



ANNUAL REPORT FROM THE  
SUPERINTENDENT  
OF  
THE BUREAU OF FINANCIAL INSTITUTIONS  
TO THE LEGISLATURE

PREPARED BY THE STAFF OF THE  
MAINE BUREAU OF FINANCIAL INSTITUTIONS

January 15, 2008

*John Elias Baldacci*  
Governor

*Lloyd P. LaFountain III*  
Acting Commissioner, PFR  
Superintendent, BFI



## INTRODUCTION

This edition of the “Annual Report from the Superintendent of the Bureau of Financial Institutions to the Legislature” describes the Bureau of Financial Institutions’ (“Bureau”) mission and role as Maine’s primary regulator of state-chartered financial institutions. In addition, this Report summarizes the condition of Maine’s financial institutions and some of the challenges facing the industry as well as its regulators.

The Bureau is Maine’s primary regulator of state-chartered financial institutions. The statutory mission of the Bureau is to ensure the strength, stability and efficiency of the financial institutions that it regulates, encourage the development and expansion of financial services, ensure reasonable and orderly competition, protect consumers against unfair practices by institutions that provide consumer credit, provide consumer education, and encourage the development of economically sound credit practices.

In 2007, the Bureau provided supervision to 49 state-chartered financial institutions. The financial institutions supervised by the Bureau in 2007 included credit unions, savings and loan associations, commercial banks, savings banks and limited-purpose banks. To ensure the safe and sound operation of these regulated entities and the protection of consumers, the Bureau is charged with enforcing the Maine Banking Code (Title 9-B) and the Maine Consumer Credit Code (Title 9-A). The Bureau’s code enforcement and supervisory efforts utilize a two-pronged approach. The Research and Administrative Division interprets both codes, issues regulatory guidance, promulgates rules, resolves consumer complaints, processes applications, and interacts with the Maine Legislature during legislative sessions. The Supervision and Enforcement Division conducts periodic on-site examinations of each state-chartered financial institution for safety and soundness and compliance with Maine laws. Bureau examiners also conduct specialty examinations related to: trust departments, holding companies, consumer compliance and information technology. In special supervisory situations, examinations can lead to enforcement actions including board resolutions, memoranda of understanding and cease and desist orders.

Nationwide, the financial services sector has undergone profound changes during the last decade. The most obvious change has been the large number of bank and credit union mergers, which have increased both the average size of financial

institutions and the area over which they operate. In 2007, several mergers and acquisitions took place in Maine causing a loss to the Bureau in the number of state-chartered financial institutions supervised.

Through its Consumer Outreach Program, the Bureau continues to offer education and mediation services to Maine citizens in order to assist them in understanding their rights and responsibilities as recipients of financial services. Bureau staff respond to questions regarding financial services offered by Maine chartered financial institutions, mediate complaints involving accounts in dispute with these institutions, and provides a referral service should the account relationship involve a federally-chartered financial institution.

During the 1<sup>st</sup> Regular Session of the 123<sup>rd</sup> Maine Legislature, the Bureau worked closely with the Joint Standing Committee on Insurance and Financial Services to combat predatory lending in Maine. L.D. 1869, “An Act to Protect Maine Homeowners from Predatory Lending”, sponsored by Speaker of the House Glenn Cummings, sought to provide greater protections to Maine residents when entering into residential mortgage loans. This bill, which was supported by consumer advocacy groups, financial trade associations, and legislators on both sides of the aisle, became law on January 1, 2008. As required by the new law, the Bureau worked in conjunction with the Bureau of Consumer Credit Protection to promulgate an implementing rule to clarify two concepts in the new law. These concepts pertain to “reasonable, tangible net benefit” and “ability to pay.” This implementing rule also became effective on January 1, 2008.

A significant portion of this Report focuses on the housing crisis that dominated the national news in 2007 and which will continue to be a focus in the near future. Across the country, many people who purchased homes using subprime mortgage loans are facing “payment shock,” and risk losing their homes because their subprime loans are resetting to rates higher than anticipated by the homeowner. Unfortunately, some homeowners have also fallen prey to predatory lending practices proliferated by a few unscrupulous lenders.

However, as indicated in this Report, the Bureau conducted a foreclosure survey of financial institutions to determine the extent of the foreclosure problem in Maine. All state-chartered banks and credit unions submitted responses to this survey. In addition,

survey responses were received from 43 of 50 federally-chartered credit unions and 8 of 11 federally-chartered banks. Results of the survey indicate that Maine state-chartered banks and credit unions are not involved in a significant number of foreclosures. It is a testament to Maine's banks and credit unions – and its regulatory regime – that there does not appear to be any upsurge in foreclosure rates among customers of Maine banks, nor has the Bureau been made aware that Maine's banking community has been a party to predatory lending practices.

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# SECTION I

## BUREAU OVERSIGHT ACTIVITIES AND REGULATORY DEVELOPMENTS

### Application Activity

Applications filed with the Bureau of Financial institutions (“Bureau”) for the twelve-month period ending October 2007 were concentrated in notices related to branches, either to establish new branches or to relocate existing branches. As seen in Table 1, the number of new branches again slowed, attributable to a combination of increased capabilities and utilization of ATMs and internet banking, earnings pressure and the start-up costs of new branches, and the concentration of offices in a slow growth market.

Table 1 also provides information on charters, mergers, acquisitions and other applications and notices filed between November 1, 2006 and October 31, 2007.

**TABLE 1**

	11/04–10/05	11/05–10/06	11/06–10/07
<b>Charters – Depository Inst.</b>	0	0	0
<b>Charters – Nondepository Inst.</b>	1	1	1
<b>Charter Conversions</b>	0	1	0
<b>Mergers, Acquisitions</b>	3	3	5
<b>New Activities</b>	1	1	1
<b>Branch Establishment</b>	14	10	7
<b>Branch Relocation</b>	2	6	9
<b>Branch Closing</b>	0	1	0
<b>Other</b>	1	2	2

The Bureau approved the application to establish a nondepository trust company filed by an Ohio investment advisor and financial planning firm; at this time, the nondepository trust company has not yet commenced operating. There were three in-state merger applications filed and consummated during this period: Bangor Savings Bank acquired Pepperell Bank & Trust; Down East Credit Union acquired Bowdoinham Federal Credit Union; and Evergreen Credit Union acquired GPM Credit Union. Two other acquisition applications were interstate transactions, both involving Chittenden Corporation of Vermont. In the first, Chittenden acquired Merrill Merchants Bank. The

second, the acquisition of Chittenden (which also owns Maine Bank & Trust Company and Ocean Bank) by People's United Financial, Inc. of Bridgeport, Connecticut, was completed January 1, 2008. Also during this period, Bangor Savings Bank reorganized into a mutual holding company structure. In other transactions involving state-chartered institutions, a state-chartered commercial bank was merged into a federal savings bank and the application by a national bank to acquire a state-chartered commercial bank is pending.

### **Training and Education**

In order to maintain an informed and qualified staff, training and education have always been important elements at the Bureau. Over the years, the Bureau has sent personnel to federal agency schools, Federal Financial Institutions Examination Council (FFIEC) courses, Conference of State Bank Supervisors (CSBS) training and the National Credit Union Administration (NCUA) specialized courses. In addition, the Bureau supports advanced degree programs and graduate banking schools for its staff.

In 1996, the Bureau was accredited through the CSBS, a national organization comprised of state banking departments. Every five years, CSBS reviews accredited state banking departments for reaccreditation. The Bureau was successfully reaccredited in 2006. The CSBS also has a certification program which awards professional designations to banking department staff based upon qualifications and training. Three of the Bureau's senior staff have the highest designation of Certified Examinations Manager (CEM), a designation that requires experience and training related to a supervisory role, satisfactory completion of specified advanced courses, attestation of successful job performance and mastery of appropriate job-related skills by a superior. Four of the Bureau's examiners received the designation of Certified Examiner-in-Charge (CEIC). That designation requires experience and training as an Examiner-in-Charge, completion of specified courses, attestation of successful job performance and mastery of appropriate job-related skills by a superior.

The Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Bank (FRB), the NCUA, and the CSBS have created core educational programs for field staff development. Over the past several years the Bureau has sent staff to the FDIC-sponsored courses, which are provided at little to no cost to the State for tuition or

accommodations. Most of the programs are held at the FDIC Training Center in Washington, D.C.

Examiners also receive specialized training in trust, consumer compliance, information systems, management and supervision and other current issue topics as they are offered. The Bureau currently schedules approximately forty weeks of training per year for its professional staff. The types of courses staff members take have changed over the years as technology has changed. For example, there are more courses in Bank Secrecy Act compliance and specialized information technology issues. In addition, senior staff attend seminars devoted to current issues involving banking and trust administration.

