

# **PUBLIC DISCLOSURE**

December 2, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Putnam Bank  
RSSD # 223005

40 Main Street  
Putnam, Connecticut 06260

Federal Reserve Bank of Boston  
600 Atlantic Avenue  
Boston, Massachusetts 02210

**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.**

Putnam Bank (the bank) demonstrates an adequate responsiveness to the credit needs of its assessment area based on the following:

#### **Lending Test**

- The average loan-to-deposit ratio of 66.5 percent is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of loans, 90.5 percent, were originated inside the assessment area.
- The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate- income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, including in low- and moderate-income census tracts.
- There were no CRA-related complaints filed against the bank during the review period.

#### **Community Development Test**

- The bank's community development performance demonstrates adequate responsiveness to the community development needs of the bank's assessment area through community development loans, qualified investments, and community development services.

## SCOPE OF EXAMINATION

Putnam Bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution Examination Procedures. Under these procedures, banks with total assets of at least \$305 million as of December 31 of both of the prior two calendar years and less than \$1.221 billion as of December 31 of either of the prior two calendar years are evaluated under the Lending Test and the Community Development Test.

Lending performance was based on residential lending since this is the bank's primary product line. Specific loan products reviewed included all home purchase, refinance, and home improvement loans, including those secured by one- to four-family and multifamily (five or more units) properties. This data was obtained from Loan Application Registers (LARs) maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). Small business lending was not considered in this evaluation since commercial lending is not a major product line, and as an Intermediate Small Bank, Putnam Bank is not required to collect and report this loan data.

The timeframe for the Lending Test was January 1, 2012 through June 30, 2015.<sup>1</sup> While the bank's performance for 2012 was considered in the evaluation, information for the two most recent full years, 2013 and 2014, is included in the tables unless otherwise noted. Where applicable, the bank's performance is compared to the aggregate performance of all HMDA reporters that originated or purchased at least one home mortgage loan in the bank's assessment area. The bank's lending performance through the first two quarters of 2015 was considered in the evaluation but is not displayed in tables since aggregate information was not available.

The Community Development Test was based on the bank's responsiveness to opportunities for community development loans, qualified investments, and community development services. These activities were considered within the context of the needs and opportunities for community development in the bank's assessment areas and the bank's capacity to meet them. The review period for the Community Development Test was October 29, 2012 through December 2, 2015, representing the period since the last federal CRA examination.

Demographic information referenced throughout the evaluation was obtained from the 2010 United States Census Bureau's American Community Survey (ACS) and Dun & Bradstreet, Short Hills, New Jersey (D&B). One community contact interview was conducted to provide additional insight into the credit needs of the bank's assessment area.

This is Putnam Bank's first CRA examination conducted by the Federal Reserve Bank of Boston. The bank's last federal CRA examination was conducted by the Office of the Comptroller of Currency on October 29, 2012, in accordance with the FFIEC Intermediate Small Institution Examination Procedures. That examination resulted in a "Satisfactory" rating.

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<sup>1</sup>The Lending Test considered 2012 since the prior federal CRA evaluation did not include this year in the review.

## DESCRIPTION OF INSTITUTION

Putnam Bank is a state-chartered stock savings bank located in Putnam, Connecticut. Founded in 1862, the bank became a member of the Federal Reserve System on December 30, 2014. Putnam Bank is wholly owned by Putnam Holdings, Inc., which in turn is 57 percent owned by Putnam Bancorp, MHC, and 43 percent owned by public shareholders. On September 9, 2015, the board of directors of Putnam Bancorp, MHC adopted a plan to reorganize from a two-tier mutual holding company structure to a fully public stock holding company structure. Putnam Bank has three wholly-owned subsidiaries: Windham North Properties, LLC; PSB Realty, LLC; and Putnam Bank Mortgage Servicing Company.

The bank operates eight branches in Windham County and New London County, Connecticut. The bank's main office is located at 40 Main Street in Putnam. The bank also operates a full-service branch in the Putnam Price Chopper supermarket and six full-service branches in Danielson, Gales Ferry/Ledyard, Griswold, Norwich, Plainfield, and Pomfret. Both branches located in Putnam, in addition to the Danielson and Norwich branches, are located in moderate-income census tracts. In addition to the bank's branch network, the bank maintains a loan operations center adjacent to the main office in Putnam. The bank did not open or close any branches during the review period.

As of September 30, 2015, Putnam Bank's assets totaled \$467.5 million. Deposits totaling \$354.3 million funded 75.8 percent of total assets. Gross loans totaled \$230.4 million, or 49.3 percent, of total assets. The loan portfolio composition is stable. The bank is primarily a home mortgage lender, with residential real estate loans totaling \$182.6 million, or 79.2 percent, of the loan portfolio. Major residential product offerings include fixed- and adjustable-rate closed-end mortgages, as well as home equity lines of credit. Commercial lending is the bank's second largest business line, with commercial real estate and commercial and industrial loans together totaling \$37.8 million, or 16.4 percent, of the loan portfolio. Consumer lending is an ancillary business line representing 0.3 percent of the loan portfolio. Table 1 below provides a more detailed composition of the bank's loan portfolio as of September 30, 2015.

<b>Loan Type</b>	<b>Dollar Amount \$(000s)</b>	<b>Percent of Total Loans (%)</b>
1-4 Family Residential – Closed-End	172,458	74.8
Commercial Real Estate	33,391	14.5
1-4 Family Residential – Revolving	10,125	4.4
Commercial & Industrial	4,365	1.9
Construction & Land Development	3,970	1.7
Multifamily	2,801	1.2
Farmland and Agricultural	2,467	1.1
Consumer	704	0.3
Other Loans and Leases	146	0.1
<b>Total Loans</b>	<b>230,427</b>	<b>100.0</b>

*Consolidated Report of Condition and Income as of September 30, 2015*

Putnam Bank operates in a highly competitive geographic area where several larger national banks and mortgage companies as well as community banks and credit unions maintain a presence. According to the Federal Deposit Insurance Corporation Deposit Market Share Report as of June 30, 2015, 12 depository institutions operated branches within the bank's assessment area. Of these, Putnam Bank ranked second in terms of deposit market share with 14.3 percent. Within the town of Putnam, Putnam Bank has captured the largest deposit market share with 38.9 percent.

In terms of lending competition, 215 lenders originated or purchased a HMDA-reportable loan in the bank's assessment area in 2014. Putnam Bank ranked third with 200 loans originated. Wells Fargo Bank, NA, a large national bank, ranked first with 352 loans originated or purchased, the majority of which were purchased. Similarly situated lenders within the assessment area include Charter Oak Federal Credit Union, Savings Institute Bank and Trust Company, and Eastern Savings Bank, which ranked second, ninth, and thirteenth, respectively.

