



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 15, 1998

Mr. Peter J. Verrill
Executive Vice President and
Chief Operating Officer
Peoples Heritage Financial Group, Inc.
One Portland Square
Portland, Maine 04112

Dear Mr. Verrill:

On March 18, 1998, the Board approved the proposal by Peoples Heritage Financial Group, Inc., Portland, Maine ("Peoples"), to merge with CFX Corporation, Keene, New Hampshire ("CFX"), and thereby acquire Orange Savings Bank, Orange, Massachusetts ("Orange Bank"); Safety Fund National Bank, Fitchburg, Massachusetts ("Safety Bank"); and CFX Bank, Keene, New Hampshire.^{1/} The Board reviewed the proposal in light of comments that expressed concern about the effects of the proposal in an economically depressed area in Massachusetts known as North Quabbin.^{2/}

The Order described Peoples's intention to provide \$3 million in mortgage loans to low- and moderate-income ("LMI") and minority borrowers through its Community Mortgage Outreach Program in North Quabbin. In fact, the program would be available in the communities served by Orange Bank, including the North Quabbin area, and Safety Bank.

The Board considered the Peoples/CFX proposal in light of all the facts of record. Those facts included "outstanding" CRA performance ratings of Peoples's subsidiary depository institutions at their most recent CRA performance

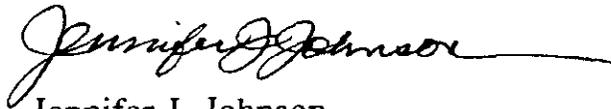
^{1/} Peoples Heritage Financial Group, 84 Federal Reserve Bulletin __ (1998) (Order dated March 18, 1998) ("the Order").

^{2/} North Quabbin is an area of approximately 345 square miles in north central Massachusetts. It includes the towns of Athol, Erving, New Salem, Orange, Petersham, Phillipston, Royalston, Warwick, and Wendell.

evaluations by their appropriate Federal financial supervisory agencies, including Peoples's subsidiary savings bank, Family Bank, FSB, Haverhill, Massachusetts ("Family Bank"), which serves the North Quabbin area. The Board also considered Family Bank's record of lending to small businesses in LMI census tracts and its record of funding community development projects. Finally, the Board noted that Peoples intends to provide \$1 million to establish a loan pool to be administered by an advisory board composed of North Quabbin community representatives.

This matter has been presented to the members of the Board to give them an opportunity to determine whether reconsideration or a different finding under the statutory factors the Board is required to consider under the Bank Holding Company Act is warranted. For the reasons discussed above and in the Order, no member of the Board has requested reconsideration. The description of the mortgage outreach program will be corrected in the order published in the Federal Reserve Bulletin.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

cc: The Honorable John W. Olver
Ms. Beth R. Anderson
Ms. Deborah Becker
Mr. Myron Becker
Mr. Raymond A. Belanger, Jr.
Ms. Susan C. Clough
Ms. Judy Grupenhoff
Mr. Keith Ross
Federal Reserve Bank of Boston