**Bank Examiner Training Requirements**

Table 2 sets forth the technical training required for an Examiner during the first four years of tenure with the Bureau. Examiners are required to successfully complete all four core safety and soundness courses and the FDIC’s Basic Information Technology School. Examiners are also expected to attend the FRB’s Trust School when available.

**TABLE 2**

<b>COURSE/SEMINAR</b>	<b>AGENCY</b>	<b>DURATION</b>	<b>DESCRIPTION</b>
Introduction to Examinations	FDIC	3 Weeks	Fundamental bank supervision, analysis, and accounting applicable to banking
Financial Institution Analysis	FDIC	2 Weeks	Ratio analysis, capital markets, interest rate risk, earnings, and liquidity
Loan Analysis School	FDIC	2 Weeks	Commercial and commercial real estate loans, cash flow analysis, loan structure and pricing, consumer installment lending, and letters of credit
Examination Management	FDIC	3 Weeks	Appraisal of bank management, effective writing, mock examinations, Board presentations, enforcement actions, and bank fraud
Information Technology	FDIC	1 Week	Basic instruction in information technology management and controls

<b>Trust</b>			
Principles of Fiduciary Supervision	FRB	1 Week	Basic principles of fiduciary management, trust operations, investment management, conflicts of interest, and account administration

The courses, set forth in Table 3, represent those that an Examiner is required to attend after core training has been completed:

**TABLE 3**

<b>COURSE/SEMINAR</b>	<b>AGENCY</b>	<b>DURATION</b>	<b>DESCRIPTION</b>
Advanced Cash Flow Concepts	FFIEC	3.5 Days	Advanced cash flow analysis
Advanced Credit Analysis	FFIEC	3.5 Days	Advanced commercial credit analysis
Anti-Money Laundering Workshop	FFIEC	3.5 Days	Bank Secrecy Act compliance
Capital Markets	FFIEC	3.5 Days	Advanced interest rate risk, futures and options, asset-based securities, and accounting for capital markets products
Cash Flow Construction and Analysis from Federal Tax Returns	FFIEC	2 Days	Advanced credit analysis using tax returns
Community Financial Institutions Lending Forum	FFIEC	3.5 Days	Lending issues in banks under \$1 billion in assets
Payment Systems Risk Conference	FFIEC	3.5 Days	Systemic risk, Wire transfer, ACH, merchant processing, banking on the Internet, auditing paperless transactions, and emerging payment systems
Financial Crimes Seminar	FFIEC	3.5 Days	Financial statement misrepresentations, money laundering, technologically-oriented fraud, SAR's and investigation techniques
Advanced Trust	FRB	2 Weeks	Advanced trust training building upon the basic FDIC course
Real Estate Lending Seminar	FRB	1 Week	Advanced commercial real estate loan analysis

The seminars set forth in Table 4, provided by different organizations, focus on current issues and senior Examiners are required to attend them periodically to keep abreast of current developments.

**TABLE 4**

<b>COURSE/SEMINAR</b>	<b>AGENCY</b>	<b>DURATION</b>	<b>DESCRIPTION</b>
Information Systems and Technology	FFIEC	3.5 Days	Current information technology developments and issues
Technology Conference	CSBS	2.5 Days	Current information technology developments and issues
Trust Conference	CSBS or FFIEC	3.5 Days	Current trust developments and issues
Supervisory Updates and Emerging Issues	FFIEC	3.5 Days	Current safety and soundness issues focusing on changes in accounting, current underwriting issues, economic conditions, and other current topics
NCUA/NASCUS Conference	NCUA	2.5 Days	Current issues seminar for senior personnel
Deputy Seminar	CSBS	2.5 Days	Current issues seminar for deputy superintendents and senior personnel

Specialized seminars, set forth in Table 5, are also provided by the Bureau through partnership with state or federal regulators as well as other professional organizations:

**TABLE 5**

<b>COURSE/SEMINAR</b>	<b>AGENCY</b>	<b>DURATION</b>	<b>DESCRIPTION</b>
Electronic Banking	FDIC	2 Days	Electronic Banking Examination Procedures
Electronic Banking	Bureau	½ Day	Presentation by Baker, Newman, and Noyes
Electronic Banking	State of MA	7 Days	MIS Training Institute

In addition to these courses and seminars, federal regulatory agencies provide training in the specialized software packages used in the examination process. Examiners have been trained in GENESYS software by the FDIC and in AIRES software by NCUA.

The evolution of the global financial marketplace demands that financial institutions keep pace with new products and services, and changing delivery systems, to remain competitive. Examiners must also keep pace in order to provide essential oversight of the rapidly changing financial services system. The Bureau's examination staff receives extensive training in safety and soundness, compliance, and other specialized

operations of the financial services industry. In addition, the Bureau must continue to seek out training opportunities and seminars devoted to the expanding role financial institutions play in electronic banking in order to keep pace with the evolution of e-commerce and the important role the banking and credit union industries play in the development of those new delivery systems. The Bureau will continue to support comprehensive training for its staff.

### **Legislative Developments**

The Bureau was involved in several legislative matters during the First Regular Session of the 123<sup>rd</sup> Legislature in 2007, including bringing forward its own bill to make technical and supervisory amendments to the banking laws. Pursuant to these amendments, state-chartered banks and credit unions seeking to convert to a federal charter must now first provide notice to the Superintendent. Furthermore, when a state-chartered financial institution seeks to merge or consolidate into a federally-chartered financial institution, approval by the Superintendent is no longer required but notice is required, thus allowing the Superintendent to be informed on a timely basis and to comment, if necessary. The amendments also include a provision that the Superintendent need now only approve changes in (1) ownership control of Maine-chartered financial institutions and (2) acquisitions by Maine-chartered financial institutions and their holding companies, thus eliminating the requirement for the Superintendent to approve acquisitions of, or made by, holding companies that only control federally-chartered institutions. This new law also includes a provision permitting the Superintendent to designate a Deputy Superintendent to serve on the Maine Municipal Bond Bank Board in place of the Superintendent.

The Bureau, along with credit union and banking trade organizations, testified in support of L.D. 1428, An Act to Facilitate Reporting by Maine Financial Institutions of Elder Financial Exploitation. The bill, now law, clarifies that financial institutions and credit unions are permitted to disclose financial records to the Department of Health and Human Services when there is reasonable cause to suspect that an incapacitated or dependent adult has been the target, or is at substantial risk, of abuse, neglect or exploitation. Importantly, this Act should bolster the confidence of financial institutions

that wish to report abuse, not only by making the process more clear, but also by providing immunity for those making good faith disclosures.

During the First Regular Session of the 123<sup>rd</sup> Legislature in 2007, two bills presented the Legislature with the following issue: Should commercial enterprises (such as Wal-Mart) be allowed to conduct banking under an industrial loan company charter? Both bills sought to prohibit retail store-operated banks. The Bureau supported both bills in concept although related its concern that the bills, as drafted, would interfere with interstate bank branching laws which mandate equal treatment to in-state and out-of-state banks that branch in Maine. Both bills were replaced by an Insurance and Financial Services Committee bill known as L.D. 1829, An Act To Amend the Banking Laws Regarding the Establishment of Branches By Financial Institutions With Affiliates That Engage in Commercial Activity. The bill, now law, prohibits any financial institution from establishing a branch within 1.5 miles of any location of an affiliate where the affiliate engages in commercial activity. The new law now raises a significant obstacle to retailers seeking to obtain an ILC charter and operate bank branches from retail locations in Maine.

The Bureau also testified on a bill to protect a borrower's right to choose their own accounting service. The bill was successful and now lenders, including financial institutions and credit unions, may not interfere with a borrower's free choice of an accounting, tax or attest services provider in connection with the extension of credit. This law also designates specific types of accounting and tax providers from which a consumer may choose and provides that lenders may require evidence of adequate liability insurance and other written policy requirements deemed necessary by the lender. The Bureau also testified on a bill to clarify that a financial institution must recognize a writ of execution to satisfy a creditor's claims to business accounts held by that financial institution provided the accounts are not related to employee wages.

The Bureau closely monitored L.D. 1869, An Act To Protect Maine Homeowners From Predatory Lending. Maine citizens have not been immune from predatory lending practices and the problems related to the mortgage industry. Although the Bureau has not seen any evidence that Maine's financial institutions are engaging in predatory lending, an increasing number of Maine residents have fallen prey to the predatory lending practices of unscrupulous mortgage companies and mortgage brokers. Last

session the Speaker of the House, Glenn Cummings, introduced the Act To Protect Maine Homeowners From Predatory Lending which seeks to address problems in the mortgage industry and to protect Maine homeowners. At the public hearing on the bill, the Insurance and Financial Services Committee heard first-hand from victims living here in Maine about the devastating consequences that predatory lending has had on them. The new law makes significant changes to current Maine law relating to residential mortgage loans and permissible high-rate, high-fee mortgages. It also updates and amends current law to address abusive lending practices. The bill adds numerous protections for borrowers and increases penalties for offending lenders. Notable among the protections is a requirement that lenders first determine a borrower's ability to repay a subprime loan. Another protection requires lenders to show that a borrower is receiving a tangible net benefit when refinancing certain mortgage loans.

