

# **ALL AMERICAN COMMUNITY BANK**

**2008**

## **EXECUTIVE REPORT**



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## **All American Community Bank 2008 CRA Performance Report**

This report is an analysis of the performance of All American Community Bank (AACB) based on the “Lending Test” standards enumerated in the Community Reinvestment Act (CRA, U.S. Code, Title 12 Chapter 30, Regulation BB). All American Community Bank has requested this analysis to help the Bank critically evaluate its performance so that it can better serve the need for credit services within its Assessment Area by recognizing its performance strengths and weaknesses and better understanding the market for loans within its community. In developing its observations, GeoDataVision (GDV) reviewed the AACB small business loans reportable under CRA and mortgage originations disclosed HMDA. In addition, All American Community Bank collects and monitors performance of loan portfolios that are not mandatory under CRA, but that can be included in a bank’s CRA PE if the bank exercises its elective under the Regulation. Bank management recognizes that a complete picture that depicts *non-reported* lending will be a more accurate measurement of the Bank’s service to the community. Moreover, federal regulations allow lenders to elect to include in a CRA performance exam other non-reported portfolios subdivided into five consumer types as well as “Other Loans/Lines of Credit for Business Purposes” and “All Other” loans. All American Community Bank maintains its books and records with loan codes consistent with the CRA classifications used by the Federal CRA and the Connecticut CRA thereby allowing analysis within the optional CRA framework (although it is recommended that the Bank consider using the Federal CRA loan type codes going forward). This Report breaks out the AACB loan portfolios according to the federal portfolio classifications (GeoDataVision reviewed the records with the State CRA codes and applied the appropriate Fed CRA classification to those records) identified within the CRA regulation and analyzes their effect on All American Community Bank’s performance relative to the reported portfolios.

The CRA “Lending Test” establishes five primary criteria for analysis of ISB loan performance under CRA. While conducting its analysis, GDV applied three geographic parameters to portfolio data as delineated in Federal and State regulations. These three parameters included (1) the proportion of lending in the Assessment Area, (2) the dispersion of lending in the Assessment Area and (3) the distribution among different census tract income classes as defined in CRA regulations. In addition, GDV analyzed

(4) the income characteristics of borrowers as provided in regulations. The regulation also incorporates evaluation of (5) the loan to deposit ratio. All of these tests emphasize “responsiveness to the community” as a qualitative factor that recognizes small loans can have a disproportionately beneficial impact on the community. This normally is applied in terms of “flexible and innovative” lending practices.

Finally, Intermediate-Small Banks such as All American Community Bank also are subject to a Community Development Activities test on which every ISB must attain a “satisfactory” rating in order to qualify for a potential composite satisfactory rating. The Community Development Activities test incorporates Community Development Loans, Investments and Services. This Report focuses only on Community Development Lending. Both the Loan Test and the Community Development Activities Test constitute 50% of the Performance Evaluation.

The Regulation, while delineating five lending criteria, does not identify any specific quantitative performance standards. Rather, the regulation requires the application of “performance context” parameters. These performance context factors are intended to include all the facts and circumstances relevant to a lender’s performance. Among these factors are: community demographics, lender size, resources and strategy, local economics and small business and mortgage market data. Accordingly, the collection and compilation of this information is indispensable for the evaluation of a lender’s performance as measured under CRA. GeoDataVision, as part of this Report, has included a “Performance Benchmarks” section as well as maps regarding community demographics.

## **Background**

This report contains uses GIS (Geographic Information Science) to analyze All American Community Bank’s 2008 CRA loan data as presented to GeoDataVision for evaluation. AACB has requested this analysis to help it monitor its CRA performance on a continuous basis, to recognize potential problems as they develop and to formulate a plan of action to help the Bank meet its responsibilities under CRA. GeoDataVision has prepared this analysis based on loan application and “course of action” data from AACB’s HMDA LAR, and from small business lending activity recorded by the Bank

under CRA regulations and submitted for evaluation to GDV. CRA analysis is primarily predicated on loan originations made. However, examiners take into account loans purchased as well. The Bank did not indicate any loan purchases during 2008. In addition, as stated earlier, All American Community Bank submitted other loan records using a combination of CRA “loan type” fields (Fed and State) to incorporate in the analysis so that a determination can be made regarding the Bank’s elective to include any or all such portfolios in a CRA PE (the Community Reinvestment Act allows banks to elect to include non-reportable loans organized by portfolio type in a CRA performance evaluation). The analysis is based on the so-called “Lending Test” in §.22, Regulation BB, Community Reinvestment, 12 CFR as amended, July 1995 and again in August 2005.

Finally, as explained earlier, this GIS analysis focused on two areas emphasized by regulators: (1) the geographic distribution of credit activity and (2) borrower characteristics. With respect to the geographic distribution of activity, the analysis reviewed (a) the proportion of lending inside and outside the assessment area (Assessment Area Concentration Ratio), (b) “GAP” analysis i.e., the geographic dispersion within the assessment area and (c) the volume of activity in low / moderate income geographies (LMI tract “penetration rate”). The borrower characteristics analysis reviewed (a) the volume of mortgages and certain types of consumer loans extended to individuals in the four different compliance income categories (“LMI Borrower Penetration Rate” and (b) the amount of credit accommodations to small businesses with annual revenues under \$1 million (“Very Small Business Penetration Rate”). These criteria were selected by GDV because they are specifically mentioned as part of the performance criteria in Regulation BB as amended as well as in the Agency Examination manuals for CRA. The methodology relies on comparison of AACB’s performance to market-driven standards as described in the “Performance Context” sections of this Report.

## **Performance Context Information**

Analysis of performance under the Community Reinvestment Act is not based on specific performance standards enumerated within the Regulation, with one exception – Test 1 Lending Inside/Outside the Assessment Area. All other performance parameters are based on what the Regulation calls “Performance Context”. The performance context is defined in terms of the facts and circumstances in which a lender operates. It includes factors such as the bank’s performance history, its resources and strategy, the local economy, community demographics and comparative loan market data.

As preparation for this analysis therefore, GDV has prepared a series of maps and tables that depict important demographic and loan market data within the Bank’s Assessment Area. This demographic and loan market information represents some of the most important performance context variables that are an indispensable background for analysis of CRA performance.

### ***Demographic Maps***

First, in order to present a comprehensive overview of the community GDV has developed a series of maps depicting the “geo-demographics” of the communities served by All American Community Bank. GDV has selected three important demographic variables in addition to the tract income classifications defined in regulations and an MSA and HUD-Underserved Areas map. The maps are as follows:

### ***Tract Income Designation Map***

All tracts are identified by color code as Low, Moderate, Middle or Upper Income based on the latest CRA definition. There are 33 census tracts within the Assessment Area. The last classification was done in 2004 and resulted in the following breakdown of tracts by income classification within the Bank’s Assessment Area: Tracts with no income - 0, Low Income Tracts - 0, Moderate Income Tracts - 4, Middle Income Tracts - 13, and Upper

Income Tracts - 16. Thus, the relative number of LMI tracts for this community was 12.1% which is one of the benchmarks applied by examiners as explained in Test 3.

### *Low and Moderate Family Population Map*

This is a “single theme” map that uses color to show census tracts with the highest percent of low- and moderate-income families as determined by the Department of Housing and Urban Development (HUD) using a color theme explained in the legend for all census tracts. The color theme is based on deciles determined by the relative percentage of LMI families.

### *Housing Demographics Map*

This is a “single theme” map that shows the tracts with the highest volume of owner-occupied housing using “deciles” as explained in the map legend. Examiners will compare the geographic distribution of owner-occupied housing in LMI tracts to the Bank’s relative percentage of mortgage lending in those tracts as one performance barometer.

### *HUD Defined “Underserved Areas” Map*

Underserved areas are tracts designated by HUD as “underserved in terms of mortgage credit”. These neighborhoods usually consist of high populations of minorities and/or low-income residents. An underserved area, therefore, is considered to need special assistance because of its population and because of inadequate mortgage credit. The GSE’s have developed special mortgage programs with unusually flexible underwriting rules that are intended to facilitate mortgage lending in these areas. These areas, therefore, should be a focus of lender activity, not only because of community development considerations, but also for the profitable potential they represent to participants in the GSE programs. The maps in this report show the identity and location of the tracts designated by HUD as “Underserved”. Normally, HUD-defined “Underserved” tracts are much more numerous than Low and Moderate-Income Tracts. Moreover, they

usually represent a more realistic picture of the tract's housing market and the adequacy of the mortgage market in meeting the need of that market.

