00%
Home Improvement	11.11%	0.00%	15.48%	0.00%	21.73%	0.00%	51.68%	83.33%

Source: HMDA data for 2006-2009 and HUD-updated 2000 U.S. Census data

Business Loans

The distribution of loans to businesses reflects good penetration among businesses of different sizes. Small business lending was identified as a credit need within this AA. One-hundred percent of the bank’s business loans originated during the loan sample time period in the AA were made to small businesses. Small businesses are businesses with gross annual revenue of one million dollars or less. This is considered very good compared to demographic data that shows 81% of the area’s businesses are considered small businesses.

The following table shows the distribution of commercial loans among different sized businesses in this AA.

Borrower Distribution to Businesses in “Canton AA”				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	80.84%	3.17%	15.99%	100.00%
% of Bank Loans in AA by #	100.00%	0.00%	0.00%	100.00%
% of Bank Loans in AA by \$	100.00%	0.00%	0.00%	100.00%

Source: Business loan data sampled from 2006-2009

Geographic Distribution of Loans

The distribution of loans reflects a good dispersion throughout the “Litchfield AA.” We did not perform a geographic distribution analysis for the “Canton AA” as it would not be meaningful since the “Canton AA” has no low- or moderate-income CTS. There were no conspicuous lending gaps identified within FNBL’s AAs.

Performance in the Litchfield AA

FNBL’s geographic distribution of loans in this AA reflects a good dispersion throughout CTS of different income levels. Small business lending was identified as a primary credit need within this AA. Consequently, more weight was placed on the bank’s small business loan distribution. FNBL’s geographic distribution of business loans reflects good dispersion throughout the CTS of different income levels. FNBL’s geographic distribution of home loans in this AA reflects a reasonable dispersion throughout CTS of different income levels,

Home Loans

FNBL’s geographic distribution of home loans in this AA reflects a reasonable dispersion throughout CTS of different income levels, including the moderate-income census tracts. In particular, the percentage of home refinance and home purchase loans originated in the moderate-income CTS is good. The percentage of home improvement loans originated in the moderate-income CTS is poor. While home improvement loans are only one of the three home loan products, they account for 59% of the number and 40% of the dollar amount of the home loans originated in the AA. As a result, home improvement loans were given more weight. Since there are no low-income CTS in the AA; FNBL’s lending to low-income CTS does not apply.

The following table details FNBL’s performance as compared to the percentage of owner-occupied housing units in each CTS income level.

Geographic Distribution of Residential Real Estate Loans in "Litchfield AA"								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00%	0.00%	4.21%	5.95%	62.74%	59.52%	33.05%	34.52%
Home Refinance	0.00%	0.00%	4.21%	7.58%	62.74%	62.12%	33.05%	30.30%
Home Improvement	0.00%	0.00%	4.21%	2.37%	62.74%	66.35%	33.05%	31.28%

Source: HMDA data for 2006-2009 and HUD-updated 2000 U.S. Census data

Business Loans

FNBL’s geographic distribution of business loans reflects good dispersion throughout the CTS of different income levels. The percent of loans made in moderate-income CTS significantly exceeds the number of businesses in this AA. Businesses in moderate-income CTS account for 6% or 1,268 of the total 19,684 businesses in the “Litchfield AA”. Management originated 31% by number of loans and 23% by dollar amount of its commercial loans for businesses in moderate-income CTS.

The following table details FNBL’s performance as compared to the percentage of businesses in each CTS income level.

Geographic Distribution of Commercial Loans in "Litchfield AA"								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.00%	0.00%	6.44%	31.43%	61.16%	37.14%	32.40%	31.43%

Source: Business loan data sampled from 2006-2009; Dun & Bradstreet data

Performance in the Canton AA

We did not perform a geographic distribution analysis for the “Canton AA” as it would not be meaningful since this AA has no low- or moderate-income CTS. There were no conspicuous lending gaps identified within this AA.

Responses to Complaints

FNBL has not received any CRA complaints during this evaluation period.

COMMUNITY DEVELOPMENT TEST

FNBL’s performance under the community development test is rated **satisfactory**. The level of CD activities is considered adequate given FNBL’s size and capacity, and considering the CD needs and opportunities in the AAs. More weight was given to FNBL’s responsiveness to CD needs within the “Litchfield AA” given the higher population of low- to moderate-income individuals, the higher number of moderate-income CTS, and the greater need for CD services. FNBL demonstrated adequate responsiveness to the CD needs of the “Litchfield AA”, but poor responsiveness to those of the “Canton AA”. During the evaluation period, approximately \$3.9 million in CD loans, qualified investments, and donations were made to help meet the CD needs of the “Litchfield AA”. In addition, bank employees provided technical expertise to eleven community organizations, nine of which were in the “Litchfield AA”, serving the needs of the AAs.

