



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

August 06, 2012

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lake Sunapee Bank, FSB  
Charter Number 707644

9 Main Street  
Newport, New Hampshire 03773-1521

Office of the Comptroller of the Currency

99 Summer Street, Suite 1400, Boston, Massachusetts 02110

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 CRA RATING:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

- The loan-to-deposit ratio is more than reasonable.
- A substantial majority of the bank's loans were made inside the assessment area.
- The distribution of home loans reflects reasonable penetration among borrowers of different income levels.
- Geographic distribution of loans represents reasonable dispersion in the moderate-income census tracts.
- The bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas.

## **Scope of Examination**

Lake Sunapee Bank, FSB (LSB) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AA) through its lending activities. The CD test evaluates the bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services.

The evaluation period for the lending test covers the bank's performance from January 1, 2009 through December 31, 2011. The evaluation period for the CD test is from March 1, 2009, the date of the last CRA evaluation, through August 6, 2012. Community development loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

LSB's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans including home purchase, refinance, and home improvement loans. Residential mortgages represent 66% bank's loan originations by number.

The bank reports data under the requirements of Home Mortgage Disclosure Act (HMDA). We reviewed the testing results of the bank's HMDA data for residential real estate loans originated and purchased and found that the data was reliable. All residential real estate loans originated and purchased during the evaluation period were included in our evaluation of the bank's lending.

## Description of Institution

LSB is a federally chartered thrift institution headquartered in Newport, New Hampshire (NH), with total assets of \$1.1 billion as of March 31, 2012. LSB is wholly-owned by New Hampshire Thrift Bancshares, Inc., and has two operating subsidiaries that were not considered in evaluating CRA performance.

LSB operates 25 banking branch offices located throughout the Dartmouth/Lake Sunapee and Merrimack Valley regions of NH, and across central Vermont (VT). The bank has three full-service locations in moderate-income areas, with one in Claremont, NH, and two in Rutland, VT. An additional automated teller machine (ATM)-only location is located in Claremont, NH. One ATM-only location was closed during the evaluation period in Middlebury, VT. Branch hours are generally 9am to 5pm Monday through Friday, with varying hours on weekends and for some ATM-only locations.

The bank offers a full suite of loan products, but continues to be primarily a residential lender. Residential mortgage products include fixed and variable rate offerings, home equity loans and lines of credit. LSB also offers business loan products, and to a lesser extent, consumer loans. As of March 31, 2012, residential mortgages accounted for 66% of gross total loans and leases.

Competition in the market area is significant with several institutions, including commercial banks, thrifts, and credit unions competing for market share. The bank's primary competitor on a local level is Mascoma Savings Bank, with Ledyard National Bank also garnering some share of the market in NH and VT. LSB must also compete with large regional and nation-wide institutions including Bank of America, RBS Citizens NA, and Sovereign Bank.

Total assets have increased \$261 million, or 31%, since the previous CRA examination in March 2009. The growth in total assets is the result of significant growth in commercial real estate and home mortgages due to robust refinance activity, as well as funds received from the Small Business Loan Fund.

The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product March 31, 2012	
Loan Category	% of Average Gross Loans and Leases
1-4 Family Residential Mortgage	66%
Other Real Estate	22%
Commercial & Industrial	5%
Municipal	4%
Construction and Development	2%
Consumer	1%

Source: FDIC Call Report

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory," using intermediate small bank procedures, at the last CRA examination, dated March 1, 2009.

## Selection of Areas for Full-Scope Review

The Community Reinvestment Act requires a bank to define an assessment area (AA) in which it will be evaluated. LSB has offices in two states, NH and VT. We selected the bank's entire AA and reviewed it as three AAs, two in NH and one in VT. The NH MSA received a limited-scope review, while both the NH non-MSA and VT non-MSA received full-scope reviews.

## Ratings

The bank's overall rating is a blend of the state ratings. Performance in the state of NH was most heavily weighted in arriving at overall conclusions as 74% of the bank's loans, 72% of the branches and 74% of total deposits are located within this AA. Refer to the "Scope" section under each State Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

## Conclusions with Respect to Performance Criteria

LSB's performance under the lending test is satisfactory. More weight was placed on performance in the NH non-MSA AA, as a majority of the bank's operations are in this area. The bank's loan to deposit ratio is more than reasonable, and a substantial majority of loans were made inside the assessment area. The distribution of home loans reflects reasonable penetration among borrowers of different income levels. The geographic distribution of loans represents reasonable dispersion in the moderate-income census tracts.

