

PUBLIC DISCLOSURE

July 23, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Start Community Bank
RSSD ID Number: 3843392

299 Whalley Avenue
New Haven, Connecticut 06511

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

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution's CRA Rating	3
Description of Institution	4
Description of Assessment Area	6
Conclusions with Respect to Performance Criteria.....	11

INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING: This institution is rated Satisfactory.

Major factors supporting Start Community Bank's (Start or the bank) CRA rating:

- The bank's average net loan-to-deposit ratio since inception is 26.1 percent. Although low, this is not unexpected for a new bank. The quarterly net loan-to-deposit ratio has increased steadily since inception in December 2010, from 0.9 percent to 43.5 percent, as of March 31, 2012.
- The bank originated 100.0 percent of its loans inside the bank's assessment area. Although this penetration is attributed largely to the bank's low level of lending, this area is the bank's strategic market area.
- The geographic distribution of loans reflects reasonable dispersion in the assessment area considering the bank's length of operation.
- The distribution of residential loans to borrowers of different incomes and the distribution of small business loans by revenue and loan size is reasonable given the bank's de novo status.
- No CRA-related complaints have been received and no evidence of discriminatory acts or practices were noted during this evaluation.

SCOPE OF EXAMINATION

Start's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Interagency Small Institution CRA Examination Procedures. Small institutions are those whose asset size, as of December 31 of either of the prior two calendar years, was less than \$1.160 billion. These banks are evaluated under the following five-part performance criteria: loan-to-deposit ratio, lending inside and outside the assessment area, geographic distribution of loans, lending to borrowers of different incomes, and record of taking action in response to consumer complaints.

Start is not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) due to its asset size, which is below the minimum asset size of \$40 million for 2011, and \$41 million for 2012. The bank's 2011 residential real estate and commercial loans were considered for the lending analysis and were based on internally generated reports. Given the new bank's low volume of lending, all Start's loans were reviewed.

Market information for 2011 aggregate data was obtained from the Federal Reserve System's CRA/HMDA Analysis Tool (CHAT) and was the most recent data available as of the examination date. Aggregate data includes lending information from all HMDA reporters that have originated loans in the bank's assessment area. Please note, however, that the bank is a de novo institution and as such, its performance level is not expected to be comparable to the aggregate.

DESCRIPTION OF INSTITUTION

Start is a state-chartered de novo bank incorporated in 2010, and became a state member on December 1, 2010. The bank provides community banking services through its main office, at 299 Whalley Avenue, and its one branch, at 258 Grand Avenue, both located in New Haven, Connecticut. The main office branch is located in a moderate-income census tract, while the other branch is located in a low-income census tract. Start considers itself a community development bank and an eventual catalyst for change in the Greater New Haven area.

Start is a wholly-owned subsidiary of First Community Bancorp, New Haven, CT (FCB; mid-tier). FCB (mid-tier), in turn, is an intermediate stock bank holding company (BHC) that is wholly-owned by First City Fund Corporation, New Haven (FCFC; top-tier). FCFC is a bank holding company that is a nonprofit Connecticut corporation organized to serve communities in the Greater New Haven region, and is federally tax-exempt.

According to the March 31, 2012 Consolidated Report of Condition and Income, the bank's assets totaled \$36.8 million. During the same time period, total loans and leases,

net of unearned income were \$11.8 million. Table 1 shows the loan portfolio to comprise 65.8 percent residential loans, and 34.2 percent commercial loans. It should be noted that the bank does not originate, but purchases all its mortgage loans from the Village Mortgage Company in Torrington, Connecticut. However, the bank’s commercial loans are originated in-house.

The following table illustrates the composition of the loan portfolio, as of March 31, 2012:

Table 1 - Composition of Loan Portfolio		
Type of Loans	\$(000)	% Total
Construction & Land Development	0	0.0
1-4 Family		
a. Secured by first lien	7,505	63.9
b. Revolving Lines of Credit	228	1.9
c. Junior Liens	0	0.0
Multifamily	0	0.0
Commercial Loans		
a. Commercial Real Estate	3,108	26.4
b. Commercial & Industrial Loans	913	7.8
Other Consumer Loans	1	0.0
Total Gross Loans	11,755	100

Source: Consolidated Report of Condition and Income as of 3/31/2012

This is the bank’s first CRA performance evaluation by the Federal Reserve. As a first examination of a bank that is less than two years old, examiners provide more consideration to the special circumstances facing a new bank. Loan volume is low, with a small number of loans in each income and geographic category that typically are analyzed in this type of examination. This makes a thorough and accurate CRA assessment difficult to complete. This examination essentially serves as an overview of the direction the bank is heading in terms of meeting the needs of the community. As mentioned above, Start’s strategic goals include being a source of community development and stability to Greater New Haven.