Throughout the summer and fall of 2007, the Bureau of Financial Institutions and the Bureau of Consumer Credit Protection worked closely in drafting, seeking public comment on, and adopting a joint implementing regulation delineating the concepts of "reasonable, tangible net benefit" and "ability to pay" as set forth in, and mandated by, the Act to Protect Maine Homeowners from Predatory Lending. On October 17, 2007 the Bureau of Financial Institutions and the Bureau of Consumer Credit Regulation held a public hearing on this proposed regulation at which comments were received from many members of the public. A range of concerns and suggestions were heard from both consumer advocacy groups and the financial services industry. After considering these concerns and suggestions carefully, the Bureaus adopted a revised regulation which became effective on January 1, 2008. Briefly, the regulation provides further clarification regarding whether or not a borrower will receive a reasonable, tangible net benefit when making certain residential mortgage loans and mandates use of a form by the industry for determining reasonable, tangible net benefit. The regulation also sets forth guidelines for determining whether or not a borrower will be able to repay a subprime loan.

During the First Regular Session of the 123<sup>rd</sup> Legislature in 2007, a related bill, An Act to Reduce Foreclosures, was presented and passed. By virtue of this law, the Maine State Housing Authority is now empowered to make a loan, or contract with a financial institution to make a loan on its own behalf, to pay off an existing loan or to pay



amounts past due on an existing loan to assist a homeowner who is in default of the existing loan or in danger of losing the residence through foreclosure. Under this law, to be eligible for assistance, the homeowner must receive counseling from an approved third-party, nonprofit organization.

### **Mortgage Lending, Predatory Loans and Foreclosures**

Maine's new legislation reacts to difficult conditions existing in today's mortgage industry. Many factors, not least among them, the increased incidence of predatory lending practices in recent years, have left homeowners in Maine and around the country vulnerable to losing their homes. Many borrowers purchased or re-financed homes with newly popular non-traditional and payment-option adjustable rate mortgages. At the expiration of introductory interest-only or low interest periods, these loans re-set to higher payment amounts causing payment shock and hardship for some borrowers. Many borrowers believed that, in the event of a financial hardship, increasing property values would allow them to sell the property to pay off the mortgage note or that the increasing equity would allow them to easily refinance at better terms. Decreasing home values have greatly interfered with these expectations, making it impossible for distressed borrowers to sell their homes at prices sufficient to pay off creditors or refinance their homes to pay off existing debt. Because many borrowers are unable to sell or refinance, foreclosure rates are increasing dramatically around the country.

A portion of the non-traditional and payment-option loans made over the past few years may be classified as predatory loans. Predatory loans are particularly vulnerable to foreclosure. Such loans are often made to individuals with weak credit ratings, known as subprime borrowers. Subprime lending programs designed to meet the needs of subprime borrowers are appropriate lending programs when properly underwritten and when subprime borrowers fully understand the terms of their loans. Problems arise when subprime loans create financial hardship rather than wealth-building home ownership. These loans may be considered predatory and can take many forms. Some strip equity from borrowers' homes by imposing various fees and penalties that benefit the lender or broker without providing any benefit to the borrower. Other predatory loans are those loans based solely on the collateral value of the real estate and not on a

borrower's ability to actually repay the debt. Other practices involve fraud and deception as underhanded lenders or brokers attempt to conceal the true nature or high costs of a loan.

Another subset of loans particularly vulnerable to foreclosure are those loans made to real estate investors. Some borrowers, eager to get into the real estate market or take advantage of ever-escalating real estate prices, purchased properties they did not intend to make their home. Instead, they hoped to own the property for a short period of time and then sell for a profit. Because investors do not live in the homes, they are less inclined to make an effort to avoid foreclosure when they realize their investment is likely to lead to a loss. Some of these investors overstated their incomes on loan applications and entered into loan agreements they could not afford, many times in collusion with their broker. In certain parts of the country, a large number of the foreclosures relate to the activities of such overzealous, and at times fraudulent, real estate investors.

Non-traditional loans, including the interest-only loans and payment-option adjustable rate loans, carry more risk than traditional fixed-rate mortgages and consequently lenders demand greater returns in the form of higher interest rates and fees. In hindsight, it appears that secondary market investors were willing to purchase these loans with limited due diligence. Wall Street's voracious appetite for subprime mortgage securities led to investors' failure to verify the strengths of these portfolios and a corresponding lack of accountability on the part of the lending industry. Marginally credit-worthy loans were made, securitized, and sold to investors with little sense of the strength of the underlying loans. As adjustable interest rates reset and monthly payment requirements increase, many borrowers cannot repay the loans and the secondary market investments decline in value. The underlying investment values of mortgage-backed securities have decreased to such an extent over the past year that foreign and domestic investors are experiencing billions of dollars in losses.

These forces have converged to produce a potent and sober reality: a growing number of homeowners in Maine and across the country have been subjected to, or are now facing, foreclosure. The sharp rise in foreclosures in the subprime mortgage market that began in 2006 continues to unravel nationally to the extent that this unwelcome news is now the daily subject of the front-page and prime-time media.

Nevertheless, if there is any good news to be had, it is that predatory lending, and the blight that it leaves in its wake, has been felt relatively lightly in Maine compared with other parts of the United States, particularly several western states and urban areas outside Maine which have felt the full brunt of its devastating effects.

The U.S. Department of Treasury is currently pursuing a voluntary plan with creditors to help some subprime homeowners keep their homes by modifying the terms of their subprime loans so as to avoid the payment shock they would otherwise feel when their subprime loan rates re-set. While some critics contend that such a plan creates a “moral hazard” by relieving parties of their contractual obligations, many others contend that the plan will assist too few homeowners. The extent to which this plan will alleviate the mortgage crisis remains to be seen.

### **Residential Real Estate Lending**

The Bureau has collected data on residential real estate lending in Maine from a variety of sources, including quarterly bank and credit union Call Reports, Home Mortgage Disclosure Act (“HMDA”) reports and a Bureau foreclosure survey conducted in October 2007. The data are being used primarily to assist the Bureau in monitoring the financial condition of Maine financial institutions and the impact the housing downturn is having on them. While the data are prepared by individual reporting financial institutions, the data collected and the requirements for reporting vary and, therefore, the data used to compile the various reports are not always consistent. However, the variances are not considered material. The following analysis focuses on Maine-chartered financial institutions (“MCFI”),<sup>1</sup> but some data from federally-chartered institutions headquartered or operating branches in Maine have also been utilized. The conclusion at this time is that Maine’s financial institutions, from the perspective of their financial soundness, have not been materially adversely impacted by the downturn in the housing market and its related impact on the residential mortgage market. Further, Maine’s financial institutions do not appear to be significant players in, or have significant exposure to, subprime or higher-priced mortgage loans.

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<sup>1</sup> At September 2007, there were 37 Maine state-chartered financial institutions, comprised of 25 state-chartered banks and thrifts and 12 state-chartered credit unions.

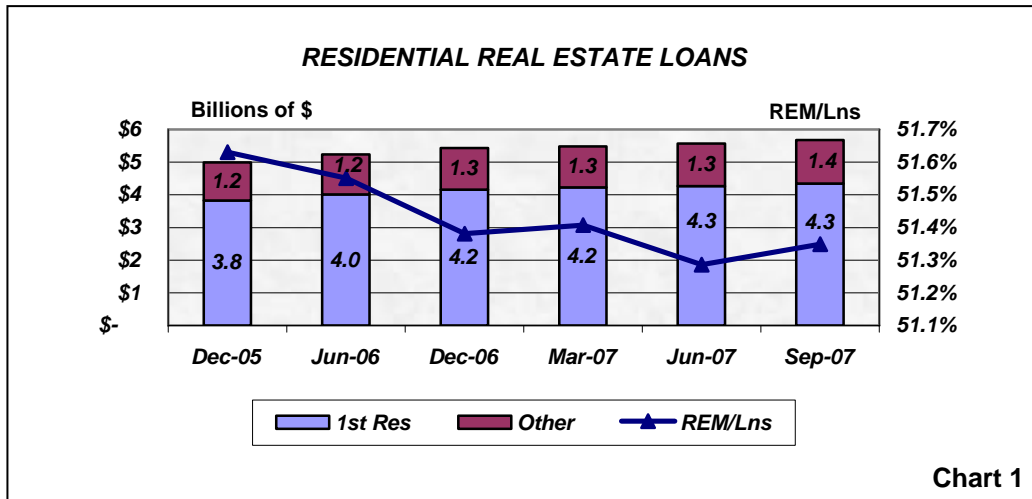


Chart 1

As Chart 1 shows, as of September 2007, MCFI had \$5.7 billion in outstanding residential real estate loans, of which \$4.3 billion were first mortgages; the remaining \$1.4 billion were revolving home equity lines and junior mortgage loans. While both first residential mortgages and junior mortgage loans increased during the first nine months of 2007, the pace of growth slowed somewhat, resulting in a nominal decrease in their share of total loans.