Performance in the Litchfield AA

FNBL has demonstrated adequate responsiveness to the CD needs of this AA, considering its performance context and the needs and opportunities in the AA.

Performance in the Canton AA

FNBL has demonstrated poor responsiveness to the CD needs of this AA, considering its performance context and the needs and opportunities in the AA.

Number and Amount of CD Loans

The number and dollar amount of CD loans originated by FNBL in the “Litchfield AA” is satisfactory. During the evaluation period, management originated seven CD loans that totaled \$1.9 million and qualified as CD loans as defined in the CRA regulation (12 C.F.R. §34). CD loan proceeds were used to finance affordable housing and support economic development by creating jobs for low- and moderate-income individuals as well as generate new business opportunities in the “Litchfield AA”. None of the loans were considered innovative or complex in nature.

Performance in the Canton AA

FNBL did not originate any CD loans in the “Canton AA” during the evaluation period. This is somewhat justified given the fact that FNBL has just one branch office in the AA and there are minimal CD loan opportunities in the AA. Also, FNBL is a minor participant in providing CD loans and activities to this AA considering the large number of other banks and the extent of their lending in the AA.

Number and Amount of Qualified Investments

Performance in the Litchfield AA

FNBL has one qualified CD investment totaling \$2 million in the CRA Qualified Investment Fund, a \$1 billion fixed income security fund established to support CRA development initiatives throughout the country. The fund is involved in a wide range of CD activities including housing, healthcare, and job creation projects. To date, it has financed over 149,000 in affordable rental housing units, 5,500 home mortgages for low and moderate income families, \$234.4 million in down-payment assistance programs, \$27.3 million in affordable healthcare facilities, and \$86.1 million in job creation programs. The “Litchfield AA” has specifically benefited from 16 loans granted totaling approximately \$2 million for home mortgages to low- and moderate-income families.

During the rating period, management made over 152 qualified grants and donations totaling \$30,452 in the “Litchfield AA”. These grants and donations were to local community organizations for various CD initiatives throughout the “Litchfield AA”.

Performance in the Canton AA

FNBL has not made CD qualified investments or donations in the “Canton AA”. This is, in part, due to the limited opportunities for CD investments in the AA. Additionally, management has encountered difficulty in locating institutions where they could make donations that would directly benefit or would have the potential to benefit this AA.

Extent to Which the Bank Provides Community Development ServicesPerformance in the Litchfield AA

During the evaluation period, twelve bank employees provided support and services to nine different CD organizations. CD services provided by FNBL employees in positions of leadership include: Litchfield Area Business Association, Northwest CT Chamber of Commerce, Northwest CT Chamber Economic Development Corporation, River Park Elderly Housing, Torrington Development Corp, Town of Litchfield Capital Committee, Washington Business Association, Washington Community Housing Trust, and Washington Environmental Council. In addition, a number of FNBL officers and employees volunteer at local clubs and organizations as regular members.

Performance in the Canton AA

Management has made efforts to provide CD services to the “Canton AA” even with its limited branch network. During the evaluation period, three bank employees provided support and services to two different CD organizations. CD services provided by FNBL employees in positions of leadership include: Canton Chamber of Commerce and Canton Education Foundation. In addition, bank officers and employees volunteer at local clubs and organizations as regular members.

Responsiveness to Community Development NeedsPerformance in the Litchfield AA

FNBL’s CD activities, as a whole, demonstrate an adequate responsiveness to the needs and opportunities in this AA. The prominent identified need for this AA is financial support services for small businesses. Of the bank’s seven CD loans, one was targeted to an identified CD need for small business lending. The remaining loans were used to finance affordable housing and support economic development by creating jobs for low and moderate-income individuals as well as generate new business opportunities in the AA. FNBL’s qualified CD investment supports affordable housing for low- to moderate-income individuals in the AA. In addition, management made \$30,452 in donations to numerous local community organizations that provide various CD services and initiatives throughout the AA. Bank employees also provided technical assistance to nine different qualified organizations that offer needed financial support services to small businesses and community services to the low- and moderate-income population in the AA.

Performance in the Canton AA

FNBL's CD activities, as a whole, demonstrate poor responsiveness to the needs and opportunities in this AA. Opportunities for CD loans and qualified CD investments are limited due to the relatively low population of low- to moderate-income individuals along with the large number of competitors in the AA. While CD services are needed, bank management had minimal success with efforts to provide services directly and through participation with community organizations. Three bank employees provide assistance to two community organizations that offer CD services.

Fair Lending or Other Illegal Credit Practices Review

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