The examination also considers the bank’s financial capacity, legal impediments, local economic conditions, demographics, and the competitive market in which it operates. While there are no legal impediments that would affect the bank’s ability to lend, the financial condition, size, and challenges of being a de novo are considered.

DESCRIPTION OF ASSESSMENT AREA

Overview

The CRA requires a financial institution to identify an assessment area where the Federal Reserve evaluates the bank's record of helping to meet the credit needs of its community. Start's assessment area is comprised of the entire New Haven County, which constitutes the New Haven-Milford, CT Metropolitan Statistical Area (MSA) with 27 cities and towns: Ansonia, Beacon Falls, Bethany, Branford, Cheshire, Derby, East Haven, Guilford, Hamden, Madison, Meriden, Middlebury, Milford, Naugatuck, New Haven, North Branford, North Haven, Orange, Oxford, Prospect, Seymour, Southbury, Wallingford, Waterbury, West Haven, Wolcott, and Woodbridge.

The assessment area consists of 185 whole geographies: 23 are classified as low-income, 36 as moderate-income, 80 as middle-income, 45 as upper-income, and 1 with no income designation. This non-designated income area consists of 4 houses, 2 of which are vacant.

Given the asset size of the bank, this is an unusually large assessment area. However, given that Start's mission is to serve the community development needs of the New Haven area, this delineation makes strategic sense. It is unclear at this early stage if Start will grow to adequately serve the needs of an assessment area of this size, but management has indicated that the assessment area will be under continued review. From a statutory standpoint, the assessment area does not reflect illegal discrimination, nor does it arbitrarily exclude low- and moderate-income geographies. On balance, examiners considered the delineation reasonable given this period of initial business building.

Economy

New Haven (and its surrounding area), similar to many medium-sized northeast cities, is experiencing the ongoing effects of an economic transformation. A former center of manufacturing in New England, the area's economy is now dominated by Yale University. Neighborhoods of New Haven just outside of Yale's vicinity, however, have experienced more economic hardship, worsened by the recession and ongoing economic volatility. Nevertheless, proximity to New York City and Boston, along with the presence of Yale Medical School has increased the presence of bio-technology in the area¹. Other significant employers include Yale-New Haven Hospital Inc., Hospital of St Raphael, Pritchard Industries Inc (commercial office services), and Assa Abloy Inc (Swedish lock manufacturer). Generally, recovery has been spotty, with some sectors improving, while

1 City-data.com

others are in decline, offsetting the gains in employment and productivity.²

Population

The bank's assessment area has a population of 824,008.³ Of this total, 9.5 percent reside in low-income census tracts, 19.5 percent reside in moderate-income census tracts, 45.8 percent reside in middle-income census tracts, and 25.3 percent reside in upper-income census tracts. The population is further comprised of 319,309 households. The income distribution of these households by census tract is in alignment with the population distribution: 9.3 percent of households are located in low-income census tracts, 19.3 percent in moderate-income census tracts, 48.0 percent in middle-income census tracts, and 23.4 percent in upper-income census tracts.

Income Characteristics

The Department of Housing and Urban Development (HUD) estimates the 2011 median family income for the New Haven-Milford, CT MSA to be \$81,400. Households living below the poverty level in the assessment area comprise 9.7 percent, which exceeds the 8.0 percent for the State of Connecticut. Families living below the poverty level comprise 7.0 percent, as compared to 5.6 percent for the state.

Housing Characteristics

The bank's assessment area contains 340,732 housing units, of which 59.1 percent are owner-occupied, 34.5 percent are rental units, and 6.4 percent are vacant. Within the low- and moderate-income geographies, the level of owner-occupancy is 17.9 percent, and 36.5 percent, respectively, while rental units are somewhat higher at 68.0 percent, and 54.3 percent, respectively. Vacant units in the low- and moderate-income tracts account for 23.4 percent of total housing units. The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. An analysis of owner-occupied housing units, compared to the number of total available housing units for each geographic designation, shows that the vast majority of owner-occupied housing units (84.6 percent) are located in middle- and upper-income geographies.

The housing stock in the assessment area consists predominately of 1-4 family housing

2 "Connecticut's economy improving, but how fast is open to debate," New Haven Register, April 15, 2012.