**Maine State-Chartered Banks and Thrifts**

Table 6 shows the volume and mix of residential real estate loans held by the 25 Maine state-chartered banks and thrifts (“MB”), broken down by first real estate

TABLE 6

	1 <sup>st</sup> REM			Jr. REM			HE		
	\$	% Res	%	\$	% Res	% Lns	\$	% Res	% Lns
12/05	3,537	78.3	39.7	160	3.5	1.8	821	18.2	9.2
12/06	3,854	78.1	39.6	271	5.5	2.8	809	16.4	8.3
3/07	3,893	78.3	39.7	287	5.8	2.9	794	16.0	8.1
6/07	3,928	77.7	39.3	353	7.0	3.5	775	15.3	7.8
9/07	3,940	77.7	39.3	357	7.1	3.6	780	15.1	7.7

\$ are in millions.

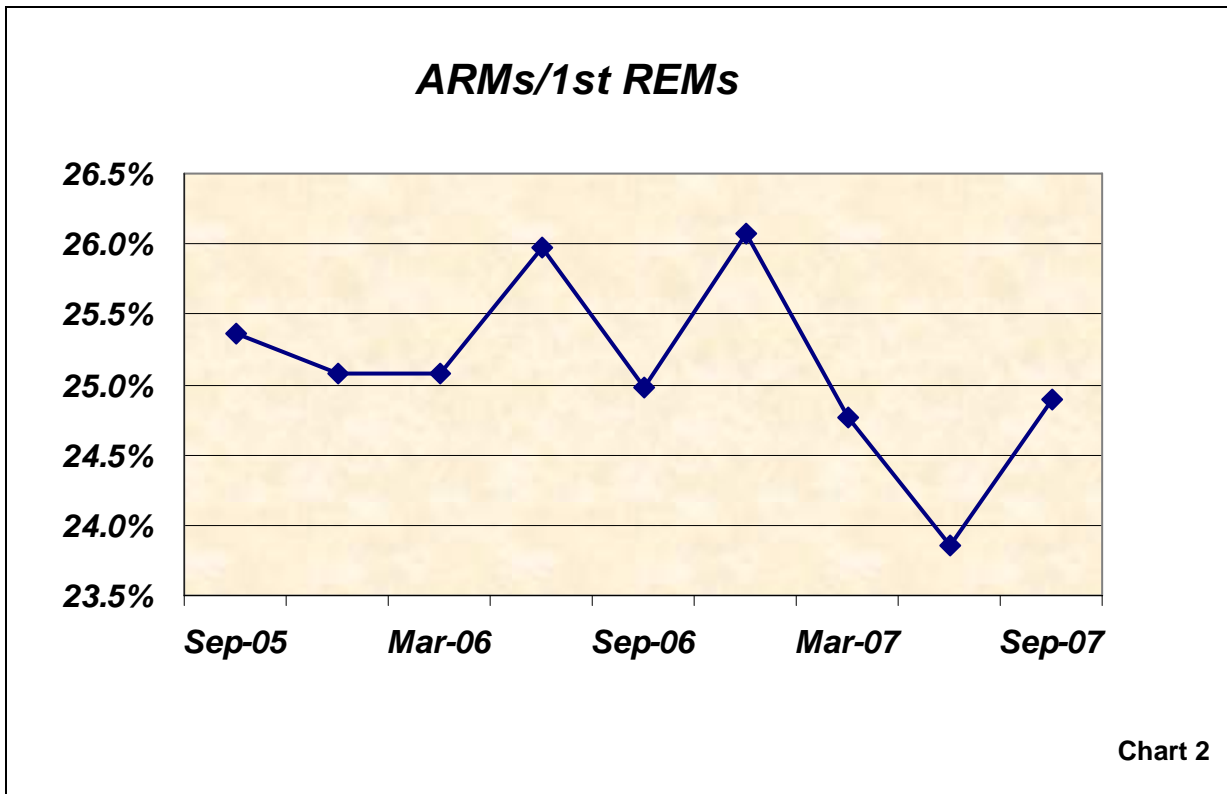
mortgages (“1<sup>st</sup> REM”), junior real estate mortgages (“Jr. REM”) and revolving home equity lines (“HE”). First mortgages, which have the least risk, account for the bulk of residential real estate loans and nearly 40% of all loans; revolving home equity lines, which carry the greatest risk, have decreased in five of the last seven quarters. Table 7

**TABLE 7**

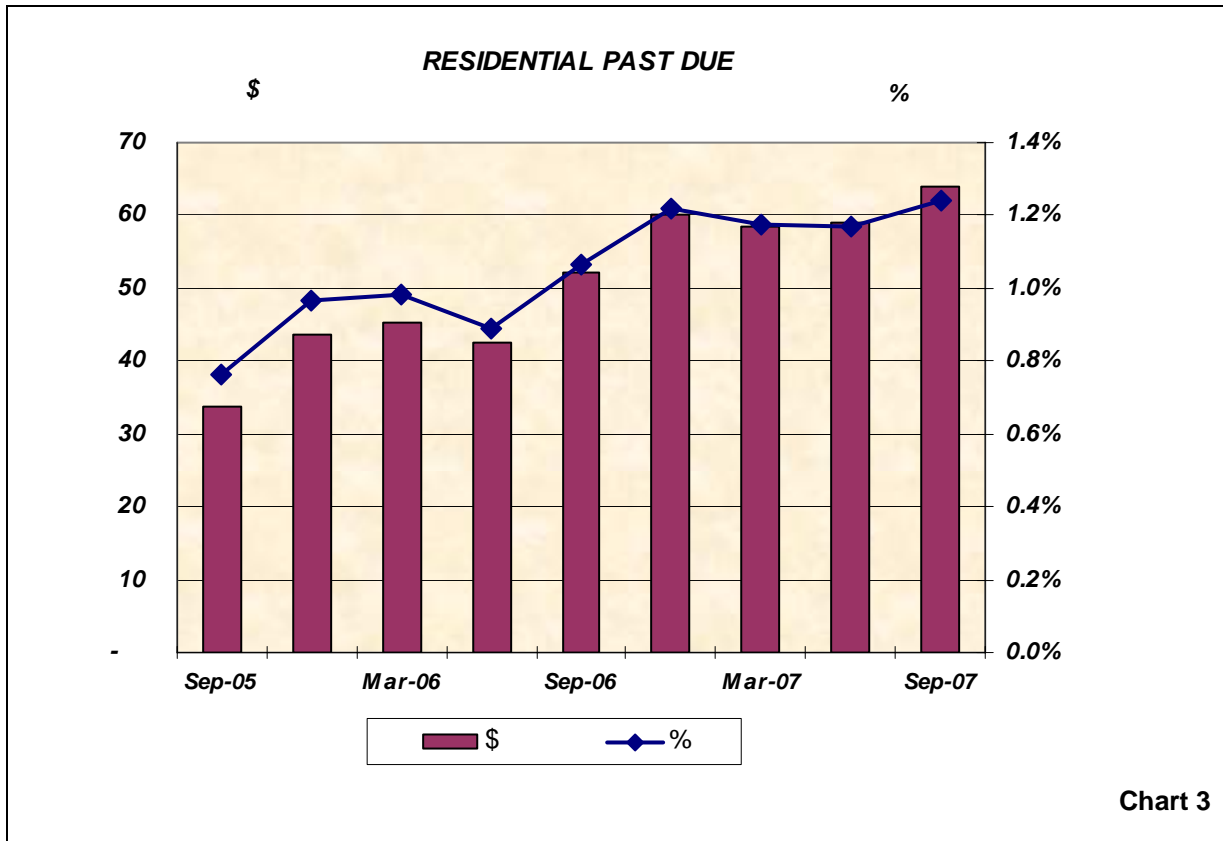
Qtr End	1 <sup>st</sup>	Jr.	HE	REM
12/05	2.9%	1.4%	1.0%	2.5%
3/06	1.9%	18.0%	-0.8%	2.0%
6/06	3.7%	16.2%	0.9%	3.7%
9/06	2.2%	15.6%	-0.4%	2.3%
12/06	0.9%	7.1%	-1.3%	0.8%
3/07	1.0%	5.9%	-1.8%	0.8%
6/07	0.9%	22.7%	-2.4%	1.6%
9/07	1.8%	4.1%	0.7%	1.8%

shows the quarterly percentage growth rate over the past eight quarters for the three categories of residential real estate loans. While the growth of first mortgages remains positive, the rate of growth for each of the last four quarters was below the rate for the corresponding year earlier period, e.g., the

growth rate for September 2007 was less than the rate for September 2006. This is consistent with the slowdown in housing sales.



