

PUBLIC DISCLOSURE

April 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Fleet Bank-NH
01-3307110000

142 Main Street
Nashua, New Hampshire 03061

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02106

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Fleet Bank-NH (Fleet-NH), prepared by the Federal Reserve Bank of Boston, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of April 15, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATINGS

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of helping to meet community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

COMMUNITY REINVESTMENT ACT
DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating: This institution is rated satisfactory based on the findings presented below.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - [Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.]

(Conclusion/Support): The bank has established effective methods for determining the credit needs of its community, including low- and moderate-income neighborhoods. The bank ascertains the credit needs of its community primarily through interviews with customers and residents, and through the participation of bank staff members in community development activities. Regular contacts have been made by the bank's CRA Officer, other senior officers, and branch personnel, to a wide range of individuals and groups representing community organizations. Additionally, the institution's participation in local community initiatives throughout the state provides sources of informal contacts.

The following organizations are among those that were formally contacted during 1995:

New Hampshire Business Development Corporation
Belknap County Economic Development Council
New Hampshire Housing Finance Authority
French Hill Neighborhood Housing Services
Keene Industrial Development Corporation
City of Portsmouth Planning and Economic Development Department
New Hampshire Community Loan Fund
New Hampshire State Planning Department
Greater Nashua Center for Economic Development
Business and Industry Association
Institute for Cooperative Community Development
Manchester Area Housing Trust
New Hampshire Community Reinvestment Committee
New Hampshire Legal Assistance

Results of the ascertainment process are reviewed on a monthly basis, and used to identify specific community credit needs.

Assessment Factor C - [The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.]

(Conclusion/Support): The bank's board of directors is involved in formulating CRA policies and monitoring performance. The board approves the bank's CRA Statement annually. A

formal written CRA program exists with goals, objectives and a methodology for self-assessment. The program includes quarterly reporting to the board of directors by the CRA officer.

The bank has formed an internal community development management committee which meets four times a year to discuss CRA activities and to monitor the bank's CRA program. The committee is co-chaired by the CRA officer and the bank president, and includes representation from consumer lending/market administration, commercial lending, business banking, government banking, commercial real estate, community relations, and Fleet Mortgage Group (FMG), the bank's affiliate mortgage lender.

The committee provides reports to a separate community development review committee composed of four members of the bank's board of directors, the CRA officer, and the president of the bank. The board committee reviews the annual CRA Statement and performance-related material, such as the CRA strategic plan, and reports on CRA performance. The directors' committee also holds meetings on a quarterly basis.

The bank's CRA business plan describes community credit needs identified through the ascertainment process, and defines goals and action plans designed to respond to these needs. The business plan also defines the responsibilities of the Community Development Department, which include participation in community lending initiatives, CRA employee training, monitoring the bank's CRA progress, and regular reporting to senior management and the CRA Review Committee.

The bank has an expanded CRA statement, which was last approved by the bank's board of directors in March, 1996. The expanded statement describes the bank's delineated community; community lending activities; the policy against discrimination and the branch closing policy; marketing programs; the bank's internal CRA review process; and products and services offered to the community.

II. MARKETING AND TYPES OF CREDIT EXTENDED

Assessment Factor B - [The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.]

(Conclusion/Support): The bank has implemented adequate marketing and advertising programs which are designed to inform all segments of the bank's local community of general financial products and services offered, including those that have been developed to address identified community credit needs.

The bank primarily uses print advertising in New Hampshire to market its products and services. Print advertisements have been used to promote the bank's small business loans for less than \$100,000, the corporate "INCITY" loan program which includes small business and consumer products, home equity loans, and credit cards. Newspaper advertisements have been placed in daily newspapers in Concord, Manchester, Portsmouth, Nashua, Littleton,

Claremont, Conway, Dover, Keene, Laconia, and Lebanon. Advertising appears in the Manchester Union Leader, the Portsmouth Herald, the Nashua Telegraph, the Claremont Eagle Times, the Concord Monitor, the Keene Sentinel, the Laconia Citizen, and the Lebanon-Hanover Valley News. Weekly newspapers, including the Littleton Courier, the Seacoast Times, the Coos County Democrat, and the Exeter Newsletter are also utilized as part of the bank's advertising to stimulate awareness of its products and services.