3 Demographic information referenced throughout the evaluation was obtained from the 2000 United States Census, unless otherwise noted.

units, mobile homes and other units (80.7 percent). In addition, multifamily units account for 19.3 percent of the housing stock. The median housing value in the assessment area is \$145,459, compared to the state median value of \$160,600. The data also indicate that the median age of homes within the assessment area is 40 years, while the state's median age is 39 years.

Business Characteristics and Employment Statistics

The 2011 Dun and Bradstreet data indicates there are 43,994 businesses located within Start's assessment area. Small businesses prevail, as 88.9 percent recorded gross annual revenues of less than or equal to \$1 million. The percentage indicates a potential need for small business loans.

According to the Connecticut Department of Labor, the bank's assessment area recorded an average unemployment rate of 9.7 percent in 2011, which exceeded that of the State of Connecticut at 8.8 percent. While the assessment area appears greatly impacted by unemployment, a report by www.press.manpower.com projects a steady pace of hiring in the third quarter of 2012. The report indicates that the employment forecast in the New Haven-Milford, CT MSA looks healthier for job prospects in construction, durable and non-durable goods manufacturing, financial activities, leisure and hospitality, and wholesale and retail trade. However, the report also suggests that transportation and utilities, and professional and business services will see a reduction in staffing levels, while education, health services, and government are expected to remain unchanged.

Competition

According to the Federal Deposit Insurance Corporation's Summary of Deposits of June 30, 2011, the bank operates in a highly competitive market, with 28 banks operating 276 offices within the assessment area. Many of the institutions are statewide or multi-regional, and include Webster Bank National Association (NA), Wells Fargo Bank NA, Bank of America NA, First Niagara Bank NA, Liberty Bank, Guilford Savings Bank, TD Bank NA, RBS Citizens NA, The Milford Bank, and many others. These banks have a strong presence in the communities in which they are headquartered, as well as in Start's assessment area.

Community Contacts

As part of the examination, community representatives are contacted to assess financial institutions' responsiveness to community development needs or credit opportunities available in the bank's assessment area. The examiner contacted a representative of a community organization that acquires abandoned or foreclosed houses, then rehabilitates and sells them to low- and moderate-income first-time homebuyers, thereby revitalizing

neighborhoods. The contact generally had positive comments regarding the degree of involvement by certain financial institutions in the community. However, the contact would like to see increased cooperation from others in terms of making foreclosed properties available to community organizations for rehabilitation instead of to outside investors.

The following exhibit provides demographic information for Start's assessment area:

Exhibit 1 - Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	23	12.4	17,176	8.1	5,056	29.4	44,128	20.8
Moderate-income	36	19.5	37,394	17.6	4,948	13.2	36,717	17.3
Middle-income	80	43.2	100,123	47.3	3,767	3.8	47,765	22.5
Upper-income	45	24.3	57,185	27.0	995	1.7	83,268	39.3
Unknown-income	1	0.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	185	100.0	211,878	100.0	14,766	7.0	211,878	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	34,270	6,120	3.0	17.9	23,300	68.0	4,850	14.2
Moderate-income	68,025	24,821	12.3	36.5	36,942	54.3	6,262	9.2
Middle-income	160,183	105,493	52.4	65.9	47,529	29.7	7,161	4.5
Upper-income	78,254	64,915	32.2	83.0	9,920	12.7	3,419	4.4
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	340,732	201,349	100.0	59.1	117,691	34.5	21,692	6.4
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	3,145	7.1	2,652	6.8	281	9.7	212	10.6
Moderate-income	7,264	16.5	6,254	16.0	577	19.9	433	21.6
Middle-income	19,109	43.4	17,090	43.7	1,157	40.0	862	42.9
Upper-income	14,468	32.9	13,089	33.5	879	30.4	500	24.9
Unknown-income	8	0.0	7	0.0	1	0.0	0	0.0
Total Assessment Area	43,994	100.0	39,092	100.0	2,895	100.0	2,007	100.0
	Percentage of Total Businesses:			88.9		6.6		4.6

Source: CHAT

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

This performance category evaluates a small bank's net LTD ratio. This ratio shows the percentage of deposits that is invested in loans and can be an indicator of the bank's willingness to extend credit. Start's average LTD ratio of 26.1 percent is less than reasonable. However, consideration is given based on the institution's size, financial condition, and its de novo status. To account for seasonal variations or other anomalies, an average net LTD ratio was calculated, using the LTD ratios for the last five quarters, since the bank's inception. Start's LTD ratio began at 0.9 percent, on March 31, 2011, and peaked at 49.5 percent, on December 31, 2011. As of March 31, 2012, the ratio decreased to 43.5 percent, with an average net LTD ratio of 26.1 percent. Although this ratio is low, it is not unusual for a de novo bank, is trending upward, and is expected to steadily increase.