Putnam Bank did not face any legal or financial impediments during the review period that would have prevented it from meeting the credit needs of its assessment area in a manner consistent with its asset size, business strategy, resources, and local economic conditions.

## **DESCRIPTION OF ASSESSMENT AREA**

Putnam Bank defines its assessment area as the 17 contiguous municipalities that can be reasonably served by its branch locations. These cities and towns make up the eastern portion of Windham County and a small portion of northern New London County, both in Connecticut. While these counties are included as part of two different MSAs, the assessment area is contiguous and the New London County portion does not extend substantially beyond the MSA boundary. Therefore, the assessment area as a whole was the basis for the overall analysis and rating, with the bank's performance within each MSA summarized at the end of this report.

Windham County is located in the northeastern corner of Connecticut, bordered by Massachusetts to the north and Rhode Island to the east. Effective in 2014, Windham County became included within the Worcester, MA-CT Metropolitan Statistical Area (MSA) (49340). Prior to 2014, the county was not incorporated within an MSA. While Windham County as a whole contains 15 towns, this portion of the assessment area includes the following 11 towns: Brooklyn, Canterbury, Eastford, Hampton, Killingly, Plainfield, Pomfret, Putnam, Sterling, Thompson, and Woodstock. These towns are located along the north-to-south Interstate 395 corridor that defines the bank's branch network. The four Windham County towns that are not included in this portion of the assessment area are located in the western edge of the county, geographically distant from the bank's branch network.

New London County is bordered by Windham County to the north and defines the southeastern corner of Connecticut extending south to the Long Island Sound. The county includes 22 cities and towns and is the only county making up the Norwich-New London, CT MSA (35980). While New London County is comprised of 22 cities and towns, this portion of the bank's assessment area includes six of the county's cities and towns: Griswold, Ledyard, Lisbon,

Norwich, Preston, and Voluntown. Compared to Windham County, which is more rural and has no incorporated cities, New London County has a larger and more diverse population. The primary cities within New London County include Norwich, which is included in the assessment area, and New London which is further south beyond the Thames River and is not a part of the assessment area. A map of the assessment area is provided below.

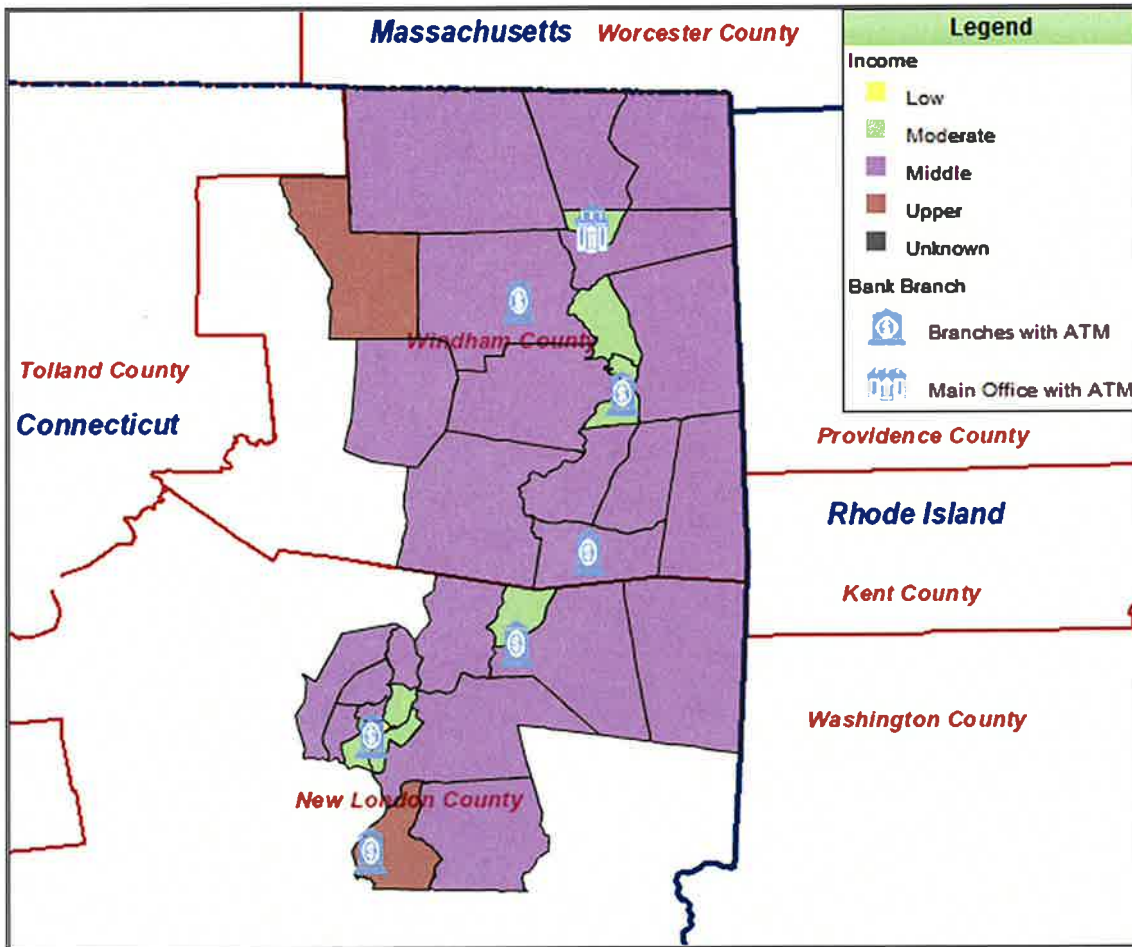


Table 2 below provides a summary of demographic information for the bank's assessment area in 2013.