Adjustable rate mortgages (ARMs) peaked in December 2006 at \$1.0 billion and 26.1% of first mortgages. Chart 2 shows the percentage of first mortgages that were ARMs since September 2005. Data on repricing for ARMS are limited, but it is estimated that approximately 30% of the outstanding ARMs at September 2007 will reprice within the next twelve months.



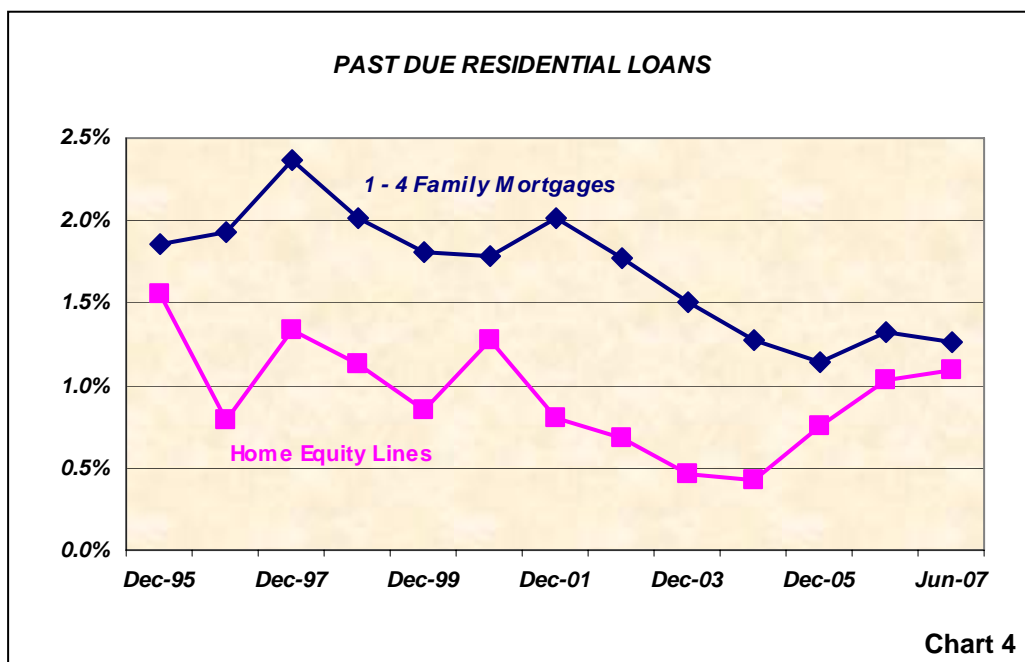
As Chart 3 indicates, delinquent residential mortgages peaked, in terms of dollars, in September 2007 with \$64 million, or 1.24%, of outstanding mortgages past due. Table 8 provides more detailed information by category of residential mortgage loan and by severity of delinquency. Noncurrent loans (“NCL”) are loans past due 90 or more days and loans on which interest is not being accrued.

**TABLE 8**

	1 <sup>st</sup> REM		Jr REM		HE	
	30 - 89	NCL	30 - 89	NCL	30 - 89	NCL
<b>12/05</b>	0.74	0.34	0.87	0.10	0.35	0.13
<b>6/06</b>	0.55	0.37	0.61	0.18	0.60	0.15
<b>12/06</b>	0.86	0.47	0.38	0.09	0.74	0.20
<b>3/07</b>	0.87	0.42	0.24	0.08	0.61	0.29
<b>6/07</b>	0.78	0.47	0.40	0.13	0.71	0.32
<b>9/07</b>	0.83	0.49	0.55	0.11	0.77	0.37

Loans in process of foreclosure would be included in NCL. Unfortunately, bank Call Reports do not collect delinquency data by fixed rate/adjustable rate mortgages. Without minimizing the increases in delinquency rates, current rates, especially for first

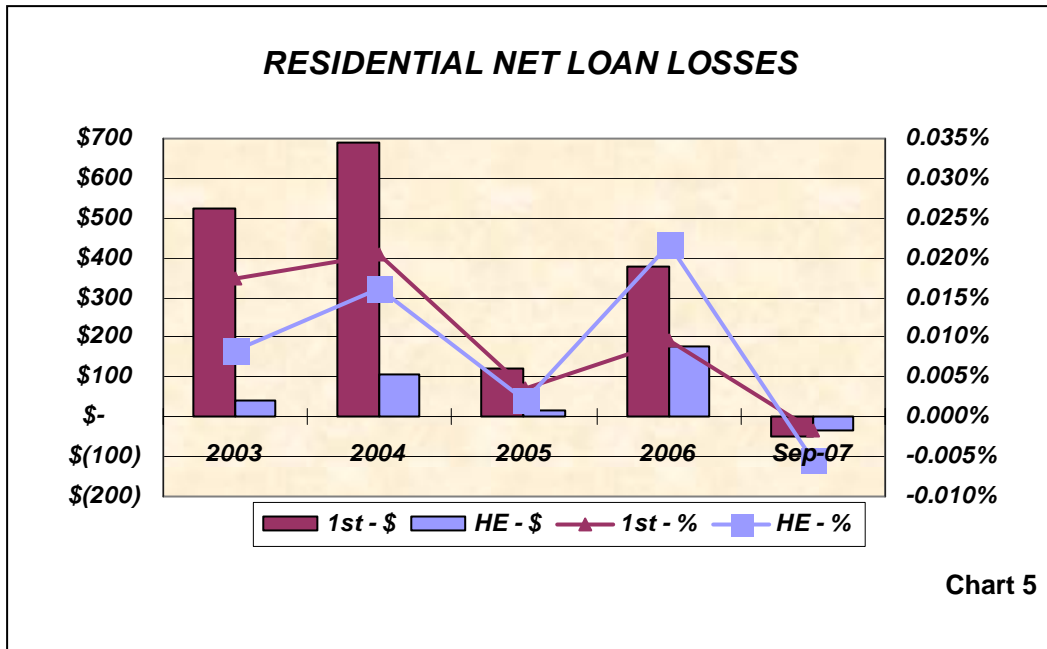
mortgages, still compare favorably to rates experienced over the past decade, as demonstrated in Chart 4.



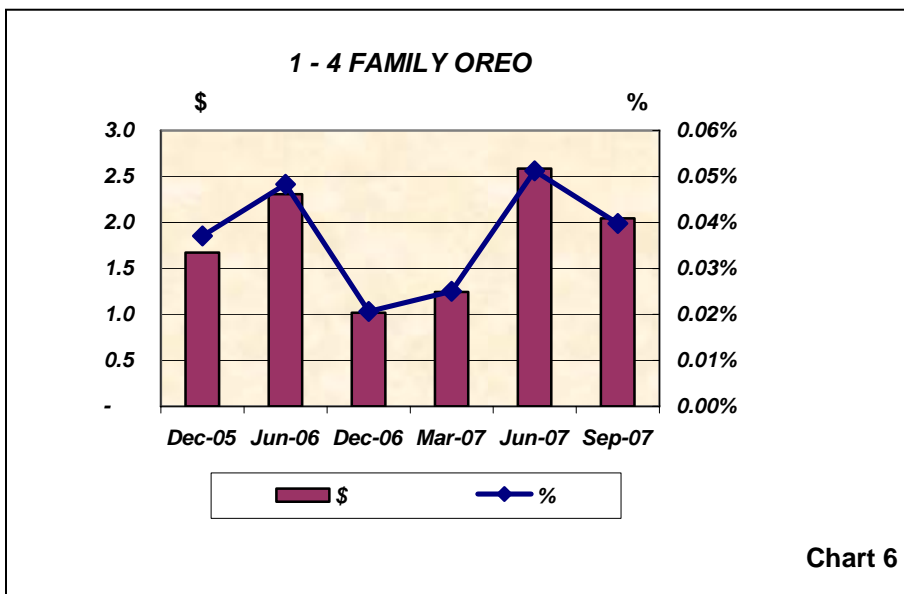
The MB have experienced net losses on their residential real estate loans, but those losses have been insignificant in relation to outstanding loans, net income and equity capital. Furthermore, as can be seen in Chart 5, during the first nine months of 2007, the MB actually recovered more than they had charged-off.<sup>2</sup> The peak year for net loan losses on residential mortgage loans was 2004, with \$692 thousand, or .02%, of first mortgages. The 2004 net losses represented less than 1.0% of annual net income and less than 0.1% of equity capital for the MB. Historically, data on foreclosures have not been collected by the Bureau or the federal bank regulators, but the dollar amount of Other Real Estate Owned (“OREO”), which is collected, can be used as a proxy.<sup>3</sup> As of September 2007, the MB had \$2.1 million in OREO, representing only .04% of total residential real estate loans. Between December 2002 and December 2006, the percentage of residential OREO ranged from a low of .02% to a high of .06%.