### *Metropolitan Statistical Areas Map*

This map identifies the MSA's in which the Bank's Assessment Area is located. Because Metropolitan Areas by their definition consist of areas with a "large population nucleus, together with adjacent communities that have a high degree of economic and social integration with that nucleus", this map is a good indication of the complexity and diversity of the Bank's community. This also is helpful to confirm that your Assessment Area does not violate the Regulation by substantially overlapping from one MSA into another.

### *Demographic Data Tables*

As stated above All American Community Bank's Assessment Area consists of 33 census tracts broken into 4 different income categories. Some areas may even contain tracts without income attributions. Normally, this is when there is no population in a tract or a large institutional population (such as a prison). However, aside from census tract income designations, examiners consider several other important demographic variables when evaluating a bank's CRA performance.

### *Housing Demographics Table*

Housing demographics are a very important variable considered by examiners when they evaluate a lender's performance under CRA. In particular, examiners will compile the geographic distribution of owner-occupied housing in LMI tracts as part of Lending Test 3. In this case, the distribution of housing can be broken down as follows:

- Owner-Occupied Housing Units (OOHU) in Assessment Area: **38,556**
- OOHU in Area LMI Tracts: **2,266**
- % OOHU in LMI Tracts: **5.9%**

Examiners will use the percentage of OOHU in LMI tracts as one benchmark to compare to the percentage of the HMDA mortgage portfolio in the Assessment Area LMI tracts. This is not as useful or accurate an indicator as the comparison to the distribution of the Assessment Area mortgages market in the area LMI tracts. But examiners use it nevertheless.

### *LMI Family Population Table*

GDV has prepared a report that presents the size and location of the so-called “LMI” population of families as calculated by the Department of Housing and Urban Development (HUD). The Report shows:

- HUD estimated total family population in the Assessment Area is 35,270
- HUD estimated low and moderate income family population in the community is 9,040
- Relative percentage of LMI family population to total area family population: 25.6%

Again, this is another important standard used by examiners to evaluate performance under Test 4, loans to LMI borrowers. Examiners will calculate the percentage of families in the community that are qualified as low or moderate-income families (a slight difference from the HUD numbers, but the family numbers are not readily available). This percentage becomes the target against which a bank’s relative percentage of mortgages to LMI borrowers will be compared. Therefore, if the LMI population in the community is 25%, this becomes the target for the relative percentage of a bank’s Assessment Area mortgages to LMI borrowers.

### *HUD designated “Underserved areas” Table*

These are neighborhoods whose mortgage needs have been determined by HUD to be “underserved in terms of mortgage credit” based on a combination of variables including income and racial demographics of each tract.



- There are 8 HUD-designated “Underserved” census tracts within AACB’s Assessment Area.
- This constitutes 24.2% of the Assessment Area Tracts
- This compares to 4 LMI Tracts that account for 12.1% of all Assessment Area tracts

Normally, it can be said that the HUD-designated underserved areas are more representative of the real mortgage needs of the community because many LMI tracts are industrialized areas that not only have little housing but also frequently are not fit areas for housing. The Underserved tracts, on the other hand, have been identified by the government department responsible for promoting the housing market by supporting adequate mortgage markets. These tracts have been identified by HUD as having inadequate mortgage markets based on a number of variables directly related to the population demographics, the housing needs and the mortgage market in each census tract. These tracts are indicated in the loan table section of this Report as well as in the Underserved tracts map.

## Key Loan Market Data in Assessment Area

An essential element of CRA performance analysis is the consideration of performance context data, in particular the loan market data reported for the Assessment Area. The following table summarizes the most important HMDA and CRA loan market information for the latest year available as of the date of this Report, 2006.

### *Market Loan Penetration Rates*

**Table 1**

Market Penetration Rates - All Reporting Lenders				
	KPB Report Number	Assessment Area LMI Tracts Total	Assessment Area	Lending in LMI Tracts Market Penetration Rate
Mortgage Originations	1 and 2	525	6,086	<b>8.6%</b>
Mortgage Dollars (000's)	1 and 2	\$63,376	\$1,053,147	<b>6.0%</b>
CRA Small Business Loans	6 and 7	562	6,385	<b>8.8%</b>
CRA Small Business \$ (000's)	6 and 7	\$12,527	\$115,222	<b>10.9%</b>
CRA Small Farm Loans	NA	NA	NA	<b>NA</b>
CRA Small Farm \$ (000's)	NA	NA	NA	<b>NA</b>
		LMI Applicants	All Applicants	Lending to LMI Applicants Market Penetration Rate
Mortgage Originations	1	1,725	6,086	<b>28.3%</b>
Mortgage \$ (000's)	1	\$211,639	\$1,053,147	<b>20.1%</b>
		Very Small Bus	All Small Bus	Lending Very Sm. Business Market Penetration Rate
Small Business Loans	6	2,271	6,385	<b>35.6%</b>
Small Business Loan \$ (000's)	6	\$46,096	\$115,222	<b>40.0%</b>
Small Farm Loans	NA	NA	NA	<b>NA</b>
Small Farm Loan \$ (000's)	NA	NA	NA	<b>NA</b>

The above table contains not only important information pertaining to the size and scope of the mortgage and small business loan markets within the All American Community Bank Assessment Area, it also compiles critical CRA benchmarks, called “penetration rates” with respect to lending in the low- and moderate-income geographies and with respect to loans to low- and moderate-income borrowers and very small business (\$1 million

annual revenues or less) borrowers. The market-driven penetration rates under Lending Tests 3 and 4 are very important considerations in the development of a performance rating for any bank.

As important as penetration rates are as a comparative indicator of bank performance under the Lending Test, they sometimes can be misleading because of statistical skewing. The penetration rates are the “mean” or average of the relative percentage of loans made in an area or to a borrower class. This statistic is susceptible to distortion caused by a concentration of activity. Therefore, it is important to have detailed loan market data that allows analysis beneath the surface of the statistics. Moreover, an in-depth analysis should consider the competitive structure of the loan markets and the performance of peers and banks of varying size and resources. This requires comprehensive reports that depict the breakdown of loan market activity for each and every lender active in the Assessment Area. These details are provided in the suite of 11 Reports contained in the Key Performance Benchmarks (KPB) Book with this analysis. The table on the following page summarizes the detailed market rank and market share analysis.

## Market Rank Analysis

**Table 2**

All American Community BankMarket Ranking				
	KPB Report		Mortgage Mkt Rank	# Lenders
Assessment Area Mtg Mkt	1		22	314
Assessment Area Mtg LMI Tracts	2		28	106
Assessment Area LMI Borrowers	1		27	314
Assessment Area Minority Borrowers	1		87	314
<b>Small Business Mkt</b>				
<b><u>County Small Business Loans:</u></b>		<b>County</b>	<b>Rank</b>	<b># Lenders</b>
	8	Hartford	30	81
		Litchfield	16	48
<b><u>County Very Small Business Loans (\$1,000,000 or less annual volume)</u></b>				
		<b>County</b>	<b>Rank</b>	<b># Lenders</b>
	10	Hartford	21	81
		Litchfield	11	48
<b><u>Very Small Business Lending Index Rank:</u></b>		<b>State</b>	<b>Rank</b>	<b># Lenders</b>
	11	Connecticut	7	52
<b><u>Community Development Lending Rank:</u></b>		<b>State</b>	<b>Rank</b>	<b># Lenders</b>
	9	Connecticut	13	17

The foregoing table summarizes the market activity of all CRA and HMDA reporting lenders and provides another perspective on the Bank's performance by comparing it to all other lenders in the Assessment Area. This approach can help uncover statistical bias if present in the penetration ratios in the first table.

All the data contained in the foregoing tables are extracted from the detailed Key Performance Benchmark Reports included as a separate book with this Report. The tables are intended to provide a snapshot of the most important loan market data used to evaluate Bank performance. It is strongly suggested that the reader review those reports in detail for the insights they provide on the Assessment Area loan markets and the competitive structure of those markets.