Table 2 2013 Assessment Area Demographic Information								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	3	853	2	194	22.7	9,195	21.4
Moderate-income	7	21.2	9,420	22	1,267	13.5	8,115	18.9
Middle-income	24	72.7	30,562	71.3	1,383	4.5	11,173	26.1
Upper-income	1	3	2,039	4.8	12	0.6	14,391	33.6
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>33</b>	<b>100.0</b>	<b>42,874</b>	<b>100.0</b>	<b>2,856</b>	<b>6.7</b>	<b>42,874</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	1,776	363	0.8	20.4	965	54.3	448	25.2
Moderate-income	18,672	8,288	18.1	44.4	7,997	42.8	2,387	12.8
Middle-income	46,454	34,686	75.9	74.7	8,198	17.6	3,570	7.7
Upper-income	2,802	2,357	5.2	84.1	331	11.8	114	4.1
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>69,704</b>	<b>45,694</b>	<b>100.0</b>	<b>65.6</b>	<b>17,491</b>	<b>25.1</b>	<b>6,519</b>	<b>9.4</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low-income	223	2.9	196	2.8	17	4.1	10	3.6
Moderate-income	1,591	20.4	1,401	19.7	112	27.2	78	27.9
Middle-income	5,683	72.8	5,224	73.5	277	67.2	182	65
Upper-income	305	3.9	289	4.1	6	1.5	10	3.6
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>7,802</b>	<b>100.0</b>	<b>7,110</b>	<b>100.0</b>	<b>412</b>	<b>100.0</b>	<b>280</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>91.1</b>		<b>5.3</b>		<b>3.6</b>

2013 FFIEC Census Data and 2013 D&B Information



In 2014, one census tract changed from middle- to upper-income. Table 3 provides a summary of demographic information for the bank's assessment area in 2014. Information from this more recent year is discussed in the subsequent narrative.

Table 3 2014 Assessment Area Demographic Information								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	1	3	853	2	194	22.7	9,033	21.1
Moderate-income	7	21.2	9,420	22	1,267	13.5	7,983	18.6
Middle-income	23	69.7	30,063	70.1	1,371	4.6	11,069	25.8
Upper-income	2	6.1	2,538	5.9	24	0.9	14,789	34.5
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>33</b>	<b>100.0</b>	<b>42,874</b>	<b>100.0</b>	<b>2,856</b>	<b>6.7</b>	<b>42,874</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	1,776	363	0.8	20.4	965	54.3	448	25.2
Moderate-income	18,672	8,288	18.1	44.4	7,997	42.8	2,387	12.8
Middle-income	45,680	34,102	74.6	74.7	8,142	17.8	3,436	7.5
Upper-income	3,576	2,941	6.4	82.2	387	10.8	248	6.9
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>69,704</b>	<b>45,694</b>	<b>100.0</b>	<b>65.6</b>	<b>17,491</b>	<b>25.1</b>	<b>6,519</b>	<b>9.4</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	192	2.7	168	2.6	16	4	8	3.3
Moderate-income	1,455	20.4	1,284	19.8	110	27.3	61	25
Middle-income	5,085	71.5	4,656	72	267	66.3	162	66.4
Upper-income	384	5.4	361	5.6	10	2.5	13	5.3
Unknown-income	0	0	0	0	0	0	0	0
<b>Total Assessment Area</b>	<b>7,116</b>	<b>100.0</b>	<b>6,469</b>	<b>100.0</b>	<b>403</b>	<b>100.0</b>	<b>244</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>90.9</b>		<b>5.7</b>		<b>3.4</b>

2014 FFIEC Census Data and 2014 D&B Information

### Assessment Area Composition

The bank's assessment area is comprised of 33 census tracts, of which 1 is low-income, 7 are moderate-income, 23 are middle-income, and 2 are upper-income. The low-income census tract and three of the seven moderate-income census tracts are located in Norwich. The remaining four moderate-income tracts are located in the towns of Killingly (2), Putnam (1), and Griswold (1) along the north-to-south Interstate 395 corridor. Two of the bank's branches, including the

main office, are located in the moderate-income census tract in Putnam.

*Population*

The assessment area population includes 163,970 individuals. According to the U.S. Census Bureau Population Estimates Program, Windham County and New London County experienced slight population losses of 1.2 percent and 0.1 percent, respectively, between April 1, 2010 and July 1, 2014. Over the same period, the population of Connecticut grew by 0.6 percent, while the population of the United States rose by 3.3 percent.<sup>2</sup> Of the assessment area population, 2.4 percent of individuals reside in the low-income census tract, 24.1 percent reside in moderate-income census tracts, 67.9 percent reside in middle-income census tracts, and 5.6 percent reside in upper-income census tracts. The age characteristics of the assessment area population are in line with the State of Connecticut and the assessment area does not include any notable institutionalized populations.

*Income*

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as income of less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of the median income; middle-income is defined as income of at least 80 percent but less than 120 percent of the median income; and upper-income is defined as 120 percent of the median income and above. Table 4 displays the MFI for the assessment area in 2013 and 2014.

<b>Table 4</b>		
<b>Median Family Income</b>		
<b>Year</b>	<b>Geographic Area</b>	<b>MFI</b>
2013	Norwich-New London, CT MSA	\$81,900
	Connecticut Non-MSA	\$82,600
2014	Norwich-New London, CT MSA	\$84,600
	Worcester, MA-CT MSA	\$77,900

*FFIEC Estimates of Median Family Income*

The FFIEC estimates the 2013 and 2014 MFI for the Norwich-New London, CT MSA to be \$81,900 and \$84,600, respectively. The Connecticut Non-MSA MFI applied in 2013 is estimated to be \$82,600, while the Worcester, MA-CT MSA used in 2014 was lower at \$77,900.

Accordingly, 21.1 percent and 18.6 percent of families in the assessment area are low- and moderate income, respectively. These percentages are comparable to the State of Connecticut at 21.7 percent and 17.2 percent for low- and moderate-income, respectively. The percentage of families in the assessment area living below the poverty level is 6.7 percent, which is in line with 7.1 percent for the State of Connecticut. A higher percentage of families in Windham County, 8.7 percent, are living below the poverty level compared to 5.0 percent in New London County. It should be noted that in the low-income tract, 22.7 percent of families are living below the

<sup>2</sup> U.S. Census Bureau, Population Estimates Program, updated annually. [www.census.gov/popest/](http://www.census.gov/popest/)

poverty level and in the seven moderate-income tracts, 13.5 percent are below the poverty level. This restricts, to some extent, the ability to provide mortgage credit to this population.

### *Housing*

The bank's assessment area contains 69,704 housing units, of which 83.2 percent are 1-4 family. Of the total housing units in the assessment area, 65.6 percent are owner-occupied, 25.1 percent are rental units, and 9.3 percent are vacant. Within the low-income census tract, rental and vacant units comprise a relatively high percent of the housing stock, at 54.3 percent and 25.2 percent, respectively. This low availability of owner-occupied units suggests that home mortgage lending opportunities may be limited in this census tract. Within moderate-income census tracts, the level of owner-occupancy is 44.4 percent, while rental units comprise 42.8 percent of the housing stock. The level of owner-occupancy is higher, at 74.7 percent and 82.2 percent, within middle- and upper-income census tracts, respectively.