<sup>2</sup> Financial institutions charge-off loans in the quarter when they are deemed uncollectible; such loans, however, may have recovery or salvage value in subsequent quarters.

<sup>3</sup> OREO is real estate that the bank has acquired title to in full or partial satisfaction of a loan; data are collected specifically on 1 – 4 family properties.



\$ are in thousands.



As indicated at the beginning of this section, in October 2007, the Bureau conducted a survey (the "Bureau Survey") of all financial institutions headquartered in or operating a branch in Maine, requesting

data on the number and dollar volume of first and junior residential mortgages, loans in process of foreclosure, and completed foreclosures.<sup>4</sup> The Bureau Survey covered the periods ending December 2006, March 2007, June 2007 and September 2007.

<sup>4</sup> All 37 Maine state-chartered financial institutions completed the survey and eight federally-chartered banks and thrifts and 43 federally-chartered credit unions headquartered in Maine also responded to the survey.



**TABLE 9**

	<b>2006</b>	<b>3/07</b>	<b>6/07</b>	<b>9/07</b>
<b>\$ (000)</b>	\$3,387	\$706	\$2,238	\$682
<b>% of \$</b>	0.08%	0.06%	0.14%	0.11%
<b>#</b>	56	13	18	11
<b>% of #</b>	0.08%	0.08%	0.09%	0.08%

Table 9 shows, for the MB, the number and dollar amount of loans foreclosed in calendar 2006 and in each of the first three quarters of 2007. The percentages shown

are annualized, based on the cumulative dollar amount and number of foreclosures, both of which were, through September 2007, to the MB, *de minimis*. It is recognized that the dollar amount of foreclosures appears to be inconsistent with OREO data (the two are not expected to be equal due to different reporting requirements), but the differences do not appear to be material. Surveys received from federally-chartered financial institutions operating in Maine also revealed minimal completed foreclosures.

According to the Bureau Survey, loans in process of foreclosure have also been

**TABLE 10**

	<b>12/06</b>	<b>3/07</b>	<b>6/07</b>	<b>9/07</b>
<b>\$ (000)</b>	\$7,010	\$6,494	\$7,367	\$9,148
<b>% of \$</b>	0.16%	0.15%	0.17%	0.21%
<b>#</b>	99	94	92	106
<b>% of #</b>	0.15%	0.14%	0.14%	0.16%

minimal, but have trended upward through September 2007, when they reached \$9.1 million, as seen in Table 10. These loans would be

included in NCL and the uptick is consistent with the increase in NCL. For each of the four reporting periods, ARMs represented a disproportionately high percentage of the first mortgages in process of foreclosure, peaking at 38% at September 2007. (According to the Bureau Survey, ARMs accounted for 21% of the number of first mortgages.) However, only .4% of all ARM first mortgages were in process of foreclosure. The percentage of mortgages in process of foreclosure that are less than two years old increased in each quarter, climbing from 14 at December 2006 to 25 at September 2007, or 24% of all loans in process of foreclosure. As of September 2007, 91, or 86%, of the mortgages in process of foreclosure were first mortgages.

The Bureau Survey also requested information on the number and dollar amount of non-traditional mortgages. Non-traditional mortgages are broadly defined as residential mortgage loan products that allow borrowers to defer repayment of principal or interest, thereby including all interest-only and negative-amortization mortgages. As seen in Table 11, non-traditional mortgages are not a significant line of business for the MB, accounting for only 0.06% of the number of first mortgages as of September 2007.

TABLE 11

	1 <sup>st</sup> REMs				Jr. REMs			
	#	%	\$	%	#	%	\$	%
<b>12/06</b>	18	0.04	3.0	0.08	13	0.06	0.4	0.05
<b>3/07</b>	20	0.05	3.2	0.08	18	0.07	0.5	0.07
<b>6/07</b>	25	0.06	6.0	0.17	22	0.09	0.6	0.09
<b>9/07</b>	25	0.06	6.1	0.16	26	0.10	0.7	0.09

None of the non-traditional mortgages was in the process of foreclosure as of September 2007. Additionally, according to the Bureau Survey, none of the

MB has engaged in a “subprime mortgage lending program” in the last five years. A subprime mortgage lending program involves the systematic targeting of subprime borrowers (borrowers with poor or limited credit histories who pose a higher risk of default) using tailored marketing, underwriting standards and risk selection; the program does not include individual loans to subprime borrowers originated in the ordinary course of business as exceptions to prime risk selection standards.

Additionally, the Bureau Survey collected data on residential real estate mortgages serviced by the MB. Servicing usually involves, but is not limited to, the collection of principal, interest and escrow payments from borrowers on loans that are owned by a third party. At September 2007, the MB serviced 11,600 first mortgages with a principal balance of \$1.0 billion, representing 28% of both the number and dollar amount of outstanding MB first mortgages. The number and dollar amount of serviced loans in process of foreclosure was .11%, about one-half the level of the MB’s portfolio first mortgages. The MB do not service any junior mortgages.

The MB, in addition to directly holding residential real estate loans, also have exposure to the residential housing market through their holdings of mortgage-backed securities. Mortgage-backed securities are debt obligations backed by a pool of mortgages. Historically, the majority of mortgage-backed securities was issued and backed by the government or government-sponsored enterprises (e.g., Ginnie Mae, Fannie Mae and Freddie Mac). Recently, however, private entities became the majority issuers and expanded the tranches of quality and risk. As of September 2007, the fair value of mortgage-backed securities held by the MB was \$939 million; the amortized cost of these securities was \$945 million, resulting in unrealized losses of \$6 million, or 0.5% of capital. Of their total holdings, all but \$39 million, or 3.2% of capital, is either issued by or guaranteed by the government or a government-sponsored enterprise.

The unrealized loss on this \$39 million, which is presumed to carry the greatest risk, was \$443 thousand, or 0.04% of capital. Unfortunately, the available information does not include details on the quality of the underlying mortgages but it does suggest that the MB have minimal exposure to mortgage-backed securities.

**Maine State-Chartered Credit Unions**

As of September 2007, the 12 Maine state-chartered credit unions (“MCU”) held

**TABLE 12**

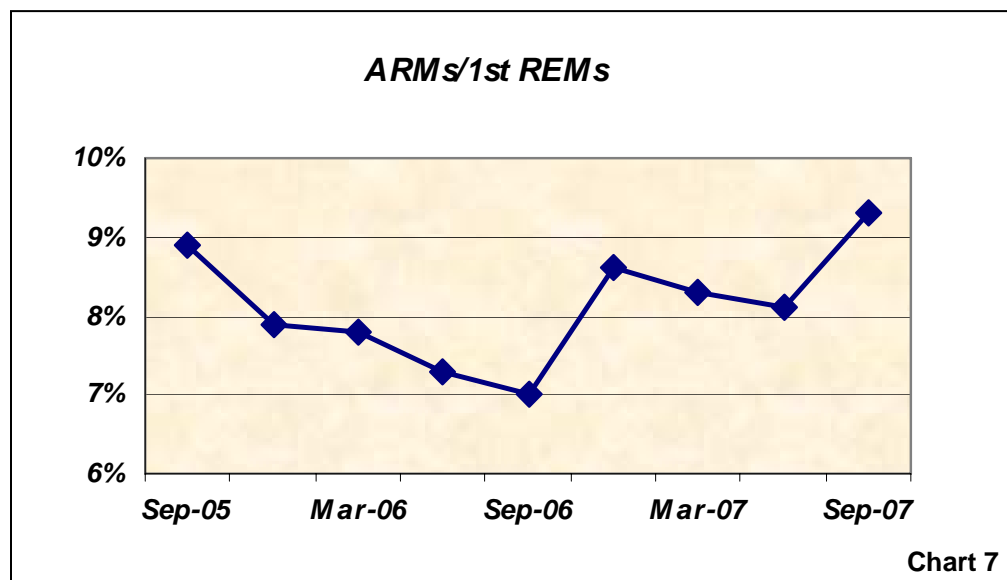
	1 <sup>st</sup> REM		Other	
	\$	%	\$	%
<b>12/05</b>	272	36.7	173	23.4
<b>12/06</b>	303	36.6	194	23.5
<b>3/07</b>	333	39.6	173	20.5
<b>6/07</b>	337	39.6	173	20.3
<b>9/07</b>	346	39.3	181	20.6

outstanding first mortgages of \$346 million and other real estate loans (consisting primarily of home equity revolving lines of credit but also including junior mortgages) of \$181 million, as seen in Table 12. After peaking at 61% of total loans in

\$ are in millions.