The CRA performance benchmarks established from the above data are as follows:

- ✓ Assessment Area Mortgage Market LMI Tract Penetration Rate: 8.6% (Units) 6.0% (Dollars)
- ✓ Assessment Area Small Business Market LMI Tract Penetration Rate: 8.8% (Units) 10.9% (Dollars)
- ✓ Assessment Area Mortgage Market LMI Borrower Penetration Rate: 28.3% (Units) 20.1% (Dollars)
- ✓ Assessment Area Small Business Market Penetration Rate to very small business borrowers: 35.6% (Units) 40.0% (Dollars)

### **Assessment Area(s) Delineation**

The Community Reinvestment Act under Section \_\_\_\_.41 establishes both prescriptive and proscriptive rules for how a bank may delineate its Assessment Area(s). Banks are required to include any census tracts in which they maintain deposit-taking facilities and the immediately surrounding tracts in which they engage in loan activity. Banks cannot avoid low or moderate-income tracts simply because they are economically depressed. All tracts within an assessment area must be contiguous and Assessment Areas may not extend “substantially” beyond the areas of a state or MSA unless it is a metropolitan division or a multi-state MSA.

GeoDataVision has reviewed the delineation of All American Community Bank’s Assessment Area(s) and has determined that there is a technical violation of Section 345.41(e)(4) evident in the Assessment Area delineation. The violation pertains to the significant overlap of the Bank’s Assessment Area from non-MSA Litchfield County to the Hartford MSA. The relevant section states in part that an Assessment Area, “May not extend



## Lending Test Analysis

The following is an analysis of Bank performance under the 6 elements of the Large Bank Lending Tests used to rate performance under the Community Reinvestment Act.

### Lending Test 1: Assessment Area Concentration Ratio

LENDING TEST 1: ASSESSMENT AREA LENDING CONCENTRATION							
COMMUNITY	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
OUTSIDE	15	6	0	0	17	1	39
<b>INSIDE</b>	<b>68</b>	<b>44</b>	<b>6</b>	<b>2</b>	<b>108</b>	<b>3</b>	<b>231</b>
TOTAL	83	50	6	2	125	4	270

LENDING TEST 1: ASSESSMENT AREA LENDING CONCENTRATION							
COMMUNITY	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
OUTSIDE	18.1%	12.0%	0.0%	0.0%	13.6%	25.0%	14.4%
<b>INSIDE</b>	<b>81.9%</b>	<b>88.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>86.4%</b>	<b>75.0%</b>	<b>85.6%</b>
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

LENDING TEST 1: ASSESSMENT AREA LENDING \$(000) CONCENTRATION							
COMMUNITY	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
OUTSIDE	\$3,132	\$1,491	\$0	\$0	\$1,227	\$100	\$5,950
<b>INSIDE</b>	<b>\$9,755</b>	<b>\$4,655</b>	<b>\$270</b>	<b>\$31</b>	<b>\$5,238</b>	<b>\$4,595</b>	<b>\$24,544</b>
TOTAL	\$12,887	\$6,146	\$270	\$31	\$6,465	\$4,695	\$30,494

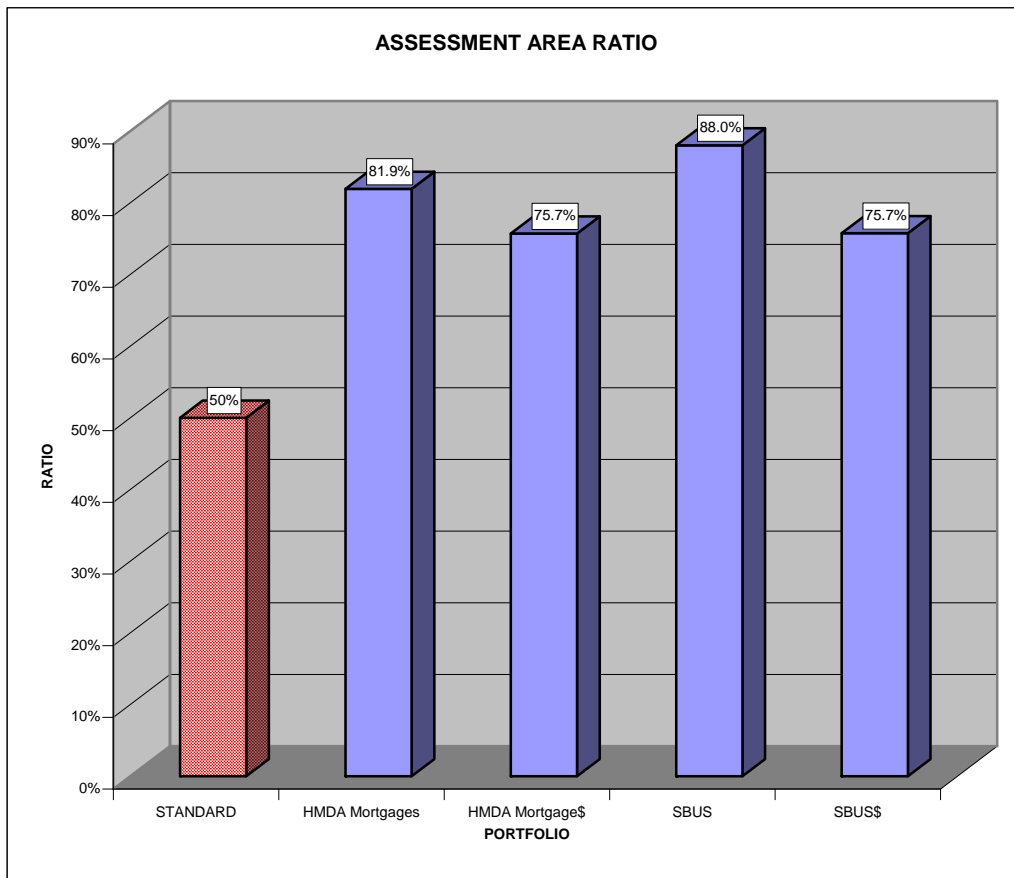
LENDING TEST 1: ASSESSMENT AREA LENDING \$(000) CONCENTRATION							
COMMUNITY	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
OUTSIDE	24.3%	24.3%	0.0%	0.0%	19.0%	2.1%	19.5%
<b>INSIDE</b>	<b>75.7%</b>	<b>75.7%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>81.0%</b>	<b>97.9%</b>	<b>80.5%</b>
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The very first test under CRA measures the relative percentage of Bank lending within the Assessment Area compared to Bank lending inside and outside the community. The CRA expects a bank to lend the “majority” of its loans within the communities the bank recognizes as its “Assessment Area”. The underlying premise is that banks should “reinvest” in their communities by lending deposit money back into the local economy.

Activity is measured both in number of loans as well as in the value of those loans.

Performance is evaluated based on units and dollar values, although some examiners will give more emphasis on the calculation derived from units.

**Figure 1: Lending Test 1 Performance Graph**



The above tables show that All American Community Bank’s performance comfortably exceeds the regulatory requirement of 50%. This observation applies not only to the reportable portfolios, HMDA mortgages and CRA reportable small business loans, but to the non-reportable Consumer portfolios as well.

Since the Community Reinvestment Act expects that a bank “meet the need for credit services in its community” there are other ways of measuring



performance under Test 1. In order to understand the community's need for credit services it is important to have the loan market data for all reporting lenders active in the community. This will help establish some of the most important performance context data necessary to evaluate and understand performance under the Community Reinvestment Act. For example, knowledge of the size and geographic distribution of the mortgage market and small business loan markets is absolutely necessary because they are a direct reflection on what the community's credit needs are in the first place. The reported loan market data also provides insight into the competitive structure of the local loan markets making it easier to comprehend how competition affects your bank's performance. The competitive loan market data can reveal if there are distortions of the "penetration rates" caused by concentrations of lending by dominant lenders. Loan market rank is a good indicator of the bank's record meeting the need for credit services by measuring its importance as a provider of credit services. In the case of the mortgage market, the salient market data for AACB's community is as follows:

Number of mortgage lenders: 314

Mortgage Market Rank: 22

Nature of Competition: extremely competitive with a variety of bank and non-bank lenders as well as mega-mortgage lenders and local institutions. The Bank's ranking in the top 7% of Assessment Area mortgage lenders indicates it is an important source of mortgage credit within its defined market.

Small Business Lending Rank in Counties in AA: AACB was ranked #30 in Hartford County and #16 in Litchfield County in 2006.

Number of lenders: 81 reporting lenders in Hartford County and 48 in Litchfield County

Nature of competition: Similar to the Mortgage Market, competition is very intense for small business loans with a range of local, national and regional lenders including TD Banknorth, Webster Bank, Bank of America, etc. The market in Litchfield County is much smaller than the small business loan market reported in Hartford County, with \$187 million in small business loans reported in Litchfield County compared to \$770 million in Hartford County.