### Loan-to-Deposit Ratio

The bank's net loan-to-deposit ratio is more than reasonable, and averaged 90% over the last 14 quarters since the previous CRA examination. During this period the loan-to-deposit ratio ranged from a quarterly low of 84% to a high of 96%. LSB's loan-to-deposit ratio is slightly higher than the national peer bank median quarterly average of 88% over the same period.

### Lending in Assessment Area

A substantial majority of the bank's primary loan products were originated within its assessment areas, with 86% of both the number and dollar amount in the AAs.

The following table details the bank's lending within the AAs by number and dollar amount of loans.

<b>Table 1 - Lending in LSB's AAs (000's)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	507	83%	105	17%	612	113,363	83%	23,813	17%	137,176
Home Refinance	1,938	87%	295	13%	2,233	364,851	87%	52,684	13%	417,535
Home Improvement	329	85%	57	15%	386	52,819	86%	8,750	14%	61,569
Totals	2774	86%	457	14%	3,231	531,033	86%	85,247	14%	616,280

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

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

## State Ratings

### State of New Hampshire

**CRA Rating for New Hampshire: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The distribution of home loans reflects reasonable penetration among borrowers of different income levels.
- Geographic distribution of loans represents reasonable dispersion in the moderate-income census tracts.
- The bank's community development performance demonstrates adequate responsiveness to community development needs its assessment area.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

The AA in NH was reviewed as two separate AAs. AA1 is comprised of the Manchester-Nashua metropolitan statistical area (MSA), includes Hillsborough County, and contains 14 census tracts, comprised of 13 middle-income and one upper-income tracts. LSB has a small market share in the NH MSA, as the area is dominated by larger national and regional banks. According to 2010 Peer Mortgage Market Share data, LSB holds 3.41% of the dollar amount of loans in AA1. A limited-scope review was completed for AA1, as LSB's presence is minimal with only three of the bank's 25 branches, 13% of loans, and 8% of total deposits located within AA1.

AA2 is the non-MSA portion of the bank's NH assessment area, and includes portions of Grafton, Merrimack, and Sullivan counties. AA2 contains 22 census tracts, comprised of two moderate-income, 17 middle-income, and three upper-income tracts. A full-scope review was completed for AA2. The NH non-MSA AA includes two moderate-income tracts in Claremont, NH, located in Sullivan County. In AA2 there are 15 full-service branches, two ATM-only, and one drive up-only locations. A branch and an ATM-only location are in Claremont, a moderate-income area. A substantial majority of the bank's deposit base is located within AA2, with approximately 74% of total deposits. LSB is the market leader in each of the three counties in AA2 for residential mortgages originated or purchased, home purchases, home refinances, and home improvement loans.

Economic indicators show that the NH economy has started to recover from the national recession. Statewide unemployment rates have steadily declined from a 10 year high of 6.7% in December 2010 to 5.4% as of July 2012. NH's unemployment rates still remain well below the national average of 8.2%. Major employers in NH include Valley Regional Hospital, New London Hospital, and Colby-Sawyer College.

A community contact identified several credit needs to the NH MSA. These include affordable rental housing for low and very low-income households, funding for the rehabilitation and repair of older housing units, housing for frail elders, funding for community and supportive services for low-income households; and funding for weatherization programs. The availability of subsidized housing for low and very low-income households is significantly lacking compared to what is needed. In addition, because of the growing immigrant and refugee population, support is needed for translation and literacy services.

Demographic information of LSB's NH AAs is broken out in the tables below.

<b>Demographic Information for LNB's NH MSA AA1</b>					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	14	0%	0%	93%	7%
Family Distribution by Income Level	14,935	16%	21%	28%	35%
Household Distribution by Income Level	22,697	0%	0%	94%	6%
2000 Census Median Family Income (MFI)		\$62,255	2006-2010 Median Housing Value Range (Hillsborough county)		\$269,900
			Median Age of Housing		
HUD Updated MFI: 2011		\$69,400	Families Below the Poverty Level		5.47%
2000 Census Median Housing Value		\$125,325	Unemployment Rate **		5.4%

