



Comptroller of the Currency
Administrator of National Banks

Northeastern District
Boston Duty Station
150 Federal Street
Boston, MA 02110

PUBLIC DISCLOSURE

March 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hudson National Bank
Charter Number 2618**

Hudson, MA

**Office of the Comptroller of the Currency
Boston Duty Station
150 Federal Street, 2nd Floor
Boston, Massachusetts 02110**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Hudson National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 17, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Primary factors supporting the bank's overall rating include:

- An average loan to deposit ratio of 62% for the past eight quarters;
- A majority of the bank's lending within their assessment area; and
- A good distribution of lending to borrowers of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Hudson National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not meaningful.		
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

Hudson National Bank (HNB) is a \$250 million bank located in north central Massachusetts. It is wholly owned by Community Bancorp Inc., a one bank holding company. HNB has its main office and one of its branches in Hudson. In addition, HNB has six branches located in various towns and cities including Acton, Boxborough, Concord, Marlboro, and Stow.

Competition throughout the assessment area consists of other independent community banks as well as branches of large multinational banks.

HNB offers a variety of loan products. As of year end 1996, the bank's loan portfolio of \$131 million (52% of total assets) comprised 55% commercial and commercial real estate, 39% residential real estate, 10% installment, 3% credit card, 2% construction, and 1% municipal. HNB sells the majority of the residential mortgages to the secondary market.

There are no financial or legal impediments that would prevent HNB from helping to meet the credit needs of its community.

DESCRIPTION OF ASSESSMENT AREA

HNB's assessment area meets the requirements of the CRA regulation, and does not arbitrarily exclude any low or moderate areas. HNB has defined one assessment area which consists of 25 census tracts within the Boston Metropolitan Statistical Area. The geographies by income characteristics consist of the following: 1 moderate, 10 middle, and 14 upper income tracts. There are no low income census tracts.

The total population of the assessment area is 126,042. Median family income is \$56,500. Median housing value for the area is \$221,500 and median age of the housing stock is 34 years. Owner occupied and rental housing represents 67% of the total. Vacant housing units are moderate at 5%.

Manufacturing, retail trade, and services are the primary economic sectors for the area. Primary employers include Hudson Polybag, Vulcan Industries, and Stratus Computers. Unemployment within the assessment area is 3%.

Small business and consumer lending were described as the primary needs for the area by bank management.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

HNB's loan to deposit ratio is reasonable. HNB's average loan to deposit ratio for the last eight quarters was 62%. Average loan to deposit ratios for the 48 banks in Middlesex and Worcester county range from 32% to 108%. HNB's loan to deposit ratio was 59% as of December 31, 1996.

Lending in Assessment Area

A majority of HNB's lending is within the assessment area. Table I. shows that 63% of the HMDA loans made are inside the assessment area.

TABLE I. HMDA Loan Originations - (000's) January 1, 1995 - December 31, 1996								
	Inside Assessment Area				Outside Assessment Area			
Type	#Loans	%	\$ Amt (000's)	%	#Loans	%	\$ Amt (000's)	%
HMDA Loans	178	63%	17,310	61%	103	37%	11,288	39%

In addition, HNB prepared an analysis of consumer lending within the assessment area for 1996. Total consumer loans inside the assessment area total 68% based on the number of originations and 72% based on the dollar of originations. The results are summarized in Table II.

TABLE II. Consumer Loan Originations - 1996								
	Inside Assessment Area				Outside Assessment Area			
Type	#Loans	%	\$ Amt (000's)	%	#Loans	%	\$ Amt (000's)	%
Credit Card	2,559	64%	2,318	61%	1,445	36%	1,459	39%
Credit Line	624	74%	228	70%	221	26%	97	30%
Home Equity	559	76%	11,424	74%	174	24%	4,090	26%
Installment	762	71%	4,840	73%	310	29%	1,758	27%
Total Consumer	4,504	68%	18,810	72%	2,150	32%	7,403	28%

Lending to Borrowers of Different Incomes and to businesses of Different sizes

HNB's lending to low- and moderate-income individuals is reasonable. Our analysis of lending to borrowers of different incomes is based on 1996 and 1995 HMDA loan originations coupled with a sampling of the bank's consumer lending activity. We sampled 65 consumer loans which represent 5% of consumer originations from January 1, 1995 through December 31, 1996. Table III. below shows that 26% of the families in the assessment area fall in the low- and moderate-income category. HNB's percentage of originations mirror this level.

TABLE III. Analysis of HNB's Lending by Borrower Income January 1, 1995 - December 31, 1996				
	Low	Moderate	Middle	Upper
HNB's Actual Lending Pattern (HMDA and Consumer)	7%	19%	34%	40%
% of Families Within Each Tract Category	12%	14%	21%	52%

A sizable percentage of HNB's lending portfolio is commercial. There were a total of 534 commercial loan originations from January 1, 1995 through December 31, 1996. We sampled 25 loans or 5% of commercial originations to determine the level of lending to small businesses (revenues of less than a \$1 million). We found that a reasonable level (48%) of the commercial originations were to small businesses. This is also in line with the bank's internal analysis. HNB's management team reviewed all commercial originations from 1996 and found that 87 of 193 loans or 45% were to small businesses.

Geographic Distribution/Response To Complaints

Of the 25 census tracts in the bank's assessment area, only one (4%) was designated as moderate income. An analysis of the geographic distribution of loans was not deemed to be meaningful.

No complaints relative to the bank's CRA activities have been received since the previous examination.

This institution is in compliance with all substantive and technical provisions of the anti-discrimination laws and regulations. No evidence of illegal disparate treatment was noted.