## Lending Test 2: Area Loan Distribution – Gap Analysis

The CRA does not expect a bank to lend in every census tract within its Assessment Area. However, the Regulation does proscribe “unexplained gaps in contiguous tracts”. GeoDataVision has collected and compiled the Bank’s data on two geographic levels: (a) town and (b) census tract in order to evaluate the performance of the Bank in terms of serving the needs of sub-communities within its Assessment Area.

The following tables present the Bank’s performance at the town level:

LENDING BY ASSESSMENT AREA TOWN							
MCD	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
Avon	1	4	0	0	5	0	10
Barkhamsted	3	1	0	0	11	0	15
Canton	4	0	0	0	0	0	4
Colebrook	4	0	0	0	4	0	8
East Granby	8	3	1	0	2	0	14
Granby	8	2	0	0	22	0	32
Hartland	3	0	0	1	5	0	9
Harwinton	1	1	0	0	9	0	11
New Hartford	6	0	4	1	6	0	17
Simsbury	1	1	0	0	6	0	8
Torrington	10	18	1	0	18	3	50
Winchester	19	14	0	0	20	0	53
<b>TOTAL</b>	<b>68</b>	<b>44</b>	<b>6</b>	<b>2</b>	<b>108</b>	<b>3</b>	<b>231</b>

LENDING \$(000) BY ASSESSMENT AREA TOWN							
MCD	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
Avon	\$20	\$1,080	\$0	\$0	\$222	\$0	\$1,322
Barkhamsted	\$499	\$1	\$0	\$0	\$433	\$0	\$933
Canton	\$781	\$0	\$0	\$0	\$0	\$0	\$781
Colebrook	\$351	\$0	\$0	\$0	\$105	\$0	\$456
East Granby	\$1,367	\$150	\$50	\$0	\$198	\$0	\$1,765
Granby	\$916	\$144	\$0	\$0	\$1,151	\$0	\$2,211
Hartland	\$304	\$0	\$0	\$20	\$235	\$0	\$559
Harwinton	\$415	\$50	\$0	\$0	\$590	\$0	\$1,055
New Hartford	\$1,389	\$0	\$180	\$11	\$45	\$0	\$1,625
Simsbury	\$417	\$303	\$0	\$0	\$566	\$0	\$1,286
Torrington	\$1,153	\$1,539	\$40	\$0	\$917	\$4,595	\$8,244
Winchester	\$2,143	\$1,388	\$0	\$0	\$776	\$0	\$4,307
<b>TOTAL</b>	<b>\$9,755</b>	<b>\$4,655</b>	<b>\$270</b>	<b>\$31</b>	<b>\$5,238</b>	<b>\$4,595</b>	<b>\$24,544</b>

The distribution of the Bank's lending among Assessment Area towns shows that more than half the loans were located in 3 of the 12 Assessment Area towns, Winchester (53), Torrington (50) and Granby (32). The Bank extended fewer than 10 loans in each of the following towns: Canton, Colebrook, Hartland and Simsbury. The Bank should review its lending in and the market data for those towns to determine if it is adequately serving the credit markets in those areas.

The Market Rank & Market Share Analysis for the towns inside the AACB community provides another perspective on this element of Bank performance using the latest market data available (2006).

ALL AMERICAN COMMUNITY BANK MORTGAGE MARKET PERFORMANCE BY AA TOWN							
Rank	Town	\$(000)	Market Share	Mortgages	LMI Rank	LMI \$(000)	LMI Mortgages
46	Avon	\$1,078	0.55%	4	***	\$0	0
24	Barkhamsted	\$296	1.29%	7	***	\$0	0
29	Canton	\$798	0.90%	8	32	\$103	1
8	Colebrook	\$444	2.97%	5	5	\$273	3
31	East Granby	\$335	0.84%	6	***	\$0	0
17	Granby	\$1,362	1.45%	15	42	\$104	2
49	Hartland	\$17	0.12%	1	22	\$17	1
17	Harwinton	\$841	1.89%	4	***	\$0	0
12	New Hartford	\$1,385	2.61%	8	9	\$348	4
47	Simsbury	\$1,161	0.60%	9	43	\$149	3
29	Torrington	\$2,077	0.94%	28	47	\$457	7
11	Winchester	\$1,532	2.15%	17	18	\$499	6

The table shows that the Bank is a key provider of mortgage credit in Colebrook, Winchester and New Hartford. It also reveals that the Bank's poorest market performance is in Hartland (rank 49), Simsbury (#47) and Avon (#46). These towns may represent market opportunities for the Bank to improve its market share as well as its CRA performance.

Finally, GDV also examined All American Community Bank's lending on the census tract level. The Regulation does not expect bankers to lend in every tract within their community. However, if there are large gaps of contiguous tracts with little or no Bank lending activity within the Assessment Area, the Bank should recognize and be able to explain why it is

not actively lending in those neighborhoods. GDV found that the Bank originated loans in 29 of 33 tracts within the Assessment Area. A review of the loan distribution maps shows there was a geographic gap in eastern Simsbury and Avon where the Bank originated only two loans among 5 Assessment Area census tracts. Again, this may represent a market opportunity at the same time it suggests a potential compliance problem. In fact, a cursory review of the market data contained in KPB Reports 3 and 6 indicates there are viable mortgage and small business loan markets in this area. Therefore, the Bank may be missing a market opportunity as well as potential compliance performance improvement. It is recommended that the Bank more closely examine the loan market data for those areas to determine if there are unexploited market opportunities in those neighborhoods. See in particular, KPB Reports 3 and 6 that depict the mortgage market and small business loan market data on the tract level.

### Lending Test 3: Lending in Assessment Area LMI Tracts

The Community Reinvestment Act gives banks special responsibility for the economic vitality of low- and moderate-income census tracts in the community. Again, like Test 2, the Regulation does not require that a bank lend in every LMI tract in the Assessment Area. However, it does expect that a bank will do its fair share of stimulating economic activity by extending loans in the LMI geographies consistent with safe and sound banking practice. The following table delineates the Bank's performance in the area LMI neighborhoods.

LENDING TEST 3: LENDING IN ASSESSMENTAREA LMI TRACTS							
TRACT INCOME	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
<b>LOW</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MODERATE</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>14</b>
MIDDLE	38	28	1	1	56	1	125
UPPER	27	11	5	1	48	0	92
<b>TOTAL</b>	<b>68</b>	<b>44</b>	<b>6</b>	<b>2</b>	<b>108</b>	<b>3</b>	<b>231</b>

LENDING TEST 3: LENDING IN ASSESSMENTAREA LMI TRACTS							
TRACT INCOME	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
<b>LOW</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>MODERATE</b>	<b>4.4%</b>	<b>11.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>3.7%</b>	<b>66.7%</b>	<b>6.1%</b>
MIDDLE	55.9%	63.6%	16.7%	50.0%	51.9%	33.3%	54.1%
UPPER	39.7%	25.0%	83.3%	50.0%	44.4%	0.0%	39.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

LENDING TEST 3: LENDING \$(000) IN ASSESSMENTAREA LMI TRACTS							
TRACT INCOME	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
<b>LOW</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>MODERATE</b>	<b>\$455</b>	<b>\$473</b>	<b>\$0</b>	<b>\$0</b>	<b>\$148</b>	<b>\$1,745</b>	<b>\$2,821</b>
MIDDLE	\$4,211	\$2,455	\$40	\$20	\$2,473	\$2,850	\$12,049
UPPER	\$5,089	\$1,727	\$230	\$11	\$2,617	\$0	\$9,674
<b>TOTAL</b>	<b>\$9,755</b>	<b>\$4,655</b>	<b>\$270</b>	<b>\$31</b>	<b>\$5,238</b>	<b>\$4,595</b>	<b>\$24,544</b>