<b>Demographic Information for LNB's NH Non-MSA AA2</b>					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	22	0%	9%	77%	14%
Family Distribution by Income Level	24,492	14%	19%	25%	42%
Household Distribution by Income Level	44,511	0%	9%	80%	11%
2000 Census Median Family Income (MFI)		\$50,942	2011 Median Housing Value Range (3 NH Counties)*		\$194,000
			Median Age of Housing		
HUD Updated MFI: 2011		\$69,400	Families Below the Poverty Level		7.50%
2000 Census Median Housing Value		\$123,677	Unemployment Rate **		5.4%

Source: 2000 US Census data

\* Data from the US Census quick facts for the three counties in the NH AA

\*\* Data from US Bureau of Labor Statistics as of 7/12. Rate is for the entire state of NH.

## SCOPE OF EVALUATION IN NEW HAMPSHIRE

The NH MSA AA1 received a limited-scope review due to the limited nature of bank operations with the AA. Performance in AA2 NH non-MSA was weighted the heaviest, as 67% of loans were originated over the evaluation period, 18 of 25 branches and 74% of total deposits are located within AA2.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE

### LENDING TEST

The bank's performance under the lending test in NH is rated "Satisfactory."

The distribution of loans reflects a reasonable penetration among individuals of different income levels. Geographic distribution of loans represents reasonable dispersion within moderate-income census tracts.

### Limited-scope review of AA1 NH MSA

Based on a limited-scope review, LSB's performance under the lending test in AA1 NH MSA to borrowers of different income levels for residential home purchases, refinances, and home improvement is consistent with the bank's overall lending test rating under the lending test in the full-scope area. Geographic distribution of loans was not reviewed for AA1 NH MSA, as there are no low- or moderate-income tracts in this assessment area.

### Lending to Borrowers of Different Incomes

Table 2 - Borrower Distribution of Residential Real Estate Loans in NH MSA AA1								
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	16	6	21	31	28	22	35	41
Home Improvement	16	13	21	19	28	16	35	52
Home Refinance	16	11	21	26	28	29	35	34

Table 2A – Aggregate Lending Data for Borrower Distribution in NH MSA AA1								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	15	6	35	31	28	22	22	41
Home Improvement	14	13	16	19	17	16	53	52
Home Refinance	8	11	21	26	31	29	40	34

**Full-scope review of AA2 NH Non-MSA**

The distribution of home loan originations reflects reasonable penetration among borrowers of different income levels. The percent of home purchase loans to low-income borrowers is significantly below the percent of low-income families, however compares more favorably to the aggregate lending data for low-income borrowers. The percent of home purchase loans to moderate-income borrowers is below the percent of moderate-income families in the AA, as well as the aggregate lending data.

The percent of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the AA, however compares more favorably to the aggregate lending data. Home improvement loans to moderate-income borrowers are slightly below the percentage of moderate-income families in the AA. However, home improvement loans to moderate-income families exceed the aggregate loan data percentage.

The percent of home loan refinances to low-income borrowers is significantly below the percentage of low-income families in the AA, however compares more favorably to the aggregate lending data. Home refinance loans to moderate-income borrowers are slightly below the percentage of moderate-income families in the AA. However, home refinances to moderate-income families exceed the aggregate loan data percentage.

The primary comparator is the aggregate loan data, which shows a reasonable level of lending to low- and moderate-income individuals. Additionally, while the bank is the market leader for loans in AA2, the HUD Adjusted MFI for 2011 was \$69,400, with moderate-income individuals in an income range of \$31,451-\$50,320, and low-income borrowers at \$31,450. Given that the median housing price is \$194,000, low- and moderate-income individuals could have difficulty qualifying for mortgage loans.

The tables below illustrate the distribution of residential real estate loans to borrowers of different income levels as compared to the percentage of families in each income category, and aggregate lending data.

<b>Table 3 - Borrower Distribution of Residential Real Estate Loans in NH Non-MSA AA2</b>								
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	3	19	15	25	22	42	60
Home Improvement	14	4	19	12	25	30	42	54
Home Refinance	14	3	19	13	25	21	42	63

<b>Table 3A – Aggregate Lending Data for Borrower Distribution in NH Non-MSA AA2</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	6	3	23	15	27	22	44	60
Home Improvement	4	4	15	12	27	30	54	54
Home Refinance	4	3	14	13	24	21	58	63

**Geographic Distribution of Loans**

The geographic distribution of home purchase, refinance and home improvement loans in AA2 NH Non-MSA represents reasonable dispersion in moderate-income level census tracts. The level of lending in moderate-income geographies is below the percent of owner occupied housing, however owner occupied housing is low at 7%. The distribution of home loans compares more favorably to the aggregate loan data.