According to 2010 ACS data, the median housing value for Windham County and New London County was \$230,100 and \$268,900, respectively. According to the Warren Group, which records and tracks real estate transactions, housing prices in Connecticut are stable and the improved economy and more jobs are attracting buyers while prices are still low. The median sales price of single family homes in Connecticut fell modestly by 1.9 percent through the end of October of 2015 while single family homes sales grew by 14 percent during the same period.<sup>3</sup>

### *Economic Conditions*

The current economic conditions and employment opportunities also have an impact on loan demand and the overall volume of home purchase activity. Economic conditions in the assessment area are stable and improving. According to the U.S. Bureau of Labor Statistics,<sup>4</sup> the non-seasonally adjusted unemployment rate for Connecticut was 4.8 percent as of September 30, 2015. The comparable unemployment rates for Windham County and New London County were slightly higher, at 5.4 percent and 5.2 percent, respectively. The unemployment rates for Connecticut, Windham County, and New London County have all decreased relative to their September 2014 levels of 6.2 percent, 6.6 percent, and 6.2 percent, respectively. Within the cities and towns in the assessment area, the unemployment rate ranged from a high of 6.8 percent in Sterling to a low of 3.1 percent in Eastford.

The economies of Windham and New London Counties are diverse, supported by a mixture of service and manufacturing-oriented sectors. According to D&B, there are 7,116 businesses operating within the bank's assessment area. The vast majority of the businesses, 90.9 percent, have gross annual revenues less than or equal to \$1 million. Most businesses, 71.5 percent, are located in middle-income census tracts while 20.4 percent are located in moderate-income census tracts. Primary industries in the assessment area include retail trade, construction, and health care and social assistance. Major employers within the assessment area include Foxwoods Resort Casino, Day Kimball Healthcare, and Frito-Lay, Inc. While not located within the bank's assessment area, Mohegan Sun Casino, Pfizer, Inc., and the U.S. Naval Submarine Base New

<sup>3</sup> The Warren Group, [www.thewarrengroup.com/tag/connecticut/](http://www.thewarrengroup.com/tag/connecticut/)

<sup>4</sup> U.S. Bureau of Labor Statistics, Economic Releases, [www.bls.gov/](http://www.bls.gov/)

London are large employers that provide employment opportunity nearby.

Credit conditions in the assessment area are generally stable. According to a Federal Reserve Bank of New York credit accessibility study,<sup>5</sup> 87.4 percent of adults in Windham County have a credit file and a credit score, which lags the average of 94.4 percent for Connecticut, and 92.5 percent for the United States. This percentage is slightly higher in New London County, at 91.6 percent. For both counties, the percent of the credit economy with a payment history that is current on all credit obligations for each of the past four quarters is in line with the state and national averages. Both counties are also in line with the state and national averages based on the percent of the credit economy with an Equifax Risk Score that is considered subprime (less than 660), which is approximately 30 percent. Therefore, credit conditions within the assessment area would not appear to materially impact the bank's ability to extend home mortgage loans.

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<sup>5</sup> Federal Reserve Bank of New York. Community Credit: A New Perspective on America's Communities, [www.newyorkfed.org/data-and-statistics/data-visualization/community-credit-profiles/index.html#overview](http://www.newyorkfed.org/data-and-statistics/data-visualization/community-credit-profiles/index.html#overview)

*Community Contact*

As part of the CRA examination process, third parties that are active in community affairs are contacted to obtain additional perspective on the credit needs of the bank's assessment area. Information obtained from this contact helps to determine the responsiveness of local financial institutions to the credit and community development needs in the bank's assessment area and the extent to which additional opportunities are available.

An interview was conducted with a community contact with significant experience representing an organization that actively promotes neighborhood revitalization, affordable housing, and community development initiatives within the bank's assessment area. The contact indicated that the community's housing stock is very old and is in need of revitalization. Additionally, the contact noted a need to revitalize former industrial buildings to provide safe and serviceable spaces leasable to modern businesses. According to the contact, there is a continued need for financial institutions to assist small businesses develop business plans.

Overall, the contact was satisfied with the involvement of local financial institutions in the community, but noted that there has been a lack of community involvement from large national banks. Local financial institution support for non-profits and participation in small business counseling programs was particularly noteworthy. Putnam Bank was specifically mentioned as being an active community partner.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The Lending Test evaluates the bank's efforts in meeting the credit needs of its assessment area based on the following five performance standards: (1) loan-to-deposit ratio; (2) assessment area concentration; (3) lending to borrowers of different income levels; (4) geographic distribution of loans; and (5) record of taking action in response to consumer complaints. The following details the bank's efforts with regard to each performance criterion.

#### Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans and evaluates its appropriateness. The bank's loan to deposit (LTD) ratio is calculated from the quarterly Consolidated Report of Income and Condition (Call Report) based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits. Table 5 below displays Putnam Bank's average and current LTD ratio in comparison to institutions located in the bank's assessment area that have a similar asset size and lending focus.

Institution	Headquarters	Total Assets \$(000s)	Average LTD Ratio	Current LTD Ratio
Dime Bank	Norwich, CT	789,276	98.6	99.2
Chelsea Groton Bank	Norwich, CT	976,777	80.7	87.2
Jewett City Savings Bank	Jewett City, CT	258,509	75.4	77.7
<b>Putnam Bank</b>	<b>Putnam, CT</b>	<b>467,462</b>	<b>66.5</b>	<b>64.4</b>

*Call Report information from December 31, 2012 to September 30, 2015*

The bank's average LTD ratio during the 12-quarter period since the last CRA examination is 66.5 percent. The LTD ratio as of September 30, 2015 is 64.4 percent, representing a slight increase after trending downward from a high of 72.4 percent, as of December 31, 2012, to a low of 62.1 percent, as of June 30, 2015. Overall, the bank's LTD ratio is below that of comparable banks.

Management stated that Putnam Bank's LTD ratio has been impacted by the dollar volume of loans sold by the bank. In 2012, 2013, 2014, and year-to-date 2015, loans sold totaled \$13.5 million, \$13.3 million, \$8.0 million, and \$6.9 million, respectively. This lending activity is not captured in the total loan figure but demonstrates the bank's continued efforts to meet the credit needs of the assessment area. Furthermore, management expects that the number of loans sold on the secondary market will continue to decrease, increasing the LTD ratio. Considering this factor, the bank's LTD ratio is considered reasonable.

### Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment area. Table 6 below summarizes the bank’s levels of lending inside and outside the assessment area for 2013 and 2014 combined.