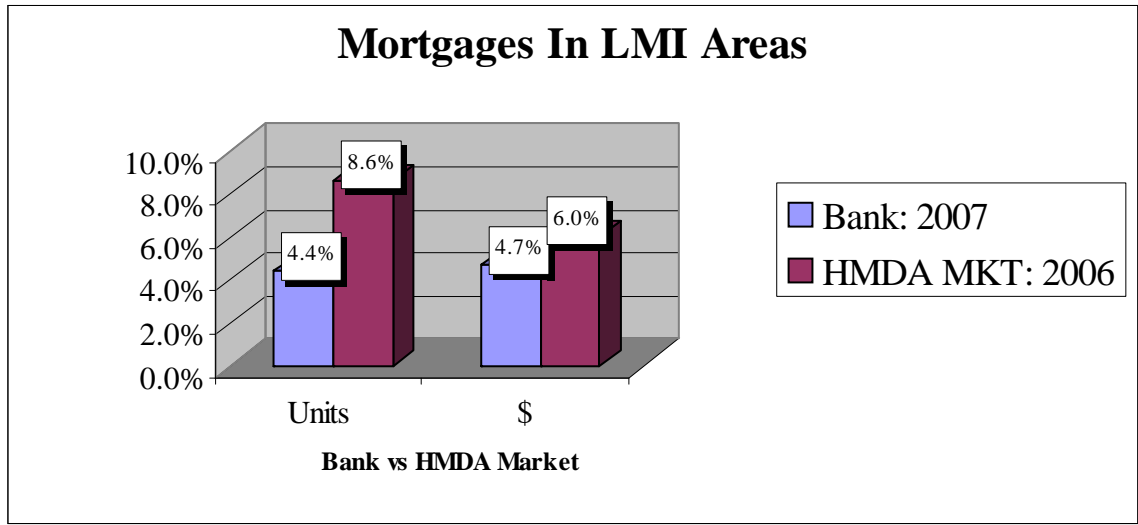
LENDING TEST 3: LENDING \$(000) IN ASSESSMENTAREA LMI TRACTS							
TRACT INCOME	HMDA	SBUS	HE	AUTO	CONSUMER	OTHER	TOTAL
<b>LOW</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>MODERATE</b>	<b>4.7%</b>	<b>10.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.8%</b>	<b>38.0%</b>	<b>11.5%</b>
MIDDLE	43.2%	52.7%	14.8%	64.5%	47.2%	62.0%	49.1%
UPPER	52.2%	37.1%	85.2%	35.5%	50.0%	0.0%	39.4%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

There are 4 LMI tracts within the Bank's defined community. Those tracts constitute 12.1% of the 33 tracts in the Assessment Area. This is one standard applied by regulators to this performance parameter. In comparison, the Bank extended 4.4% of its mortgages within those LMI tracts. When computed based on dollar values, the Bank's mortgage "penetration rate" in the LMI tracts was 4.7%. The performance of the Small Business loan portfolio was 11.4% (units) and 10.2% (\$). Thus the mortgage portfolio was significantly below the relative percentage of LMI tracts and the Small Business portfolio was close to the percentage in terms of units and in terms of dollar values. The weakness of this approach is that the distribution of housing normally is less than proportional to the distribution of low and moderate-income tracts because many of the LMI tracts are industrial areas. Furthermore, the LMI tracts by definition are economically depressed and therefore areas with reduced commercial transactions. This would suggest fewer business lending opportunities in those areas too. Therefore, this standard relying on an exact linear correlation can be misleading. Nevertheless it is a barometer used by examiners and the Bank should be aware of how its lending compares under this parameter.

Another standard of performance used by regulators is to compare mortgage distribution in the LMI tracts to the owner-occupied housing units distribution in those tracts. In this case, the demographic tables in the Maps & Demographic Data Book show that there are 38,556 owner-occupied housing units in the Bank's community including 2,266 owner-occupied units in the LMI tracts. This is equivalent to 5.9% of the owner-occupied housing. This comparison to the Bank's mortgage distribution is much more favorable with the Bank originating 4.4% of its mortgages in the Area LMI tracts. Again however, a major weakness exists with this approach because it implicitly assumes that mortgage lending activity is linearly proportional to the distribution of owner-occupied housing. This ignores the differences in population stability in neighborhoods. Some low and moderate-income areas may have very stable populations.

Finally, the most compelling comparison can be found in the latest mortgage market and small business loan market-determined penetration rates. In the case of the mortgage market the comparison is presented in the following graph.

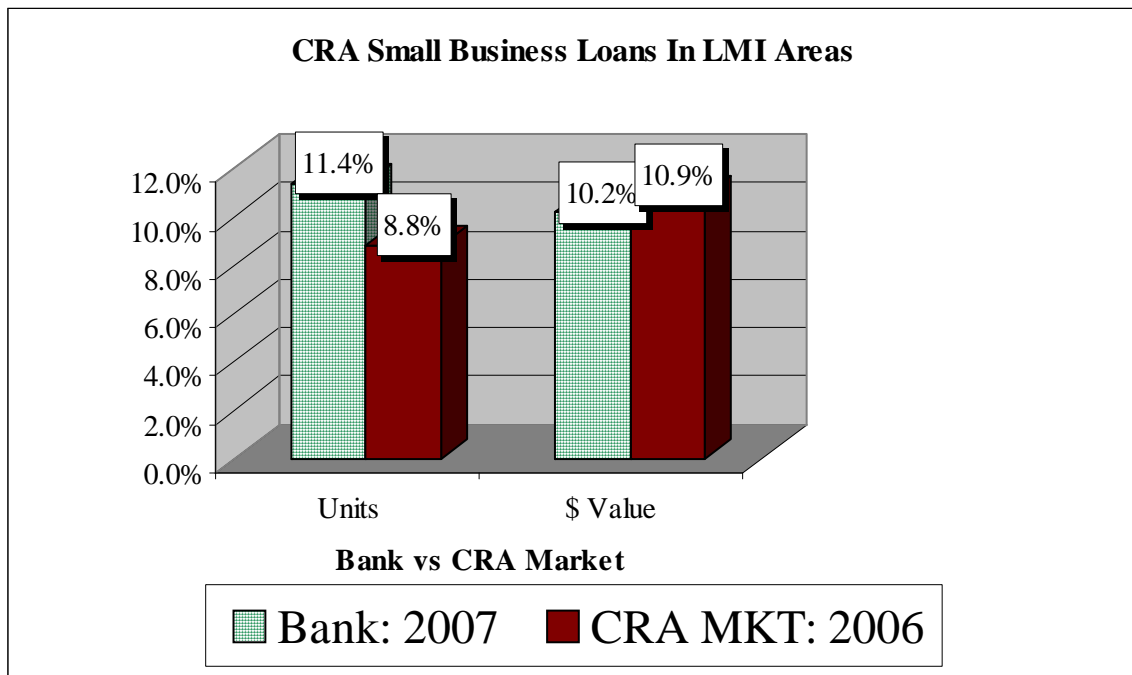
Figure 2



The detailed market data that was used to calculate the market-driven standards may be found in the Key Performance Benchmark Reports Book and the tables that recap the market data at the beginning of this narrative. The comparison would indicate a shortcoming of Bank performance under this Test. However, examination of Key Performance Benchmark Report 2 that depicts market rank and market share in the LMI Tract market within the Assessment Area shows that 10% of the mortgage market in the LMI neighborhoods was dominated by only one lender, Countrywide Home Loans whose share of the LMI tract market was 10.5%, double its market share of 5.4% of the entire Assessment Area mortgage market. This “skews” the market averages and distorts comparisons somewhat. Also, the #2 mortgage lender in the Assessment Area LMI tracts, was Torrington Savings Bank that is headquartered in the only town within the defined community that has any LMI tracts. That same Report shows that All American Community Bank was ranked 28<sup>th</sup> in mortgage lending in the LMI tracts out of the 314 reporting HMDA lenders. In other words, the Bank was ranked in the Top 7% of all competing mortgage lenders in the community. This sheds a more favorable and perhaps accurate impression of Bank performance under this standard.

A similar analysis can be done with the small business loan data reported under CRA. The following graph recaps a comparison of Bank performance with the market-determined LMI tract penetration rates.

Figure 3



In this case, the comparison with market averages is more favorable to All American Community Bank. The record shows the Bank outperformed the market with respect to results calculated based on units and was competitive with the market well when computed based on dollars. The CRA database does not allow identification of lenders below the county level and a market rank and market share analysis on the exact composition of the Assessment Area is not possible therefore. Nonetheless, the performance of the Bank's small business loan portfolio should be considered to be satisfactory.



## Test 4: Lending By Applicant Income

The Community Reinvestment Act places heavy emphasis on this particular performance parameter. The focus is on mortgage lending to low- and moderate-income mortgage borrowers and very small business borrowers (with \$1 million or less annual revenue). The tables below recap the performance of the HMDA and Consumer portfolios.