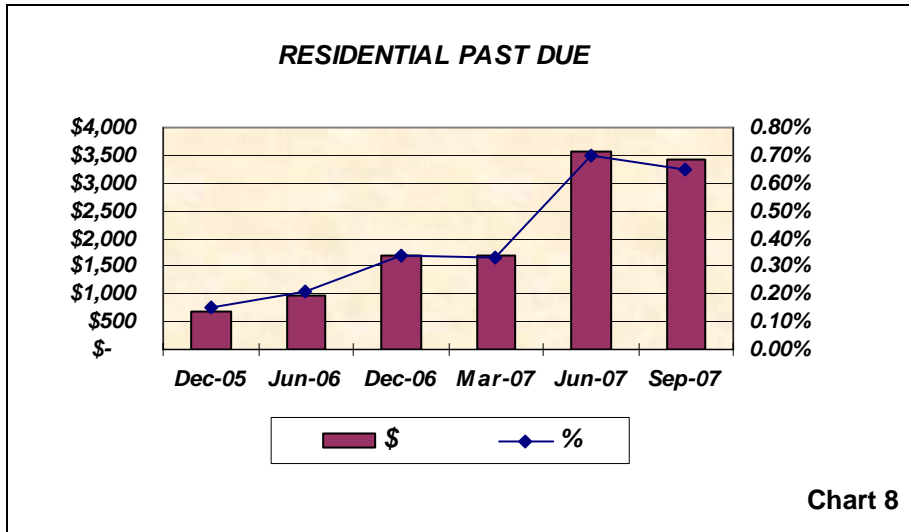
December 2004, residential real estate loans have declined slightly to 60% in September 2007.

Compared to the MB, the MCU hold significantly fewer ARMs, \$33 million or



9.3% of first mortgages as of September 2007 (vs. 24.9% for MB), down from 15.9% at December 2002, but with little change in the dollar

amount. The pattern over the past nine quarters, shown in Chart 7, has generally followed that of the MB, just at a much lower percentage.



Residential delinquencies trended upward from December 2005, but jumped significantly in June 2007 before falling slightly as of September 2007, as seen in Chart 8. While the

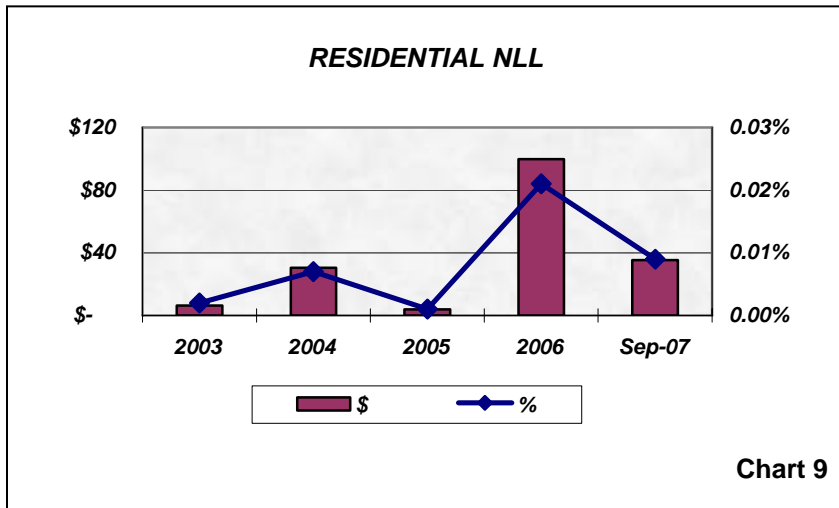
delinquency rate is high compared to recent periods, it is well below the levels recorded in the mid-1990s when, in December 1995, the rate was 1.27%. The increase was particularly sharp in the revolving home equity lines, which more than tripled between March and June; the rate for first mortgages, both fixed and ARMs, more than doubled as seen in Table 13. Table 13 also shows the percentage of loans more than six months delinquent which, while increasing, does not represent an alarming number at this time.

**TABLE 13**

	1 <sup>st</sup> - FIXED			1 <sup>st</sup> - ARMS			HE		
	\$	%	% 6+	\$	%	% 6+	\$	%	% 6+
12/05	242	0.10	0.04	0	0.00	0.00	255	0.21	0.06
6/06	222	0.09	0.05	0	0.00	0.00	470	0.38	0.15
12/06	203	0.07	0.01	236	0.85	0.36	725	0.56	0.24
3/07	651	0.21	0.08	125	0.35	0.35	425	0.36	0.11
6/07	1,562	0.50	0.08	253	0.71	0.07	1,306	1.12	0.29
9/07	1,274	0.41	0.18	373	0.95	0.38	1,278	1.09	0.22

\$ are in thousands.

Credit union regulatory reports do not provide information on loans in the process of foreclosure. Other real estate owned by the MCU, used as a proxy for foreclosures, remains minimal for the MCU, totaling only \$89 thousand, or .02% of outstanding residential loans, as of September 2007.



As seen in Chart 9, the MCU have experienced minimal net loan losses on their residential loans over the past few years, aggregating only \$176 thousand from 2003 through September 2007, or .008%, annualized, of

average outstanding residential loans.

Results of the Bureau Survey for the MCU regarding loans in process of foreclosure and completed foreclosed loans were nearly identical to those for the MB. Table 14 shows the number and dollar amount of loans foreclosed in 2006 and in each of the first three quarters of 2007; the percentages are annualized based on the cumulative year-to-date numbers and dollars. Table 15 shows the number and dollar

TABLE 14

Completed Foreclosures				
	2006	3/07	6/07	9/07
<b>\$ (000)</b>	158	52	101	167
<b>% of \$</b>	0.03	0.04	0.05	0.08
<b>#</b>	3	2	1	3
<b>% of #</b>	0.02	0.06	0.05	0.06

TABLE 15

In Process of Foreclosure				
	12/06	3/07	6/07	9/07
<b>\$ (000)</b>	597	752	1,121	1,435
<b>% of \$</b>	0.11	0.14	0.20	0.25
<b>#</b>	9	12	17	20
<b>% of #</b>	0.07	0.10	0.13	0.16

amount of loans in process of foreclosure. The majority of loans in process of foreclosure are seasoned, having been originated at least two years prior to the initiation of foreclosure proceedings. In all but one quarter, adjustable rate loans represented less than one-half the loans in process of foreclosure and in each quarter the number of junior mortgages in process of foreclosure exceeded the number of first mortgages in process of foreclosure. The number of completed foreclosures has not been sufficient to analyze. Surveys received from 43 federally-chartered credit unions operating in Maine also revealed minimal completed foreclosures and loans in process of foreclosure.

According to the Bureau Survey, the MCU did not report any non-traditional mortgages on their books nor has any MCU engaged in a subprime mortgage lending program in the last five years. The extent of mortgage servicing by the MCU is much less than that performed by the MB: 200 loans (all first mortgages) with a balance of \$20 million in September 2007, representing only 4% of first mortgage loans and 6% of the dollar amount of first mortgage loans on their books. None of the serviced loans is in process of foreclosure.

The MCU held total mortgage-backed securities valued at \$26 million in September 2007, representing 31% of securities, 2% of total assets and 19% of capital. The unrealized loss on these securities is not detailed, but the total unrealized loss on all securities is insignificant. The mortgage-backed securities holdings do not appear to be an undue concern at this time.

Credit union call reports also capture the dollar amount of residential loans granted and sold during the reporting period. Table 16 tracks originations (in millions of dollars), split between first mortgages and junior mortgages, and shows the percentage change from the same period the prior year. The amount of loans granted is influenced

**TABLE 16**

	2003	2004	2005	2006	3/07	6/07	9/07
<b>1<sup>st</sup> REM</b>							
<b>\$ Granted</b>	153	88	74	73	17	23	24
<b>% Chg</b>	49.8	-42.5	-15.3	-1.8	1.9	34.1	41.8
<b>\$ Sold</b>	55	31	30	15	7	5	3
<b>Jr. REM</b>							
<b>\$ Granted</b>	67	79	75	88	16	18	18
<b>% Chg</b>	-8.7	18.6	-5.1	16.5	0.3	-11.7	-20.5

by a number of factors, several of which are outside of the lender's control. The increase in loans granted through the first three quarters of 2007 compared to 2006 is at least partially attributed to

the problems experienced by several mortgage companies, which has driven borrowers to financial institutions.