Table 2 - Loan to Deposit Ratio (%)						
Start Community Bank	3/3/2011	6/30/2011	9/30/2011	12/31/2011	3/31/2012	Average Net LTD Ratio (%)
Assets	21,898	25,376	27,635	28,206	36,781	
LTD (%)	0.90	13.65	23.17	49.53	43.46	26.1

Source: UBPR

For comparison, two de novo banks that were established in 2011 are provided with their 3/31/12 LTD ratio. Similar to Start, these institutions have LTD ratios that are lower than what would be expected from a more established institution.

Bank Name	Location	Inception	LTD (3/31/12)
AlloStar Bank	Birmingham AL	4/15/2011	30.4
CertusBank, N.A.	Easley SC	1/21/2011	47.6

Source: Federal Reserve Examination Data

Assessment Area Concentration

This performance category measures the bank's record of lending within its assessment area. Given the large geographic size of the assessment area, Start originated a substantial majority of its loans inside the assessment area. As shown in Table 3 below, 100.0 percent of the bank's originated residential and commercial loans are to borrowers inside the assessment area. While Start's lending inside its assessment area constitutes

the substantial majority, it should be noted that all of the bank’s residential loans were purchases. However, the bank originated all of its commercial loans in-house to small businesses. For purposes of this evaluation, a small business loan is defined as a commercial loan with an origination amount of \$1 million or less.

Table 3 - Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Total Residential	25	100.0	5,926	100.0	0	0.0	0	0.0
Total Commercial	16	100.0	4,245	100.0	0	0.0	0	0.0
Total Loans	41	100.0	10,171	100.0	0	0.0	0	0.0

Source – 2011 Bank Loan Data

This level of penetration, while a positive indicator of the bank’s lending tendencies, is due primarily to Start’s broadly defined assessment area and the low level of lending the bank has produced as a de novo institution. The 41 loans detailed above represent the bank’s entire portfolio since inception. As described in the “Description of Assessment Area” section, Start has defined a broad assessment area for its longer term strategic goals. It would not be unreasonable to expect this level of penetration at this point in the bank’s existence.

Geographic Distribution of Loans

This performance criterion focuses on the bank’s lending penetration in the assessment area among geographies of various income levels. As a newly chartered institution, Start has not yet penetrated all census tracts in its assessment area. Considering the opportunities in low- and moderate-income geographies in the assessment area and the de novo status of the bank, the level of lending within different geographies is considered reasonable overall.

Residential Loans

The loan data shown in Table 4 illustrates the bank’s geographic distribution of residential loans within the assessment area. The table also compares the loans to the aggregate and to the percentage of owner-occupied housing units within each geographic income level. While the bank’s assessment area contains 23 low-income census tracts, the bank did not purchase loans in any of those tracts. Similarly, only one loan was purchased in one of the 36 moderate-income tracts in the assessment area. The bank’s performance is poor when compared to the aggregate and owner-occupied housing unit percentages in those tract income levels. However, the aggregate performance in low-income tracts,

at 1.7 percent, is an indication of very low lending opportunities in those geographies. Moreover, Start's more long-term strategic goal is to position itself primarily as a lender specializing in small business and commercial credit to promote community development. The small portfolio of purchased residential mortgages is not indicative of the bank's longer term strategy.

Table 4 - Distribution of Residential Loans by Census Tracts						
Census Tract Income Level	Owner-occupied Housing Units	2011 Aggregate	2011			
	%	%	#	%	\$(000s)	%
Low	3.0	1.7	0	0.0	0	0.0
Moderate	12.3	8.7	1	4.0	170	2.9
Middle	52.4	49.0	8	32.0	1,661	28.0
Upper	32.2	40.6	16	64.0	4,095	69.1
Total	100.0	100.0	25	100.0	5,926	100.0

Source – 2011 Bank Loan Data; CHAT

Commercial Loans

Table 5 shows the bank's small business lending in low-income geographies to be at 31.2 percent. This percentage exceeds the percentage of businesses in the census tracts (7.1 percent) and the aggregate performance (5.5 percent) in 2011. Conversely, the bank's lending penetration in the moderate-income tracts (6.2 percent) falls below the percentage of businesses (16.5 percent) and the 2011 aggregate (15.3 percent).