LENDING TEST 4: ASSESSMENT AREA LENDING BASED ON BORROWER INCOME					
BORROWER INCOME	HMDA	HE	AUTO	CONSUMER	TOTAL
NA	4	0	0	16	20
<b>LOW</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>12</b>	<b>21</b>
<b>MODERATE</b>	<b>17</b>	<b>2</b>	<b>1</b>	<b>17</b>	<b>37</b>
MIDDLE	15	2	1	29	47
UPPER	24	1	0	34	59
TOTAL	68	6	2	108	184

LENDING TEST 4: ASSESSMENT AREA LENDING BASED ON BORROWER INCOME					
BORROWER INCOME	HMDA	HE	AUTO	CONSUMER	TOTAL
NA	5.9%	0.0%	0.0%	14.8%	10.9%
<b>LOW</b>	<b>11.8%</b>	<b>16.7%</b>	<b>0.0%</b>	<b>11.1%</b>	<b>11.4%</b>
<b>MODERATE</b>	<b>25.0%</b>	<b>33.3%</b>	<b>50.0%</b>	<b>15.7%</b>	<b>20.1%</b>
MIDDLE	22.1%	33.3%	50.0%	26.9%	25.5%
UPPER	35.3%	16.7%	0.0%	31.5%	32.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

LENDING TEST 4: ASSESSMENT AREA LENDING \$(000) BASED ON BORROWER INCOME					
BORROWER INCOME	HMDA	HE	AUTO	CONSUMER	TOTAL
NA	\$591	\$0	\$0	\$514	\$1,105
<b>LOW</b>	<b>\$391</b>	<b>\$25</b>	<b>\$0</b>	<b>\$358</b>	<b>\$774</b>
<b>MODERATE</b>	<b>\$1,555</b>	<b>\$90</b>	<b>\$20</b>	<b>\$504</b>	<b>\$2,169</b>
MIDDLE	\$1,837	\$80	\$11	\$1,302	\$3,230
UPPER	\$5,381	\$75	\$0	\$2,560	\$8,016
TOTAL	\$9,755	\$270	\$31	\$5,238	\$15,294

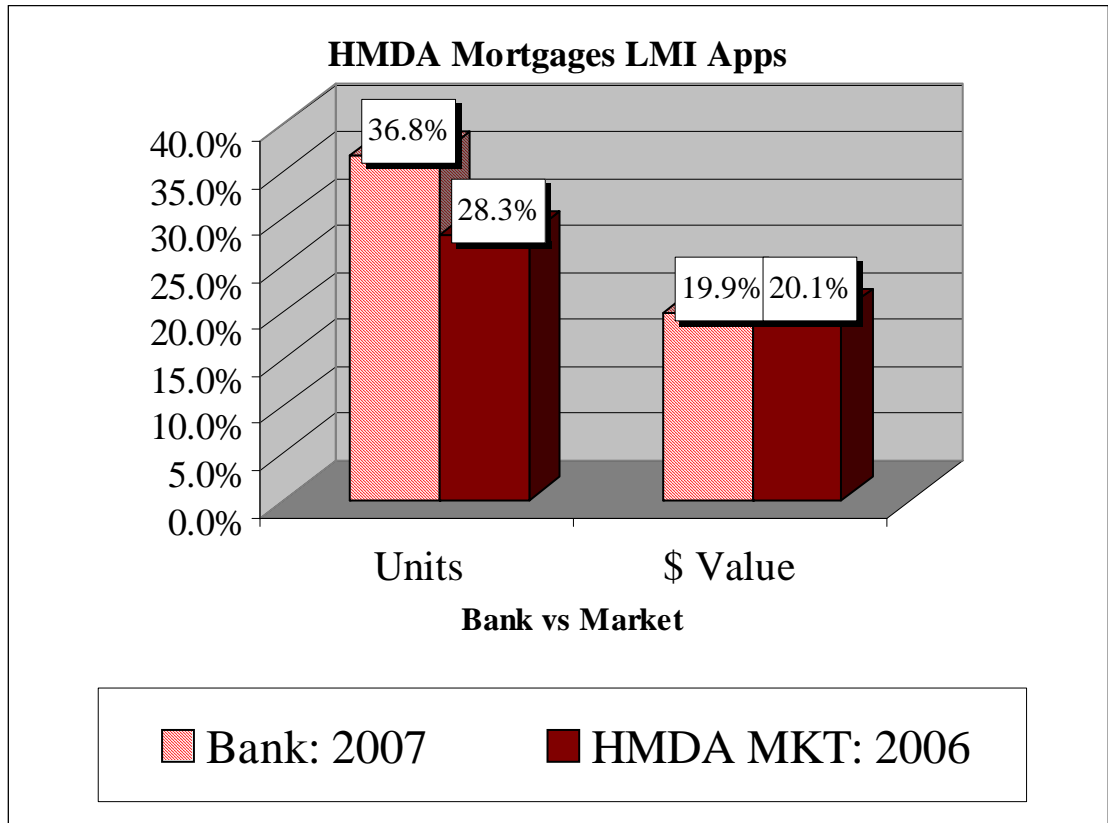
LENDING TEST 4: ASSESSMENT AREA LENDING \$(000) BASED ON BORROWER INCOME					
BORROWER INCOME	HMDA	HE	AUTO	CONSUMER	TOTAL
NA	6.1%	0.0%	0.0%	9.8%	7.2%
<b>LOW</b>	<b>4.0%</b>	<b>9.3%</b>	<b>0.0%</b>	<b>6.8%</b>	<b>5.1%</b>
<b>MODERATE</b>	<b>15.9%</b>	<b>33.3%</b>	<b>64.5%</b>	<b>9.6%</b>	<b>14.2%</b>
MIDDLE	18.8%	29.6%	35.5%	24.9%	21.1%
UPPER	55.2%	27.8%	0.0%	48.9%	52.4%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%

The tables demonstrate that the Bank originated 36.8% of mortgages to LMI borrowers. When calculated based on values, the penetration rate was 19.9%. Both numbers are impressive percentages of the Bank's mortgages. At the same time the Consumer portfolio showed strong results with 26.7% of 108 loans and 16.4% of their value extended to LMI borrowers. These results need to be compared to performance standards established by the performance context data, in particular the key demographic variable, LMI family distribution and the LMI tract "penetration rates" established by the mortgages in the Assessment Area reported under HMDA by all lenders who originated mortgages in the defined community.

Examiners evaluate this performance in the context of the demographic distribution of the low- and moderate-income family population in the Assessment Area and in comparison to market-driven penetration rates. In the case of the distribution of the LMI population, there was a HUD-estimated population of 35,270 families in the community of whom there were 9,040 families qualified as low- or moderate-income. This accounts for 25.6% of the family population. Thus, the Bank's LMI borrower penetration rate of 36.8% of its Assessment Area mortgages is superior to the demographic distribution standard. But the weakness in this approach is that it assumes that families across all income classes have a proportionate share of home ownership. While that may be a worthy goal, it is far from reality. In almost all cases, the poorer the family the lower the incidence of home ownership. Therefore, this approach is not particularly accurate, but it is used by examiners and the Bank should be aware of the comparison.

Another approach is to use the actual loan market data and calculate the percentage of all mortgages reported in the community extended to LMI borrowers. This becomes the comparable market-driven performance standard. This approach has the advantage of reflecting the actual mortgage market within the Bank's Assessment Area. Therefore, it is a more accurate representation of the real community and its need for mortgage services. Again the following graph demonstrates the comparison of the Bank to the market.

Figure 4



The graphs reveal that the Bank's performance is significantly above the market performance of all combined lenders with respect to the penetration rate based on units. The comparison based on dollars shows that the Bank's performance is nearly identical to the market-driven standard. This provides a mixed impression of the Bank's performance, but should be regarded as satisfactory performance.

Again however, a more thorough review of the mortgage market data is required to completely understand the comparison and to develop a fair judgment of Bank performance. Report 1 in the KPB Reports Book shows that All American Community Bank was ranked as the #27 provider of mortgage credit to LMI borrowers out of all 314 reporting lenders in the market. This would indicate strong performance, similar if not better than suggested by the comparison of the penetration rates alone. Although it is noted that the Bank's market rank lending to LMI borrowers is not quite as good as its overall mortgage market rank (#27 versus #22). One factor that

may distort the results negatively is the disproportionate share of mortgages to LMI borrowers exhibited by certain lenders (who also may be significant sub-prime lenders). Specifically, McCue Mortgage, Countrywide Home Loans and National City Bank exhibited very high penetration rates lending to LMI borrowers as did some other lenders including Wachovia Mortgage and Wilmington Finance. The impact of these lenders may have been to skew the market-driven penetration rates upward thereby distorting the comparison to lenders such as All American Community Bank. See Key Performance Benchmark Report 1 for more details. The Bank's performance under this parameter should be considered to be satisfactory.