<b>Table 4A – Aggregate Lending Data for Geographic Distribution in NH Non-MSA AA 2</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0	0	3	2	85	73	12	25
Home Improvement	0	0	6	2	86	81	8	17
Home Mortgage Refinance	0	0	3	2	80	79	17	19

## **Responses to Complaints**

LSB did not receive any CRA complaints during the evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test in NH is rated "Satisfactory." LSB's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through CD investments, services, and loans.

### **Number and Amount of Community Development Loans**

#### Conclusion for limited-scope AA 1(NH MSA)

The bank's level of CD lending is adequate. LSB made one qualifying community development loan in AA1 during the evaluation period totaling \$50 thousand. This loan is a line of credit to a non-profit organization that provides a variety of services to low- and moderate-income individuals and families including money management, fuel assistance, and domestic violence counseling.

#### Conclusion for full-scope AA2 (NH Non-MSA)

The bank's level of CD lending in AA 2 is adequate. LSB made one qualifying community development loan in AA2 during the evaluation period. The loan is a \$70 thousand line of credit to a non-profit organization whose focus is to enhance oral health care for low- and moderate-income individuals located Claremont, NH, a moderate-income area.

### **Number and Amount of Qualified Investments**

#### Conclusion for limited-scope AA1 (NH MSA)

During the evaluation period, LSB made five qualifying investments totaling \$258 thousand. All five investments were made to a Community Development Corporation (CDC) to expand affordable housing and economic development for low- and moderate-income individuals.

There were no prior period investments made for AA1.

In addition, the bank made 27 grants/donations totaling \$14 thousand to 18 community development organizations in the AA. While the actual level of bank donations made was higher, these donations met the definition of community development.

Conclusion for full-scope AA2 (NH Non-MSA)

LSB made seven investments totaling \$178 thousand primarily to support a CDC's expansion of affordable housing and economic development benefiting low- and moderate-income individuals. Investments were also made to two other CDC's whose mission is to promote economic development and to provide services to low-income workers.

There were no prior period investments for AA2.

In addition, the bank made 19 grants/donations totaling \$5 thousand to 10 community development organizations in the AA.

**Extent to Which the Bank Provides Community Development Services**

Conclusion for limited-scope AA1 (NH MSA)

The bank provides a satisfactory level of community development services. During the evaluation period, three bank officers/employees provided financial expertise and/or leadership services to three qualified community development organizations serving the NH MSA AA.

Conclusion for full-scope AA2 (NH Non-MSA)

In AA2, one branch is located in a moderate-income census tract. During the evaluation period, 12 bank officers/employees provided financial expertise and/or leadership services to eight qualified community development organizations. In addition, the bank participated in five first time homebuyer seminars.

Highlights for community development services include:

- A bank officer is a member of the finance committee of the chamber of commerce in a moderate-income area, whose mission is to grow and promote economic development in the county.
- A bank employee presented financial literacy and banking concepts to students in one of the bank's moderate-income areas.
- A bank officer is the banker representative for a CDC whose mission is to develop and support affordable housing.

## **Responsiveness to Community Development Needs**

### Conclusion for limited-scope AA1 (NH MSA)

LSB's community development performance, measured through CD loans, investments, and services, demonstrates adequate responsiveness to the needs of its AA, considering the bank's capacity and the need and availability of CD opportunities.

### Conclusion for full-scope AA2 (NH Non-MSA)

LSB's community development performance, measured through CD loans, investments and services demonstrates adequate responsiveness to the needs of its AA, considering the bank's capacity and the need and availability of CD opportunities.