Table 5 – Distribution of Commercial Loans by Census Tracts						
Census Tract Income Level	% of Total Businesses by Tract	2011 Aggregate	2011			
	%	%	#	%	\$(000s)	%
Low	7.1	5.5	5	31.2	1,542	36.3
Moderate	16.5	15.3	1	6.2	500	11.8
Middle	43.4	42.9	3	18.8	1,106	26.0
Upper	32.9	35.0	7	43.8	1,097	25.9
NA	0.0	1.3	0	0.0	0	0.0
Total	100.0	100.0	16	100	4,245	100

Source: 2011 Bank Commercial Loans; CHAT

This performance is considered excellent and was weighed more heavily, as the small business loans are a more accurate representation of the credit that Start wants to extend to the community. While volume is admittedly low, 37.4 percent were originated in low- and moderate-income census tracts, well exceeding the aggregate's combined 20.8 percent.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

This performance criterion analyzes lending to borrowers of different income levels and to businesses of different revenue sizes. Small businesses are defined as businesses with gross annual revenues of \$1 million or less. When compared to area demographics and aggregate performance, Start’s lending distribution is considered reasonable.

Residential Loans

Based on Table 6 below, the bank did not purchase or originate any loans to low-income borrowers. Loans to moderate-income borrowers account for 28.0 percent, which exceeds the performance of the aggregate and the percentage of families by family income. The percentage by families is used as a proxy to estimate demand for credit in the assessment area. While this percentage indicates that 20.8 percent of families are of low-income, the aggregate performance of 5.6 percent to low-income borrowers is an indication of the inability of many individuals in that income category to afford credit.

Table 6 - Distribution of Residential Loans by Borrower Income

Census Tract Income Level	Families by Family Income	2011 Aggregate	2011			
			%	#	%	\$(000s)
Low	20.8	5.6	0	0.0	0	0.0
Moderate	17.3	20.6	7	28.0	1,085	18.3
Middle	22.6	23.5	3	12.0	625	10.6
Upper	39.3	36.6	15	60.0	4,216	71.1
NA	0.0	13.7	0	0.0	0	0.0
Total	100.0	100.0	25	100.0	5,926	100.0

Source – 2011 Bank Loan Data; CHAT

Commercial Lending

Table 7 reveals that 81.3 percent of the bank’s loans were originated to small businesses. When compared to the aggregate (39.1 percent) and the percentage of businesses designated as small businesses (88.9 percent) operating in the assessment area, the bank’s performance is excellent. The percentage of businesses operating in the bank’s assessment area is used as a proxy to estimate demand for business credit.

Table 7 – Distribution of Commercial Loans by Gross Revenue

Gross Annual Revenue	% of Total Businesses by Tract	2011 Aggregate	2011			
	%	%	#	%	\$(000s)	%
\$1 million or less	88.9	39.1	13	81.3	2,695	63.5
Over \$1 million	6.6	60.9	3	18.7	1,550	36.5
NA	4.5	0.0	0	0.0	0	0.0
Total	100.0	100.0	16	100.0	4,245	100.0

Source: 2011 Bank Commercial Loans; CHAT

Smaller loan amounts can be indicative of a bank's willingness to lend to very small businesses. The bank's loans, in amounts less than or equal to \$100,000, represent 31.3 percent of total commercial loans. While this percentage is below the aggregate percentage of 93.8 percent, the bank has made significant effort in its short existence to reach out to very small businesses in the community. Further, the aggregate lending in this dollar range may include credit card-related loans by large institutions, which may skew the actual performance by the aggregate.

Loan Size	2011 Aggregate	2011			
	%	#	%	\$(000s)	%
\$100,000 or less	93.8	5	31.3	329	7.7
\$100,001 - \$250,000	3.3	5	31.3	1,000	23.6
\$250,001 - \$1 million	2.9	6	37.4	2,916	68.7
Total	100.0	16	100	4,245	100

Source: 2011 Bank Commercial Loans and 2011 Dun & Bradstreet Data

Similar to the Geographic Distribution criterion, Start's small business lending was weighed more heavily in this criterion as small business lending is more indicative of the credit the bank intends on extending.

Response to Complaints

The bank has not received any CRA-related complaints as of this examination; therefore, this criterion was not assessed.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No violations of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs were identified during the evaluation.