Examiners also look at bank lending to very small businesses and calculate a penetration rate for that type of lending as well. The performance of the Bank is summarize as follows:

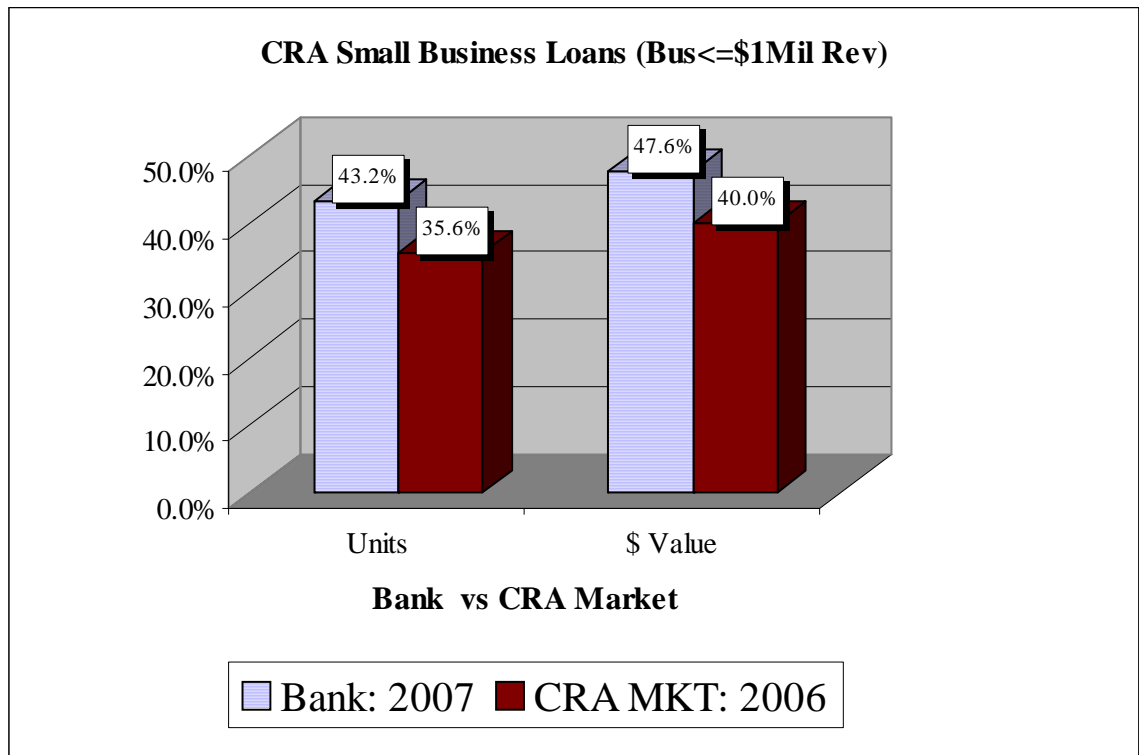
<b>LENDING TEST 4: ASSESSMENT AREA LENDING BASED ON BUSINESS GAR</b>						
<b>GAR</b>	<b>SBUS</b>	<b>OTHER</b>	<b>TOTAL</b>	<b>SBUS</b>	<b>OTHER</b>	<b>TOTAL</b>
<=\$1MIL	19	0	19	43.2%	0.0%	40.4%
>\$1MIL	19	3	22	43.2%	100.0%	46.8%
NA	6	0	6	13.6%	0.0%	12.8%
<b>TOTAL</b>	<b>44</b>	<b>3</b>	<b>47</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>LENDING TEST 4: ASSESSMENT AREA LENDING \$(000) BASED ON BUSINESS GAR</b>						
<b>GAR</b>	<b>SBUS</b>	<b>OTHER</b>	<b>TOTAL</b>	<b>SBUS</b>	<b>OTHER</b>	<b>TOTAL</b>
<=\$1MIL	\$2,216	\$0	\$2,216	47.6%	0.0%	24.0%
>\$1MIL	\$2,419	\$4,595	\$7,014	52.0%	100.0%	75.8%
NA	\$20	\$0	\$20	0.4%	0.0%	0.2%
<b>TOTAL</b>	<b>\$4,655</b>	<b>\$4,595</b>	<b>\$9,250</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

The table indicates that 43.2% of the Bank's small business loans went to very small businesses. When determined based on dollar values the percentage of Bank loans to very small businesses was 47.6%.

Again, the only way to form a judgment about bank performance is to compare the results to market experience. The following graph juxtaposes All American Community Bank performance with the market in its community.

Figure 5



The foregoing graph demonstrates that the Bank's performance is strong in comparison to the market average. This is corroborated by KPB Report 10 that shows the ranking of banks based on their lending to very small businesses. All American Community Bank ranked #21 in Hartford County (of 81 lenders) and #11 in Litchfield County (of 48 lenders). Thus Bank performance in this category is very strong.

## **Lending Test 5: Community Development Lending**

The CRA was revised in 2005 to place increased emphasis on Community Development activity of Intermediate-Small banks (\$265 million to \$1.061 Billion in assets as of December 31, 2007) such as AACB. All American Community Bank originated only 1 community development loan in 2008. The value of the loan was \$145,000. During 2006, the last year for which public data is currently available, the Bank reported no community development loans. This placed the Bank at the lowest ranking of 17 reporting Connecticut-based lenders (see KPB Report 9). This is very weak performance and can be a serious problem for the Bank since community development activity is very critical for a bank that will be evaluated under the ISB CRA performance standards. There are no official published quantitative performance standards. As with all CRA tests except Lending Test 1, performance standards are driven by performance context. Ideally, the Bank should have a Community Needs Assessment to develop a profile of Community Development within its Assessment Area. The Regulation allows a bank to rely on such an Assessment for evaluating its performance if the Bank has developed such a document. Short of that, the examiners do look at Community Development lending in comparison to asset size. The unofficial standard appears to be 0.5% to 1.0% of average assets. This would suggest that the Bank should be targeting a goal of \$1.4 to \$2.9 million of Community Development lending annually.

In light of the increased emphasis on CD activity for ISB's the Bank should focus on increasing its CD activities including CD investments and services (that were not considered in this Report). The Bank did voluntarily report its CRA small business loans in 2006 and 2007 thereby potentially preserving its option under CRA to elect to be examined under the familiar "Large Bank" criteria. The advantage to this approach is the scoring system for a CRA performance rating for Large Banks which allows a bank to perform poorly with respect to Community Development activities but still receive a composite "satisfactory" performance score. An ISB however, must earn a satisfactory rating for its Community Development activities in order to be eligible to earn a composite "satisfactory" CRA performance rating. Thus the pressure for Community Development on an ISB is much greater for an ISB than a Large Bank. The Bank also would benefit from a formal "Community Needs Assessment" that would clarify the performance context for this issue and help to clarify CD performance standards.

It is important for the Bank to have a well-defined Community Development program including a pro-active community development effort and documentation that will withstand examiner scrutiny of potential Community Development activity.

### **Loan To Deposit Ratio**

Under the Lending Test Intermediate-Small Banks are examined for their loan to deposit ratio. Again, there is no quantitative standard enumerated in the Regulation. Examiners are supposed to determine how reasonable the ratio is. The source for the information is the Uniform Bank Performance Report in the Liquidity & Investments Section. That Section also includes a comparison to a group of peer banks using the “trimmed average” as well as a percentile disclosing what percentage of banks in the peer group have a lower ratio than the reporting bank.

GeoDataVision has extracted the following information from All American Community Bank’s UBPR.