Table 6 Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase - Conventional	121	84.0	19,978	78.9	23	16.0	5,330	21.1
Home Purchase - FHA	41	95.3	6,559	96.8	2	4.7	214	3.2
Home Purchase - VA	3	75.0	468	79.5	1	25.0	121	20.5
Refinancing	183	92.9	25,639	89.1	14	7.1	3,143	10.9
Home Improvement	69	93.2	6,389	93.3	5	6.8	462	6.7
Multi-Family Housing	12	100.0	4,832	100.0	0	0.0	0	0.0
<b>Total HMDA</b>	<b>429</b>	<b>90.5</b>	<b>63,865</b>	<b>87.3</b>	<b>45</b>	<b>9.5</b>	<b>9,270</b>	<b>12.7</b>

2013 and 2014 HMDA LAR

A substantial majority of HMDA-reportable loans originated in 2013 and 2014 were inside the bank’s assessment area. By number, 90.5 percent of HMDA-reportable loans were originated inside the assessment area, accounting for 87.3 percent by dollar volume. While not displayed in the table, this performance is in line with the bank’s performance in 2012 and the first two quarters of 2015. In 2012, 90.4 percent of loans by number were originated inside the assessment area. Through the first two quarters of 2015, the bank has originated 104 HMDA-reportable loans of which 94, or 90.4 percent, were inside the assessment area. In terms of loan origination activity, Putnam Bank ranked third out of 215 lenders that originated or purchased a HMDA-reportable loan in the bank’s assessment area in 2014. In 2013, Putnam Bank ranked sixth out of 244 lenders.

### Lending to Borrowers of Different Incomes

This criterion analyzes the distribution of loans inside the assessment area to borrowers of different income levels. Borrowers are classified into low-, moderate-, middle-, and upper-income categories based on their reported income and the applicable median family income figure estimated by the FFIEC. Tables 7 and 8 below provide a comparison of the bank’s lending by income level of the borrower to the income distribution of families in the assessment area and aggregate data.

Table 7 2013 Borrower Distribution of HMDA Loans								
Product Type	Borrower Income Levels	Families by Family Income	Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
		%	#	%	%	\$(000s)	\$ %	\$ %
Home Purchase	Low	21.4	14	16.9	13.3	1,351	10.0	8.4
	Moderate	18.9	30	36.1	33.5	4,727	35.1	30.4
	Middle	26.1	16	19.3	23.1	2,733	20.3	25.5
	Upper	33.6	21	25.3	15.4	4,383	32.5	21.0
	Unknown	0.0	2	2.4	14.8	280	2.1	14.6
	<b>Total</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>100.0</b>	<b>13,474</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	21.4	8	6.9	9.4	667	3.8	4.4
	Moderate	18.9	28	24.1	20.7	2,837	16.1	11.4
	Middle	26.1	30	25.9	27.0	3,769	21.3	17.1
	Upper	33.6	45	38.8	27.3	8,568	48.5	20.8
	Unknown	0.0	5	4.3	15.7	1,830	10.4	46.3
	<b>Total</b>	<b>100.0</b>	<b>116</b>	<b>100.0</b>	<b>100.0</b>	<b>17,671</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	21.4	1	3.7	11.1	20	0.6	7.0
	Moderate	18.9	9	33.3	24.7	679	21.1	19.3
	Middle	26.1	7	25.9	32.2	838	26.1	34.0
	Upper	33.6	10	37.0	28.4	1,674	52.1	31.9
	Unknown	0.0	0	0.0	3.6	0	0.0	7.9
	<b>Total</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>3,211</b>	<b>100.0</b>	<b>100.0</b>
Multifamily	Low	21.4	0	0.0	0.0	0	0.0	0.0
	Moderate	18.9	0	0.0	0.0	0	0.0	0.0
	Middle	26.1	0	0.0	0.0	0	0.0	0.0
	Upper	33.6	0	0.0	0.0	0	0.0	0.0
	Unknown	0.0	3	100.0	100.0	2,535	100.0	100.0
	<b>Total</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>2,535</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	21.4	23	10.0	10.9	2,038	5.5	5.6
	Moderate	18.9	67	29.3	25.4	8,243	22.3	16.8
	Middle	26.1	53	23.1	25.9	7,340	19.9	19.6
	Upper	33.6	76	33.2	23.1	14,625	39.6	20.9
	Unknown	0.0	10	4.4	14.7	4,645	12.6	37.1
	<b>Total</b>	<b>100.0</b>	<b>229</b>	<b>100.0</b>	<b>100.0</b>	<b>36,891</b>	<b>100.0</b>	<b>100.0</b>

2013 FFIEC Census Data and 2013 HMDA LAR and Aggregate Data



Table 8 2014 Borrower Distribution of HMDA Loans								
Product Type	Borrower Income Levels	Families by Family Income	Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
		%	#	%	%	\$(000s)	\$ %	\$ %
Home Purchase	Low	21.1	7	8.5	9.6	740	5.5	5.9
	Moderate	18.6	23	28.0	29.4	2,999	22.2	25.5
	Middle	25.8	23	28.0	22.7	3,965	29.3	25.0
	Upper	34.5	27	32.9	18.0	5,567	41.1	24.1
	Unknown	0.0	2	2.4	20.3	260	1.9	19.6
	<b>Total</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>13,531</b>	<b>100.0</b>
Refinance	Low	21.1	8	11.9	11.7	665	8.3	7.9
	Moderate	18.6	11	16.4	18.8	890	11.2	15.0
	Middle	25.8	25	37.3	27.9	2,819	35.4	27.6
	Upper	34.5	19	28.4	24.9	3,153	39.6	28.5
	Unknown	0.0	4	6.0	16.7	441	5.5	20.9
	<b>Total</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>7,968</b>	<b>100.0</b>
Home Improvement	Low	21.1	8	19.0	15.5	346	10.9	6.0
	Moderate	18.6	9	21.4	28.2	359	11.3	27.3
	Middle	25.8	6	14.3	27.6	583	18.3	24.8
	Upper	34.5	18	42.9	25.0	1,806	56.8	34.7
	Unknown	0.0	1	2.4	3.7	84	2.6	7.2
	<b>Total</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>3,178</b>	<b>100.0</b>
Multifamily	Low	21.1	0	0.0	0.0	0	0.0	0.0
	Moderate	18.6	0	0.0	0.0	0	0.0	0.0
	Middle	25.8	0	0.0	0.0	0	0.0	0.0
	Upper	34.5	0	0.0	0.0	0	0.0	0.0
	Unknown	0.0	9	100.0	100.0	2,297	100.0	100.0
	<b>Total</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>2,297</b>	<b>100.0</b>
HMDA Totals	Low	21.1	23	11.5	10.9	1,751	6.5	6.4
	Moderate	18.6	43	21.5	25.4	4,248	15.7	20.9
	Middle	25.8	54	27.0	25.0	7,367	27.3	24.9
	Upper	34.5	64	32.0	21.1	10,526	39.0	25.0
	Unknown	0.0	16	8.0	17.6	3,082	11.4	22.8
	<b>Total</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>26,974</b>	<b>100.0</b>