## State of Vermont

### **CRA Rating for Vermont: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

The major factors that support this rating include:

- The distribution of home loans reflects reasonable penetration among borrowers of different income levels.
- Geographic distribution of loans represents reasonable dispersion in the moderate-income census tracts.
- Community development performance demonstrates adequate responsiveness to community development needs.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT**

AA3 is the VT non-MSA, which includes portions of Orange, Addison, Rutland, and Windsor counties. AA3 contains 27 census tracts, comprised of two moderate-income, 19 middle-income, and six upper-income tracts. The two moderate-income tracts are located within Rutland County. A full-scope review was completed for AA3 as it is the only AA within the state of VT. The bank operates seven full-service branches and one ATM-only location in AA3. There are two full-service branches located in the two moderate-income tracts in Rutland. Deposits in AA3 account for approximately 18% of the bank's total deposits. According to 2010 Peer Mortgage Market Share data, LSB ranks first in loan market share in Orange County with 16%, fourth in Rutland County with 4%, and second in Windsor County with 9%. Additionally, the town of Brandon, was designated a major disaster area by the Federal Emergency Management Agency (FEMA) following the events of Hurricane Irene in 2011.

Economic indicators show that the VT economy has started to recover from the national recession. Statewide unemployment rates have steadily declined from a 10 year high of 7.2% in June 2009 to 5% as of July 2012. VT's unemployment rates still remain well below the national average of 8.2%. The VT AA is heavily reliant on the education and health care industries as well as the manufacturing and retail trade industries. Top employers include Dartmouth Hitchcock Medical Center, Dartmouth College, gun manufacturer Sturm Ruger, New London Hospital, Alice Peck Day Hospital, Colby Sawyer College, as well as the local school systems. A community contact identified affordable housing as a potential credit need; however, opportunities for bank involvement are limited.

Demographic Information for LSB's VT AA3					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	27	0%	7%	71%	22%
Family Distribution by Income Level	24,749	16%	18%	25%	41%
Household Distribution by Income Level	47,427	0%	9%	64%	27%
2000 Census Median Family Income (MFI)		\$46,084	2010-2011 Median Home Price*	\$189,025	
			Median Age of Housing	49 years	
HUD Updated MFI: 2011		\$62,900	Families Below the Poverty Level	9.82%	
2000 Census Median Housing Value		\$137,260	Unemployment Rate **	5%	

Source: 2000 US Census data

\* Data from Zillow.com for all Orange, Addison, Windsor and Rutland Counties

\*\*Data from US Bureau of Labor Statistics as of 7/12. Rate is for the entire state of VT.

## SCOPE OF EVALUATION IN VERMONT

A full-scope review was performed for the bank's VT AA3. Performance in the VT AA was weighted less than performance in the NH in arriving at overall conclusions as the large majority of bank branches, loans, and deposits are located in NH.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT

The bank's performance under the lending test in VT is rated "Satisfactory."

The distribution of loans reflects a reasonable penetration among individuals of different income levels. The geographic distribution of loans represents reasonable dispersion in the moderate-income census tracts.

### Lending to Borrowers of Different Incomes

The distribution of home loan originations reflects reasonable penetration among borrowers of different income levels. The percent of home purchase loans to low-income borrowers is significantly below the percent of low-income families in the AA; however compared favorably to the aggregate lending data for low-income borrowers. The percent of home purchase loans to moderate-income borrowers is significantly below the percent of moderate-income families in the AA, as well as the aggregate lending data.

The percent of home improvement loans to low-income borrowers is significantly below the percentage of low-income families in the AA, however compares favorably to the aggregate lending data. Home improvement loans to moderate-income borrowers

exceed both the percentage of moderate-income families in the AA and compared to the aggregate loan data.

The percent of home refinance loans to low-income borrowers is significantly below the percentage of low-income families in the AA, however compares favorably to the aggregate lending data. Home refinances to moderate-income borrowers is slightly below the percentage of moderate-income families in the AA, however compares favorably to the aggregate loan data.

Aggregate loan data is the primary comparator and performance is reasonable when considering the market in which the bank operates. Significant competition is also a factor. Additionally, the HUD Adjusted MFI for 2011 was \$62,900, with moderate-income individuals in an income range of \$31,451-\$50,320, and low-income borrowers at \$31,450. Given that the median housing price is \$189,025, low- and moderate-income individuals could have difficulty qualifying for mortgage loans.

The tables below illustrate the distribution of residential real estate loans to borrowers of different income levels as compared to the percentage of families in each income category and aggregate loan data.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Vermont AA3</b>								
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	16	6	18	11	25	22	41	61
Home Improvement	16	4	18	21	25	16	41	59
Home Refinance	16	4	18	16	25	26	41	54

<b>Table 2A – Aggregate Lending Data for Borrower Distribution in Vermont AA3</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	3	6	18	11	30	22	49	61
Home Improvement	6	4	17	21	28	16	49	59
Home Refinance	4	4	14	16	24	26	58	54

**Geographic Distribution of Loans**

The geographic distribution of home purchase, refinance and home improvement loans represents reasonable dispersion in moderate-income level census tracts. The level of lending in moderate-income geographies is below the percent of owner occupied housing, however owner occupied housing is low at 6%. The distribution of home loans compares more favorably to the aggregate loan data.