The development of a "Help Yourself Business Basics" video was completed in 1996 and distributed to community groups and local government agencies during the third quarter of 1996. The program is designed for start-up, existing, and seasoned businesses. In addition, in 1995 a Fleet-NH representative participated in a housing seminar sponsored by the Regional Council of Neighborhood Housing Services.

Assessment Factor I - [The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.]

(Conclusion/Support): The bank has undertaken efforts to address identified community credit needs through the origination and purchase of loans, including those for home purchase, home improvement, and small business.

The bank's CRA statement correctly lists all of the credit products currently available throughout its local community. Among the credit products available to individuals are residential mortgage loans, including government mortgage loan programs; student loans; consumer installment loans (secured and unsecured); and home equity loans. The statement also lists the following types of business loans: commercial mortgage loans; term loans and lines of credit; government-guaranteed business loan programs; small business lines of credit, secured and unsecured, and term loans under \$100,000; municipal loans; construction loans; and commercial and standby letters of credit.

As of December 31, 1995, the bank's loan/deposit ratio was 68%. The bulk of the bank's lending was distributed as follows: residential (1-4 family) real estate mortgages (\$561 million); commercial and industrial loans (\$407 million); commercial real estate (\$406 million); home equity lines of credit (\$146 million); and other loans to individuals (\$163 million). Lending levels reflect a general responsiveness to the most pressing community credit needs, identified by the bank and community contacts as affordable housing and small business credit.

The bank's loan products include those offered under the Fleet "INCITY" program. The INCITY program, which began in February 1994, is offered through all Fleet Financial Group (FFG) banking subsidiaries and is designed to help the banks meet their CRA responsibilities.

There are several types of mortgage products that are classified as INCITY products. One product requires only a 2.5% down-payment from the borrower's own funds, with an additional 2.5% made up by a gift, grant, or seller concession. Mortgage insurance is not required on this product if the down-payment is 5% or more. Mortgage credit is made available in the

bank's community primarily through FMG. Most of FMG's mortgage products are designed to conform with secondary market underwriting standards and are sold to the Federal National Mortgage Association. Another Fleet - NH affiliate, Fleet National Bank (FNB), offers non-conforming loan products in New Hampshire, known as "portfolio" mortgages, where FNB originates the loan and Fleet - NH subsequently purchases it for its own loan portfolio. These loans are included under the INCITY program. Government guaranteed mortgage lending products, originated through FMG are also classified as INCITY loans. Based on the bank's records, the bank (including FNB and FMG) originated 362 INCITY mortgages in 1994, and 203 during 1995 in New Hampshire. The bank's aggregate home purchase mortgage originations in New Hampshire remained stable (462 in 1994 and 463 in 1995).

The INCITY program allows for more flexible underwriting of consumer loan products, including secured and unsecured installment loans, equiloans, and credit cards. For INCITY consumer loans, bank records show that 473 loans were originated in the last nine months of 1994 and 959 originated during 1995.

In small business lending, the bank offers loans under the Easy Business Banking (EBB) Credit product. EBB loans, which are also included as part of the INCITY program, are underwritten using a credit scoring system which enables loan requests to be processed within three business days. The program provides credit from \$10,000 to \$100,000 with the option of a line of credit for short term borrowing or a term loan for longer term borrowing. For INCITY small business lending, the bank's records show that 98 loans were originated in 1994 and 136 originated during 1995.

For commercial and small business lending overall, the examiners reviewed "Call Report" data reported as of June 30 for 1994 and 1995, which details the bank's small business loans outstanding by dollar size. For loans of less than \$250,000, as of June 30, 1994, the bank reported 2,769 loans outstanding totaling \$137,070,000, and as of June 30, 1995, the bank reported 1,972 loans outstanding totaling \$124,633,000.

Assessment Factor J - [The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small business, or small farms.]

(Conclusion/Support): The bank is generally active in government loan programs for housing and small businesses. Although the volume of originations has been reduced since the prior evaluation, current levels are considered to be reasonable. Through FMG, the bank offers residential mortgage loan programs which are insured, guaranteed, or subsidized by the Federal Housing Administration (FHA), Veterans' Administration, and the New Hampshire Housing Finance Authority (NHHFA).