2014 FFIEC Census Data and 2014 HMDA LAR and Aggregate Data

As displayed in the tables above, Putnam Bank originated 229 HMDA loans inside the assessment area in 2013, and 200 HMDA-reportable loans in 2014. The bank's percentage of total HMDA-reportable loans to low-income borrowers was 10.0 percent in 2013, and 11.5 percent in 2014. These percentages are below the demographic indicator, as 21.4 percent and 21.1 percent of assessment area families were low-income in 2013 and 2014, respectively. However, it is not expected that the bank meet the percentage distribution of low-income families considering that approximately one third of low-income families were below the poverty

level according to 2010 ACS data. These families would not likely qualify for a home mortgage loan, even under the flexible terms of the bank's federal and state loan programs. The bank's lending to low-income borrowers was also compared to the 2013 and 2014 aggregate data, which is more representative of lending opportunities. In this regard, the bank's lending to low-income borrowers was in line with the aggregate percentage of 10.9 percent in 2013 and 2014. It should be noted that in 2013, the bank's extension of home purchase loans to low-income borrowers was at 16.9 percent, which exceeded the aggregate of 13.3 percent, indicating a willingness to provide home ownership to this population.

In terms of lending to moderate-income borrowers, the bank originated 29.3 percent and 21.5 percent of total HMDA-reportable loans to these borrowers in 2013 and 2014, respectively. This performance significantly exceeded the demographic indicator, as 18.9 percent and 18.6 percent of assessment area families were moderate-income in 2013 and 2014, respectively. In 2013, Putnam Bank also exceeded the aggregate percentage of 25.4 percent. In 2014, the aggregate percentage remained the same while the bank's percentage decreased to 21.5 percent, which is attributable to a reduction in refinance activity for moderate-income borrowers. For the first two quarters of 2015, the bank originated 22 of 94 HMDA-reportable loans, or 23.4 percent, to moderate-income borrowers. Overall, the distribution of loans to borrowers reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income levels. Similar to the performance for low-income borrowers, it was noted that in 2013, the bank's extension of home purchase loans to moderate-income borrowers at 36.1 percent exceeded the aggregate of 33.5 percent indicating a willingness to provide home ownership to this population.

### **Geographic Distribution of Loans**

This criterion analyzes the distribution of loans inside the assessment area to census tracts of all income levels. Tables 9 and 10 below provide a comparison of the bank's lending in the assessment area census tracts to aggregate data. The percent of housing units in each tract income level that are owner-occupied is also provided as an indicator of home mortgage lending opportunities.

Table 9 2013 Geographic Distribution of HMDA Loans								
Product Type	Tract Income Levels	Owner Occupied Units	Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
		%	#	%	%	\$ (000s)	\$ %	\$ %
Home Purchase	Low	0.8	1	1.2	1.0	60	0.4	0.5
	Moderate	18.1	17	20.5	20.0	1,998	14.8	15.1
	Middle	75.9	64	77.1	73.0	11,266	83.6	77.3
	Upper	5.2	1	1.2	6.0	150	1.1	7.1
	<b>Total</b>	<b>100.0</b>	<b>83</b>	<b>100.0</b>	<b>100.0</b>	<b>13,474</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0.8	0	0.0	0.7	0	0.0	11.1
	Moderate	18.1	16	13.8	16.3	1,697	9.6	12.1
	Middle	75.9	98	84.5	77.2	15,609	88.3	72.8
	Upper	5.2	2	1.7	5.9	365	2.1	4.0
	<b>Total</b>	<b>100.0</b>	<b>116</b>	<b>100.0</b>	<b>100.0</b>	<b>17,671</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0.8	0	0.0	0.8	0	0.0	0.5
	Moderate	18.1	3	11.1	16.2	164	5.1	12.2
	Middle	75.9	24	88.9	76.0	3,047	94.9	78.3
	Upper	5.2	0	0.0	7.0	0	0.0	9.1
	<b>Total</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>100.0</b>	<b>3,211</b>	<b>100.0</b>	<b>100.0</b>
Multifamily	Low	0.8	0	0.0	0.0	0	0.0	0.0
	Moderate	18.1	2	66.7	21.4	2,115	83.4	14.0
	Middle	75.9	1	33.3	78.6	420	16.6	86.0
	Upper	5.2	0	0.0	0.0	0	0.0	0.0
	<b>Total</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>2,535</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	0.8	1	0.4	0.8	60	0.2	7.8
	Moderate	18.1	38	16.6	17.6	5,974	16.2	12.9
	Middle	75.9	187	81.7	75.7	30,342	82.2	74.3
	Upper	5.2	3	1.3	6.0	515	1.4	4.9
	<b>Total</b>	<b>100.0</b>	<b>229</b>	<b>100.0</b>	<b>100.0</b>	<b>36,891</b>	<b>100.0</b>	<b>100.0</b>

2013 FFIEC Census Data and 2013 HMDA LAR and Aggregate Data

Table 10 2014 Geographic Distribution of HMDA Loans								
Product Type	Tract Income Levels	Owner Occupied Units	Count			Dollar		
			Bank		Aggregate	Bank		Aggregate
		%	#	%	%	\$ (000s)	\$ %	\$ %
Home Purchase	Low	0.8	0	0.0	1.4	0	0.0	0.9
	Moderate	18.1	18	22.0	19.7	2,229	16.5	15.4
	Middle	74.6	62	75.6	72.8	10,998	81.3	76.0
	Upper	6.4	2	2.4	6.2	304	2.2	7.8
	<b>Total</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>100.0</b>	<b>13,531</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0.8	0	0.0	0.4	0	0.0	0.3
	Moderate	18.1	13	19.4	15.7	1,249	15.7	13.8
	Middle	74.6	52	77.6	77.2	6,342	79.6	78.3
	Upper	6.4	2	3.0	6.7	377	4.7	7.5
	<b>Total</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>100.0</b>	<b>7,968</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0.8	0	0.0	1.1	0	0.0	0.3
	Moderate	18.1	6	14.3	16.3	474	14.9	14.4
	Middle	74.6	35	83.3	75.8	2,654	83.5	79.9
	Upper	6.4	1	2.4	6.8	50	1.6	5.4
	<b>Total</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>100.0</b>	<b>3,178</b>	<b>100.0</b>	<b>100.0</b>
Multifamily	Low	0.8	0	0.0	15.4	0	0.0	1.0
	Moderate	18.1	6	66.7	53.9	1,283	55.9	62.0
	Middle	74.6	3	33.3	30.8	1,014	44.1	37.0
	Upper	6.4	0	0.0	0.0	0	0.0	0.0
	<b>Total</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>2,297</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	0.8	0	0.0	1.0	0	0.0	0.7
	Moderate	18.1	43	21.5	18.0	5,235	19.4	16.6
	Middle	74.6	152	76.0	74.5	21,008	77.9	75.4
	Upper	6.4	5	2.5	6.4	731	2.7	7.3
	<b>Total</b>	<b>100.0</b>	<b>200</b>	<b>100.0</b>	<b>100.0</b>	<b>26,974</b>	<b>100.0</b>	<b>100.0</b>