<b>Table 3A – Aggregate Lending Data for Geographic Distribution in Vermont AA3</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0	0	6	4	69	41	25	55
Home Improvement	0	0	5	1	78	69	17	30
Home Mortgage Refinance	0	0	4	2	63	60	33	38

**Responses to Complaints**

LSB did not receive any CRA complaints during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

The bank's performance under the CD test is rated "Satisfactory." LSB's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through CD investments, services, and loans.

**Number and Amount of Community Development Loans**

Conclusion for full-scope AA 3 (VT Non-MSA)

The bank's level of CD lending in AA 3 is satisfactory. LSB made four qualifying community development loans in AA 3 during the evaluation period totaling \$5 million. All four loans were to towns to finance the reconstruction of roads and highways after Hurricane Irene. The summary of loans is as follows:

- One \$995 thousand and two separate \$500 thousand lines of credit to support expenses related to reconstruction of roads and highways due to destruction

caused by flooding/Hurricane Irene in a FEMA designated disaster area. FEMA and the State of VT will provide reimbursement of expenses, but timing and amount is unknown.

- One \$3 million term loan to fund current expenses related to Hurricane Irene reconstruction of roads and highways in a designated disaster area.

## **Number and Amount of Qualified Investments**

### Conclusion for full-scope AA3 (VT Non-MSA)

LSB made four investments totaling \$75 thousand over the current evaluation period to support towns that required aid after areas of VT were declared disaster areas by FEMA.

There were three prior period investments to two separate CDCs in AA3, which as of the date of the current CRA examination totaled \$695 thousand. All three investments were to support the CDCs' mission of affordable housing and emergency shelter for low-income individuals or families.

In addition, the bank made 16 grants/donations totaling \$17 thousand to 15 community development organizations in the AA.

## **Extent to Which the Bank Provides Community Development Services**

### Conclusion for full-scope AA3 (VT Non-MSA)

In AA3, there are two branches located in moderate-income census tracts. During the evaluation period, 15 bank officers/employees provided financial expertise and/or leadership services to 13 different qualified organizations. In addition, the bank participated in two first time homebuyer seminars.

Highlights for community development services include:

- A bank officer sits on the loan committee of a non-profit organization that provides affordable housing for low- or moderate-income individuals.
- A bank employee is a member of the finance committee for an organization, in a moderate-income area and a FEMA designated disaster area, that provided relief for those affected by Hurricane Irene.
- A bank employee set up an expense system for audit purposes for a non-profit organization that provides free health services to women who are victims of domestic and sexual abuse.

- A bank officer is the chair of the loan review committee for an organization in a moderate-income tract that fosters economic growth by providing low-cost loans to small businesses, which concentrate in economic development projects that benefit low- or moderate-income individuals.

### **Responsiveness to Community Development Needs**

#### Conclusion for full-scope AA3 (VT Non-MSA)

LSB's community development performance, measured through CD loans, investments and services demonstrates adequate responsiveness to the needs of its AA, considering the bank's capacity and the need and availability of CD opportunities.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "full-scope") and those that received a less comprehensive review (designated by the term "limited-scope").

<b>Time Period Reviewed</b>	Lending Test: (01/01/09 to 12/31/11) Community Development Test: (3/1/09 to 08/06/12)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
Lake Sunapee Bank, FSB Newport, NH	Residential real estate loans Community development loans, investments, and services.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Affiliate(s)</b>
None		None
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
State of New Hampshire: Manchester-Nashua metropolitan area	Limited-Scope	
Non-metropolitan area includes portions of Grafton, Sullivan, and Merrimack counties.	Full-Scope	
State of Vermont: Non-metropolitan area includes portions of Orange, Addison, Windsor, and Rutland counties.	Full-Scope	

# Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Lake Sunapee Bank	Satisfactory	Satisfactory	Satisfactory
New Hampshire	Satisfactory	Satisfactory	Satisfactory
Vermont	Satisfactory	Satisfactory	Satisfactory