CERT # 18229	DIST/RSSD: 01 / 545604	ALL AMERICAN COMMUNITY BANK									WINSTED, CT			PAGE 1
CHARTER # 0	COUNTY:	LIQUIDITY AND INVESTMENT PORTFOLIO												3/18/2008 3:30:02 PM
		12/31/2007			09/30/2007			06/30/2007			03/31/2007		12/31/2006	
SHORT TERM INVESTMENTS		12,659			9,860			23,371			30,270			18,402
SHORT TERM ASSETS		15,901			13,065			25,696			32,760			21,069
SHORT TERM NON CORE FUNDING		46,167			48,318			49,488			52,171			51,972
NON CORE LIABILITIES		81,552			81,625			83,410			93,430			83,732
FED HOME LOAN BOR MAT < 1 YR		21,986			23,250			23,750			26,822			27,413
FED HOME LOAN BOR MAT > 1 YR		32,387			30,714			31,048			37,880			28,209
OTH BORROWING MAT < 1 YR		0			0			0			0			0
OTH BORROWING MAT > 1 YR		0			0			0			0			0
DEBT SECURITIES 90+ DAYS P/D		0			0			0			0			0
TOTAL NON-CURRENT DEBT SEC		0			0			0			0			0
FAIR VALUE STRUCTURED NOTES		793			774			807			1,838			0
					0			0			0			0
PERCENT OF TOTAL ASSETS		BANK	PG	PCT	BANK	PG	PCT	BANK	PG	PCT	BANK	PG	BANK	PG
			103			103			103			103		103
SHORT TERM INVESTMENTS		4.46	4.58	46	3.45	4.72	42	7.84	5.16	74	10.08	5.52	6.17	4.88
MARKETABLE EQUITY SEC (MES)		1.03	0.96	70	1.18	0.98	71	0.80	0.94	63	0.83	0.89	0.65	0.85
CORE DEPOSITS		58.56	62.49	34	58.82	63.26	28	60.43	63.91	30	57.51	64.09	60.51	63.84
S T NON CORE FUNDING		16.25	15.96	56	16.92	15.39	62	16.60	15.53	60	17.37	14.97	17.43	15.43
LIQUIDITY RATIOS														
NET S T NONCORE FUND DEPENDENCE		13.64	12.74	57	15.48	11.99	67	10.64	11.64	50	9.10	10.62	13.37	11.62
NET NON CORE FUND DEPENDENCE		28.05	23.90	58	28.89	22.97	64	24.45	22.48	54	26.24	21.70	26.02	22.63
BROKERED DEPOSITS TO DEPOSITS		0.00	0.82	75	0.00	0.85	75	0.00	1.08	75	0.00	0.99	0.92	1.05
BROKER DEP MAT < 1YR TO BKR DEPS		N/A	41.08	N/A	N/A	36.35	N/A	N/A	42.71	N/A	N/A	40.17	100.00	52.53
SHORT TRM INV TO S T NCORE FUND		27.42	32.69	45	20.41	34.75	36	47.23	37.71	70	58.02	43.38	35.41	38.73
SHORT TERM ASSET TO S T LIABS		16.06	33.36	24	12.79	32.78	13	24.97	33.08	39	30.82	35.99	19.50	34.30
NET S T LIAB TO ASSETS		29.25	25.46	58	31.20	25.46	67	25.90	25.69	47	24.47	24.26	29.17	24.58
<b>NET LOANS &amp; LEASES TO DEPOSITS</b>		<b>83.02</b>	<b>91.61</b>	<b>35</b>	<b>82.52</b>	<b>90.18</b>	<b>36</b>	<b>76.80</b>	<b>88.20</b>	<b>28</b>	<b>78.45</b>	<b>87.28</b>	<b>75.34</b>	<b>87.44</b>
NET LN&LS TO CORE DEPOSITS		96.32	115.01	24	95.72	112.67	27	88.99	109.63	21	91.50	108.33	87.08	108.74
NET LN&LS & SBLC TO ASSETS		56.54	71.62	12	56.41	71.01	12	53.89	69.66	12	52.73	69.03	52.70	68.87

The foregoing table reveals that AACB's loan to deposit ratio was 83.02% for the latest Quarter. During the previous year the Bank's ratio was at a low of 75.34% steadily increasing Quarter by Quarter to the current level. The Peer Group "trimmed average" was 91.61% for the most recent Quarter. The performance resulted in the AACB falling in the 35<sup>th</sup> percentile for the Peer Group. This means that the Bank outperformed 35% of the banks that fall into its Peer Group. This probably would be considered to be satisfactory performance, but should not decline much without risk of criticism.

### **Lending: Responsiveness to the Community**

Another element of the Lending Test is the use of flexible and innovative lending. This test is not applied to ISB's, but is pertinent to banks examined under the Large Bank standards. As has been historically applied, performance under this parameter could be used only to augment bank performance. Therefore it could be helpful to the Bank to maintain a compilation of flexible and innovative loan programs and the annual volume processed through those programs. Since this is not a requirement under CRA, examiners will not insist on such a list. The responsibility is management's. Because the Bank has everything to gain by maintaining such information, it is strongly recommended that it do so. Programs such as SBA loans and First Time Home Buyers Mortgages are considered to be qualified under this heading.

**INSERT LIST OF PROGRAMS IF AVAILABLE**



## Conclusion and Recommendations

The Bank's performance is very strong under many elements of the CRA Lending Tests with only a few performance weaknesses.

- Lending Test 1 Assessment Area Summary: Very strong performance evidenced by ratios far above the regulatory minimum of 50% including the non-reportable portfolios as well as the HMDA and CRA small business portfolios.
- Lending Test 2 GAP Analysis Summary: Some weaknesses in several Assessment Area towns and a gap that appears in Simsbury and Avon tracts. The Bank should examine the market conditions in those areas to determine if performance reflects market factors or sub par performance on the part of the Bank. Review of the market data in KPB Reports suggests that viable and active mortgage markets and small business loan markets exist in those areas. Thus, the Bank may be missing an opportunity to increase its market results as well as compliance performance.
- Lending Test 3 LMI Tract Penetration Rate Summary: The Bank's mortgage portfolio performance was below the demographic-determined standard as well as the mortgage market driven penetration rate. Nevertheless, the Bank was ranked in the top 10% of Assessment Area mortgage lenders with respect to lending in the AA LMI tracts. This element of performance should be rated satisfactory, but potentially could be improved. And that should be a goal during 2008. The performance of the Small Business loan portfolio was strong in comparison to the penetration rate exhibited for the market lenders. An important performance context factor is that the only LMI tracts within the Bank's community are all located inside Torrington.
- Lending Test 4 Borrower Characteristics Summary: The Bank's performance exceeded the demographic established standard as well as the market-driven penetration rate of all HMDA reporting lenders. Similarly, the performance of the Bank's Small Business loan portfolio was better than the market-reported standard.
- Lending Test 5 Community Development Lending Summary: This is a very weak and important element in the Bank's performance. The Bank reported only one CD loan in 2008 and no CD in loans in the

previous year. This should be of great concern because of the critical importance of Community Development activity to a bank that may be examined as an Intermediate-small Bank under CRA. The Bank must increase its Community Development lending to more than \$2 million in 2008. This Report did not review the documentation to support the Bank's claimed CD loan nor the CD investments and CD services extended by the Bank. It is very important to collect and compile documentation to substantiate claimed CD activity and to continuously monitor and proactively pursue CD activities. A Community Needs Assessment would be helpful. Finally, because the Bank has voluntarily filed its CRA activity, it may be advantageous to elect to be examined under the Large Bank standards.

- Lending Test 6 Loan To Deposit Ratio Summary: The Bank's ratio places it near the lowest third of its Peer Group and reflected in its Percentile ranking.
- Responsiveness to the Community Summary: The Bank should collect and organize data pertaining to flexible and innovative lending that is responsive to the needs of its community because such activity can help augment Bank performance during a CRA PE.
- This Report conducted a limited series of edit checks with respect to data integrity. No onsite review of records was conducted. Nevertheless, it was apparent that there were some errors with respect to codes appropriate to CRA and HMDA loans. These errors are reflected in the Edit Check Details that are a part of this Report. It also was apparent that Bank personnel would benefit from additional training regarding CRA including not only the appropriate loan codes, but Community Development as well.

Finally, regulators are putting increased emphasis on "process", - the systems and procedures employed by the Bank to assure data integrity. Process includes how well procedures are documented, personnel training, audit practices and procedures and communications with the Board. The CRA Officer at least annually should certify to the Board that systems and procedures are up-to-date, the public file is complete and accurate and independent reviews have been conducted of the CRA and HMDA programs. An independent review of All American Community Bank's CRA and HMDA process is strongly recommended if one has not been conducted in the past 3 years