2014 FFIEC Census Data and 2014 HMDA LAR and Aggregate Data

In 2013, the bank originated one HMDA-reportable loan in the assessment area's single low-income census tract. No loans were originated in this census tract in 2014, or during the first two quarters of 2015. However, this is not unreasonable performance considering that only 20.4 percent of housing units are owner-occupied in this census tract and 27.7 percent of the census tract population is below the poverty level. A more detailed analysis of the aggregate lending in this census tract further evidences limited lending opportunity for all lenders. In 2014, 16 lenders combined originated only 22 HMDA-reportable loans in this census tract. The top lender, despite maintaining a branch in the census tract, only originated three loans in the census tract. The majority of lenders originated one loan.

In 2013, the bank originated 16.6 percent of HMDA-reportable loans in moderate-income census tracts, in line with 17.6 percent for the aggregate. In 2014, the bank originated 21.5 percent of HMDA-reportable loans in moderate-income census tracts, which exceeded the 18.0 percent for the aggregate. During the first two quarters of 2015, the bank originated 18 of 94 HMDA-reportable loans, or 19.1 percent, in moderate-income census tracts. Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, including in low- and moderate-income census tracts.

### **Response to Complaints**

The bank has not received any CRA-related complaints since the previous examination; therefore, this criterion was not assessed.

### **CONCLUSIONS: LENDING TEST**

Putnam Bank's performance in meeting credit needs in the assessment area is demonstrated by its record of originating a substantial majority of loans inside the assessment area. Furthermore, the bank's distribution of HMDA-reportable loans by both borrower income and census tract income is considered reasonable. The bank's average LTD ratio, while below that of comparable banks, is considered reasonable given secondary market activity. Lastly, no CRA-related complaints were filed against the bank for this review period. Given economic, demographic, and competitive conditions in the assessment area, Putnam Bank's lending levels reasonably meet the credit needs of the assessment area. Therefore, the bank is rated Satisfactory for the Lending Test.

## COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates an institution's ability to identify the community development needs of its community and take reasonable steps to respond to those needs. This assessment is based on the number and amount of community development loans; the number and amount of qualified investments; and the extent to which the bank provides community development services. These activities are considered together to determine the overall Community Development Test rating but are detailed below by activity type. In order to be considered, loans, investments, and services must meet the definition of community development under section 228.12(h) of Regulation BB.<sup>6</sup>

### Community Development Loans

A community development loan is defined as a loan that has community development as its primary purpose; has not already been reported by the bank for consideration as a small business or home mortgage loan under the Lending Test (unless it is a multifamily dwelling loan); and benefits the bank's assessment area or a broader statewide area. During the review period, the bank originated five community development loans totaling \$461,450. Two loans, one in 2013 and one in 2014, were made to a municipal government to rehabilitate a fire station that is located in and serves residents of a moderate-income census tract. The bank also originated a loan to a non-profit organization relocating to a moderate-income census tract, a bridge loan to construct affordable elderly housing, and a working line of capital to a non-profit organization that promotes affordable housing. The bank had not originated a community development loan year-to-date as of December 2, 2015.

### Community Development Investments

A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development. The investment must benefit the bank's assessment area or a broader statewide or regional area. During the review period, the bank purchased one Federal National Mortgage Association loan pool targeted at addressing

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<sup>6</sup> Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

affordable housing needs of low- and moderate-income individuals located within Eastern Connecticut. This pool was secured by seven loans, all of which were secured by mortgages to low- or moderate-income borrowers. The net amount of the loan pool was \$1.1 million. More impactful is Putnam Bank's active role in supporting numerous educational, civic, and social organizations in its assessment area through grants and donations. The bank has established the Putnam Bank Foundation to provide project support to organizations and the bank maintains a program that will match employee donations up to \$100 per employee per fiscal year. Qualified donations during the review period totaled \$57,583, including \$28,967 in 2013, \$16,136 in 2014, and \$12,480 year-to-date in 2015. The bank's donations primarily provided needed community services to low- and moderate-income individuals. In the socio-economic environment in which the bank operates, these activities are particularly vital.

### **Community Development Services**

Community development services include the bank's delivery of retail and employee services to low- and moderate-income individuals. Putnam Bank operates 8 full-service branches, 4 of which (50 percent) are located in moderate-income census tracts, while only 21.2 percent of the assessment area consists of moderate-income census tracts.

Product offerings include an array of federal and state loan programs including Federal Housing Administration and Small Business Administration loans that often benefit low- and moderate-income borrowers and businesses with limited revenue, respectively. The bank also provides credit counseling, financial planning, and other financial services education to assist low- and moderate-income borrowers in obtaining credit or avoiding foreclosure on their homes.

Putnam Bank employees are actively involved in providing financial assistance to non-profit and government organizations that serve low- and moderate-income populations. One officer serves as a loan committee member on the board of the Putnam Redevelopment Agency, assisting small businesses obtain credit. Another officer serves as treasurer on the board of Northeast Placement Services, an organization that provides employment and housing services to the mentally disadvantaged, the majority of whom are low- or moderate-income. As vice president of the board for Habitat for Humanity of Northeastern Connecticut, a branch manager assists low- and moderate-income individuals to create a financial plan for home ownership.

### **CONCLUSION: COMMUNITY DEVELOPMENT TEST**

Putnam Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area considering the bank's capacity and the need and availability of opportunities. This performance is demonstrated through the bank's community development loans, qualified investments, and community development services. Therefore, the Community Development Test is rated Satisfactory.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

A substantive violation of Section 5(a) of the Federal Trade Commission Act involving unfair or deceptive practices was identified in the concurrent consumer compliance examination. Bank management is committed to correcting the violation. The violation did not impact the bank's CRA rating.