According to the bank's INCITY records for FHA lending, the bank reported 101 loans in 1994 totaling \$8.5 million and 42 loans during 1995 totaling \$3.9 million. With respect to NHHFA lending, the bank reported 53 loans in 1994 totaling \$4.0 million and 43 loans in 1995 totaling \$3.2 million.

With regard to small business credit, the bank's parent company, Fleet Financial Group, has

been designated a Small Business Administration (SBA) regional preferred lender, which enables the bank to provide faster decision-making on loan requests from small businesses. According to bank records regarding SBA lending, the bank originated 80 loans for \$32.9 million as of the third quarter of 1994, and 32 loans for \$3.2 million during 1995. The bank also extended a \$3 million funding line to the New Hampshire Business Development Corporation (NHBDC) to be used in the financing of emerging growth companies.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Reasonableness of Delineated Community

The bank's delineated community meets the purpose of the Community Reinvestment Act and does not exclude low- and moderate-income neighborhoods.

The bank's community delineation is made up of two separate regions or "clusters" within the state: the Southeastern cluster, comprised of Hillsborough, Merrimack, Rockingham, and Strafford Counties; and the Northern cluster, which includes Belknap, Carroll, Cheshire, Coos, Grafton, and Sullivan counties. The community includes most of the populated areas of New Hampshire.

At year-end 1995, FFG acquired Shawmut National Corporation (Shawmut), which doubled the number of Fleet branches in New Hampshire from 35 to 70. As of the date of the examination, however, the number of branches had been reduced to 45, as the bank completed a series of branch consolidations and divested five branches in 1996: two in Manchester and one each in Bedford, Littleton, and Nashua. The delineation is considered to be reasonable.

Assessment Factor E - [The geographic distribution of the institution's credit extensions, credit applications and credit denials.]

(Conclusion/Support): The geographic distribution of the bank's credit extensions reflects a reasonable penetration of all segments of its community, including low- and moderate-income communities.

The geographic distribution of the bank's credit extensions was reviewed using two sources: the bank's own information, and 1994 and 1995 Home Mortgage Disclosure Act (HMDA) information. The bank's internal information documents loan dollars outstanding within each county for residential mortgages, home equity, home improvement, credit card, and student loans. The reports do not contain information on the number of credit applications, loans, or

denials for each product, except for HMDA-reportable activity. Additionally, the bank's reporting system was reconfigured in 1995, and therefore period-to-period comparisons of the cumulative dollars outstanding were not available.

Bank records show a total of \$224.1 million in consumer loan balances outstanding as of December 31, 1995, in the bank's low- to moderate-income communities in New Hampshire. This amount includes loans acquired from Shawmut, and represents 12.6% of the bank's total \$1.78 billion in consumer loan dollars outstanding in the New Hampshire delineated community. According to the bank's geographic distribution analysis, 24.0% of the combined census tracts and block numbering areas within the state are defined as low- to moderate-income.

The 1994 and 1995 HMDA data used for the geographic distribution analysis included all lending within the state by the bank, by FMG, and by FNB (from which Fleet - NH purchases "portfolio" loans). The data were analyzed based on whether property or borrowers were located within Metropolitan Statistical Areas (MSAs), which include the more populated urban areas in New Hampshire, or outside of MSAs, which area includes the less populated, rural areas of the state.

The table below shows loan volume and the proportion of loans for each consumer loan category that were granted to low- and moderate-income borrowers, who are defined as those borrowers receiving less than 80% of the median family income for either the MSA or non-MSA area in which they reside. Based on 1990 census data, approximately 37% of the households in the bank's community are classified as LMI.

Consumer Loan Categories	Lending in MSAs		Non-MSA Lending	
	1994	1995	1994	1995
Years				
Total Home Purchase (HP) Loans	401	356	61	107
Total HP Loans to LMI Borrowers	174	129	26	19
Proportion of LMI HP Loans to total	43.39%	36.24%	42.62%	17.75%
Total Home Improvement (HI) Loans	236	227	104	145
Total HI Loans to LMI Borrowers	50	39	19	25
Proportion of LMI HI Loans to total	21.19%	17.18%	18.27%	17.24%

Total Refinance (REFI) Loans	221	184	33	67
Total REFI Loans to LMI Borrowers	45	33	9	12
Proportion of LMI REFI Loans to Total	20.36%	17.93%	27.27%	17.91%

For home purchase lending within MSAs, the proportion of loans made to low- and moderate-income borrowers was 43.39% in 1994 and 36.24% in 1995. In non-MSA areas the proportion of home purchase loans made to low- and moderate-income borrowers was 42.62% in 1994 and 17.75% in 1995.

Lending for home improvement purposes within MSAs declined slightly between 1994 and 1995 from 236 loans to 227. In non-MSA areas activity increased, from 104 loans to 145. The proportion of home improvement loans made to low- and moderate-income borrowers declined moderately within MSAs from 21.19% in 1994 to 17.18% in 1995. In non-MSA areas the proportion of home improvement loans made to low- and moderate-income borrowers declined slightly, from 18.27% in 1994 to 17.24% in 1995.

With regard to refinancing transactions, overall lending within MSAs declined moderately between 1994 and 1995 from 221 loans to 184. Loans to low- and moderate-income borrowers also declined, from 45 to 33. The proportion of loans made to low- and moderate-income borrowers within MSAs was 20.36% in 1994 and 17.93% in 1995. In non-MSA areas refinancing activity rose from 33 loans in 1994 to 67 loans in 1995. Loans to low- and moderate-income borrowers also rose, from nine loans in 1994 to twelve loans in 1995. In non-MSAs the proportion of loans made to low- and moderate-income borrowers was 27.27% in 1994 and 17.91% in 1995.

Within the state's MSAs, 25 census tracts or 18%, are defined as low- or moderate-income tracts. With regard to HMDA reported loans to borrowers that reside within these census tracts, 53 loans (5.7%) were made in 1994 and 61 (7.9%) loans were granted during 1995. In 1995, most (56%) of the loans originated within these low- to moderate-income tracts were actually granted to middle- or upper-income borrowers.

The examiners reviewed the bank's records to determine the geographic distribution of small business lending. As of year-end 1995, commercial lending performance was stronger in the Southeastern cluster, which held 2,585 commercial loan relationships, representing 81% of the total commercial dollars outstanding within the bank's community. The fewest commercial relationships were located in Coos County (54) with 1.2% of commercial loan balances outstanding, and in Sullivan County (31) with 1.5% of the outstanding commercial loan balances.

Assessment Factor G - [The institution's record of opening and closing offices and providing services at offices.]

(Conclusion/Support): Offices are reasonably accessible to all segments of the bank's local community. In 1995, the number of Fleet-NH branches doubled to 70 as a result of the acquisition of Shawmut. Beginning in 1996 five branches were divested and others were consolidated. As of the date of the examination, the bank operated 45 branch offices located throughout the populated areas of the state of New Hampshire.

The bank has a "Branch Closing/Consolidation Policy" that is designed to document the rationale and process that will be used in the decision to close a particular branch. The process includes a profitability analysis, consideration for alternative methods of operation, availability of other banks in the community, and the impact on the local community, including consideration of the opinions of community leaders.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - [Any practices intended to discourage applications for types of credit set forth in the institution's CAR statement.]

(Conclusion/Support): The bank solicits credit applications from all segments of its community. Bank management has developed complete written policies and procedures to ensure that the bank does not illegally discourage or pre-screen applicants. There was no evidence noted of any practices intended to discourage any type of application for credit.

Assessment Factor F - [Evidence of prohibited discriminatory or other illegal credit practices.]

(Conclusion/Support): The bank is in compliance with the major provisions of the Equal Credit Opportunity Act, the Fair Housing Act, and the Home Mortgage Disclosure Act. Any violations noted during the review were corrected during the examination.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - [The institution's participation, including investments, in local community development and redevelopment programs.]

(Conclusion/Support): The bank is aware of and participates in community development and redevelopment programs within its community.