## MSA DISCUSSION

As previously noted, the bank's assessment area consists of the eastern portion of Windham County and a small portion of northern New London County, both of which are located in Connecticut. Despite the assessment area consisting of contiguous political subdivisions, which were not considered to extend substantially beyond an MSA boundary, the following provides analysis of the bank's performance inside each MSA within which it operates.

### Worcester, MA-CT MSA/Non-MSA CT

This portion of the assessment area includes 17 of the assessment area's 33 census tracts. These census tracts are located in the eastern two-thirds of Windham County, which in total contains 25 census tracts. Prior to 2014, Windham County was not incorporated within an MSA. Due to social, economic, and commuting patterns, the county became a part of the Worcester, MA MSA effective in 2014. The MSA designation change did not impact the bank's assessment area delineation; however, one census tract did change from middle- to upper-income from 2013 to 2014. The census tract distribution in this portion of the assessment area includes 3 moderate-, 13 middle-, and 1 upper-income census tracts. There are no low-income census tracts in this portion of the assessment area.

This portion of the assessment area has a population of 84,812 individuals and 22,420 families. Of total families, 21.0 percent are low-income, 17.9 percent are moderate-income, 26.8 percent are middle-income, and 34.3 percent are upper-income. In this portion of the assessment area there are 35,141 housing units, which consist of 68.8 percent owner-occupied units, 22.6 percent rental units, and 8.6 percent vacant units. Similar to the assessment area as a whole, within this portion of the assessment area owner-occupied units represent approximately 75 percent of the housing stock in middle- and upper-income census tracts and represent just under 50 percent of the housing stock in moderate-income census tracts.

The bank originated a total of 177 HMDA-reportable loans in the Worcester, MA-CT MSA in 2014, the first year this MSA was included the bank's assessment area. In 2013, the bank originated 205 HMDA-reportable loans in a non-MSA area. Of these 382 loans, 371 were located within this portion of the bank's assessment area, representing 86.5 percent of the 429 HMDA-reportable loans originated inside the entire assessment area in 2013 and 2014. This relatively high concentration is not surprising considering that the Town of Putnam and surrounding Windham County towns are considered the bank's historical trade area where five of the bank's eight branches, including the main office, are located.

Within this portion of the assessment area, the bank's performance in lending to individuals of different income levels, including low- and moderate-income levels, is in line with that of the assessment area as a whole. In 2013, 10.4 percent of HMDA-reportable loans were originated to low-income borrowers, and 25.9 percent were to moderate-income borrowers. In 2014, 10.6 percent of HMDA-reportable loans were originated to low-income borrowers, and 21.2 percent were to moderate-income borrowers.

The bank's geographic distribution of loans within this portion of the assessment area compared favorably to that of the assessment area as a whole. While this portion of the assessment area does not contain any low-income census tracts, the bank originated 17.4 percent and 22.4 percent of HMDA-reportable loans in moderate-income census tracts in 2013 and 2014, respectively. These percentages are slightly higher than the bank's performance in the assessment area as a whole.

#### Norwich-New London, CT MSA

This portion of the assessment area includes 16 of the assessment area's 33 census tracts. This portion of the assessment area does not extend substantially beyond the MSA boundary. These census tracts comprise a relatively small percentage (24.2 percent) of the 66 census tracts that make up New London County and the equivalent Norwich-New London, CT MSA. The census tract distribution includes 1 low-, 4 moderate-, 10 middle-, and 1 upper-income census tracts. As mentioned previously, the one low-income census tract is located in the City of Norwich. Norwich also contains three of the four moderate-income census tracts in this portion of the assessment area.

This portion of the assessment area has a population of 79,158 individuals. By comparison, the Norwich-New London, CT MSA has a population of 274,055 individuals. Of the 20,454 families residing in this portion of the assessment area, 21.1 percent are low-income, 19.4 percent are moderate-income, 24.7 percent are middle-income, and 34.7 percent are upper-income. In this portion of the assessment area there are 34,563 housing units, which consist of 62.2 percent owner-occupied units, 27.7 percent rental units, and 10.1 percent vacant units. This portion of the assessment area has a slightly higher percentage of rental units when compared to the assessment area as a whole. Similar to the assessment area as a whole, rental units are most concentrated in the low- and moderate-income census tracts, with rental units comprising 54.3 and 43.3 percent of the housing stock in these census tracts, respectively.

The bank originated a total of 82 loans in the Norwich-New London, CT MSA in 2013 and 2014, 58 of which were inside this portion of the bank's assessment area. This represents 13.5 percent of the 429 HMDA-reportable loans that were originated inside the entire assessment area in these years. This relatively low activity compared to the Windham County portion of the assessment area is due to the bank's more recent entry into a highly competitive market. The City of Norwich, for example, is heavily banked with institutions that have had a significantly longer historical presence.

Despite the lower activity level in this portion of the assessment area, the bank's performance in lending to individuals of different income levels, including low- and moderate-income levels, is in line with or above that of the assessment area as a whole. In 2013, 7.1 percent of HMDA-reportable loans were originated to low-income borrowers, and 15 of 28 (53.6 percent) to moderate-income borrowers. This performance in lending to moderate-income borrowers is particularly noteworthy considering that 19.4 percent of families in this portion of the assessment area are moderate-income. In 2014, 16.7 percent of HMDA-reportable loans were originated to low-income borrowers, and 23.3 percent were to moderate-income borrowers.

The bank's geographic distribution of loans within this portion of the assessment area is slightly below that of the assessment area as a whole. As discussed previously, while the bank only originated one HMDA-reportable loan in this portion of the assessment area's one low-income census tract in 2013 and none in 2014, this is not unreasonable performance considering economic and housing conditions, as well as aggregate performance, in this census tract. The bank originated 10.7 percent of HMDA-reportable loans in moderate-income census tracts in 2013, below the bank's performance in the assessment area as a whole. In 2014, 16.7 percent of HMDA-reportable loans were originated in moderate-income census tracts, which is in line with the bank's performance in the assessment area as a whole.

### Conclusion

Overall, the bank's activities within the two MSAs were found to be generally consistent with its performance in the assessment area as a whole. Performance was most consistent within the Windham County portion of the assessment area, where the bank originated a substantial majority of its HMDA-reportable loans. Within the New London portion of the assessment area, the bank's performance was particularly noteworthy in lending to moderate-income borrowers. The bank's level of qualified community development activities within each MSA was also reviewed. While a majority of community development activities were in the Windham County portion of the assessment area, activities in the New London County portion of the assessment area, especially in the City of Norwich, were notable considering the bank's more limited branch network and more recent entry into this market.