The bank is a participant in affordable housing initiatives in Concord, Manchester, and Portsmouth. Additionally, the bank refinanced the Hideaway Village Cooperative mobile home park in 1995, through an affiliate membership in the Federal Home Loan Bank of Boston.

In Concord, the bank sponsored a \$120,000 community housing grant from the Federal Home Loan Bank to the Concord Area Trust for Community Housing (CATCH), an organization established to preserve and create affordable housing. The bank has also been a participant in an affordable housing loan pool organized by CATCH. The bank has committed \$500,000 to the pool. According to information provided by the bank, there was no loan activity under the program in 1994 or in 1995.

The bank also committed \$250,000 to the Manchester Neighborhood Housing Services loan pool program. The bank's records show that no loans were extended under this program during 1994 or 1995.

In Portsmouth, a consortium of 22 banks was organized by Fleet several years ago into the Seacoast Community Banking Council to serve the housing needs of the state's coastal areas. The bank's commitment to the \$5.7 million loan pool was \$1 million. No loans were originated under the program in 1994 or 1995, according to bank information.

The bank and the NHHFA have initiated a partnership to provide down payment assistance to first time home buyers. The bank will provide the second mortgage at a 5% interest rate, and has made a commitment of \$500,000 to the program.

In 1994, the bank made a commitment to participate in the New Hampshire Community Reinvestment Corporation, a mortgage consortium with a \$30 million loan pool designed to provide financing for affordable housing in the state. The bank committed staff to the loan and operation committee and participated in the preliminary needs assessment funding. As of the date of the examination, no loans had been closed.

In small business lending, the bank recently made a \$1 million commitment to the New Hampshire Vocational Technical college to provide loans to small and medium-sized businesses for retraining existing or new employees. Additionally, the bank has made separate credit commitments of \$150,000 to the Belknap County Economic Development Council, the Sullivan County Economic Development Council, the Grafton County Regional Economic Development Council, and the Mount Washington Economic Council, to provide financing to businesses in these counties through county programs and in conjunction with the Office of State Planning. As of the date of the examination no distributions had been made under these commitments. The bank also provides a \$125,000 line of credit to the Working Capital Peer Lending Program, a micro-enterprise initiative that provides low-income, small business owners with loans and technical assistance.

Fleet Community Development Corporation (CDC), a subsidiary of FFG, was organized to support small businesses and economic development projects through low interest loans and equity investments. In 1996, the CDC purchased \$245,000 in SBA loans from the NHBDC, enabling the NHBDC to make available an additional \$1 million dollars in loans to assist small businesses in the community.

Assessment Factor K - [The bank's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.]

(Conclusion/Support): The bank's ability to meet community credit needs is not affected by its financial condition. The bank generally supports the development or implementation of specific projects promoting economic revitalization and growth, consistent with its size, financial capacity, location, and current local economic conditions. The bank's Community Development Officer is active in developing relationships with various community groups and

community-supported organizations.

The bank's community and the state of New Hampshire are characterized by a significant rural population. Approximately 25% of the 1.1 million population reside outside of the metropolitan areas. The largest urban areas are located in the southern part of the state and include Manchester, Portsmouth, and Nashua. The northern areas are the least populated and have the largest rural population.

The bank's community is economically diverse. The fastest-growing industries include chemicals, apparel and other textiles, depository institutions, educational services, and utilities services. Most of the population is employed in the southern part of the state, primarily in the service industries. Unemployment is low (4.1% in 1994) and the economy appears to be strengthening.

Assessment Factor L - [Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.]

(Conclusion/Support): The bank has participated in other activities which contribute to meeting community credit needs.

The bank supports the affordable housing initiatives of the French Hill Neighborhood Housing Services of Nashua and Manchester Neighborhood Housing Services by providing operating funds and technical assistance to these community organizations. Members of the bank's staff also sit on the boards of directors of these agencies. In addition, the bank worked with Southwestern Community Services to enable the organization to access a grant of government funds for affordable housing development. In conjunction with the Department of Resources and Economic Development, the bank launched a \$75,000 marketing campaign in 1995 to attract Canadian companies looking to expand in the U.S. The bank has also provided a \$15,000 grant for a job awareness video project of the Belknap County Economic Development Council to aid high school graduates to understand local job opportunities.