### **Home Mortgage Disclosure Act**

The Home Mortgage Disclosure Act ("HMDA"), a federal law enacted in 1975, requires annual public disclosures regarding loans for home purchases, refinancings and home improvement from most lending institutions with offices in metropolitan areas.

The data relate to originations, purchases, denials, withdrawals and incomplete applications. Information is collected relating to the type and amount of the loan, the type and location of the property, and the borrower's ethnicity, race, sex and income. Since 2002 the institutions have also reported data regarding the pricing of certain loans (e.g., pricing for home equity loans is not required) if the pricing exceeds the following thresholds: for first mortgage loans, the threshold is an annual percentage rate ("APR") equal to or greater than three percentage points above the interest rate on Treasury securities of comparable maturity and, for junior lien loans, an APR equal to or greater than five percentage points above the interest rate on Treasury securities of comparable maturity. Loans exceeding the threshold are hereafter referred to as "higher-priced loans."<sup>5</sup> The HMDA data are used to assess how institutions are serving the housing needs of their communities and to assist in evaluating compliance with anti-discrimination and other consumer protection laws. In 2006, approximately 8,900 lenders were covered by the law and accounted for an estimated 80% of all home lending nationwide.<sup>6</sup> In Maine, data are collected only on loans secured by property located in the three metropolitan statistical areas ("MSA"): Bangor, Lewiston – Auburn, and Portland-South Portland-Biddeford; the data are not state-wide nor do they include every loan secured by property located in one of those three MSAs.

The information presented in the following tables is based on the Bureau's preliminary analysis of the HMDA data for 2006 for each of the three Maine MSAs. Table 17 presents calendar year 2006 information, for each of the MSAs, on the number of loans originated by major type (conventional home purchase – "CHP," refinancing – "REFI," and home improvement – "HI"); Table 18 presents information on the number of "higher-priced loans." The data in both tables include first and junior lien mortgages and are segregated by (1) financial institutions authorized to do business in Maine ("MFI") and (2) banks and credit unions located outside of Maine and mortgage

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<sup>5</sup> The HMDA data do not take into account many of the factors used by lenders to underwrite and price loans (e.g., credit scores, debt-to-income ratios, loan-to-value ratios, etc.) and therefore an analysis of pricing data using HMDA data alone is incomplete. See "Higher-Priced Home Lending and the 2005 HMDA Data" by Robert B. Avery, Kenneth P. Brevort, and Glenn B. Canner, *Federal Reserve Board Bulletin*, vol. 92 (September 2006) and "The 2006 HMDA Data" for additional comments on higher-priced loans.

<sup>6</sup> "The 2006 HMDA Data" by Robert B. Avery, Kenneth P. Brevort, and Glenn B. Canner, Federal Reserve Board, September 12, 2007.

**TABLE 17**

Originations	BANGOR		L-A		PORTLAND	
	#	%	#	%	#	%
<b>CHP</b>	2,186		1,665		9,700	
<b>MFI</b>	1,022	46.8	559	33.6	2,462	25.4
<b>Non-ME</b>	1,164	53.2	1,106	66.4	7,238	74.6
<b>REFI</b>	2,864		2,268		12,856	
<b>MFI</b>	1,050	36.7	660	29.1	3,256	25.3
<b>Non-ME</b>	1,814	63.3	1,608	70.9	9,600	74.7
<b>HI</b>	801		645		3,995	
<b>MFI</b>	558	69.7	460	71.3	2,895	72.5
<b>Non-ME</b>	243	30.3	185	28.7	1,100	27.5

companies (“non-Maine entities” or “Non-ME”).<sup>7</sup> For example, Table 17 shows that, in the Portland MSA, 9,700 CHP loans were originated; of these, 2,462, or 25%, were originated by Maine financial institutions; REFI loans totaled 12,856 and HI loans totaled 3,995 of which 3,256 and 2,895, respectively, were originated by Maine financial institutions. Therefore, 75% of Portland MSA home purchase loans and refinancing loans were originated by non-Maine entities. Table 18 shows that there were 1,621

**TABLE 18**

H-P	BANGOR			L-A			PORTLAND		
	#	% HP	%	#	% HP	%	#	% HP	% Orig
<b>CHP</b>	538		24.6	452		27.1	1,621		16.7
<b>MFI</b>	47	8.7	4.6	56	12.4	10.0	75	4.6	3.0
<b>Non-ME</b>	491	91.3	42.2	396	87.6	35.8	1,546	95.4	21.4
<b>REFI</b>	884		30.9	633		27.9	2,601		20.2
<b>MFI</b>	125	14.1	11.9	30	4.7	4.5	121	4.7	3.7
<b>Non-ME</b>	759	85.9	41.8	603	95.3	37.5	2,480	95.3	25.8
<b>HI</b>	164		20.5	73		11.3	338		8.5
<b>MFI</b>	44	26.8	7.9	16	21.9	3.5	43	12.7	1.5
<b>Non-ME</b>	120	73.2	49.4	57	78.1	30.8	295	87.3	26.8

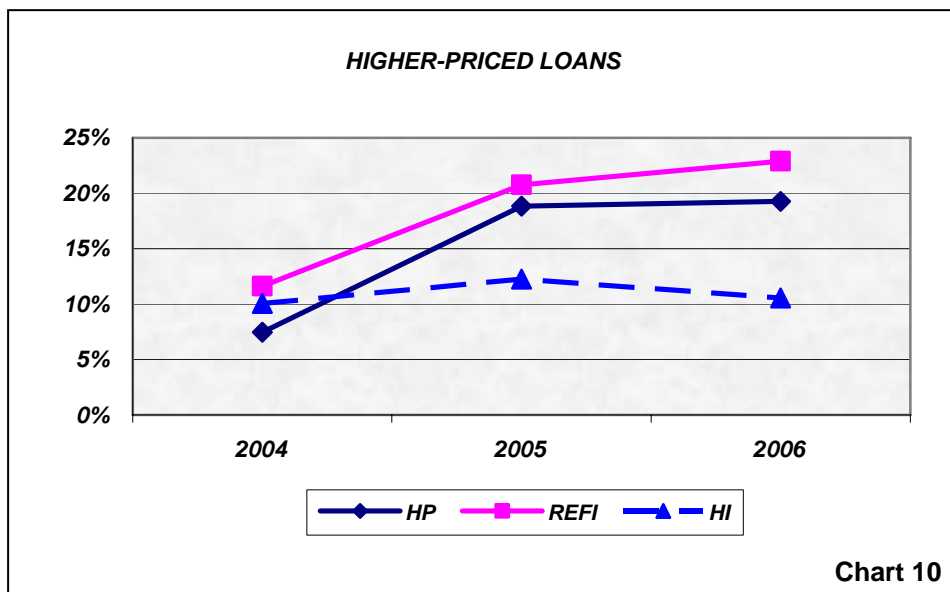
higher-priced CHP loans originated in the Portland MSA, or 17% of originations. The higher-priced loans, however, were very heavily concentrated in originations by non-Maine entities, which accounted for 1,546, or 95%, of the higher-priced CHP loans. Further, the incidence of higher-priced loans was seven times greater in the non-Maine

<sup>7</sup> Financial institutions authorized to do business in Maine, also referred to as “Maine financial institutions,” include all Maine-chartered banks, thrifts and credit unions; all federally chartered banks, thrifts and credit unions headquartered in Maine; and all other financial institutions operating a branch in Maine (e.g., Bank of America and KeyBank).



entities where 21% of their originations were higher-priced as opposed to only 3% at Maine financial institutions.

The HMDA data do not provide a complete picture of home lending in Maine, but they do provide the best information on the degree of higher-priced loans on properties located in Maine's three MSAs. The data clearly show that Maine financial institutions made a very small percentage of the number of higher-priced loans and that a very small percentage of the loans originated by MFI were higher-priced loans. Chart 10 shows, for the three Maine MSAs combined, the sharp increase in higher-priced loans that occurred in 2005. In each year, the Portland MSA had the lowest incidence of higher-priced loans. Nationally, higher-priced loans accounted for 29% of all HMDA-reported loans (home purchase, refinancings and home improvement) in 2006, up from 26% in 2005. In Maine, higher-priced loans increased from 19% of all HMDA-reported loans in 2005 to 20% in 2006. In 2006, the Maine financial institutions originated 35% of all Maine HMDA-reported loans but only 8% of the higher-priced loans. Only 4% of the HMDA-reported loans originated by the Maine financial institutions were higher-priced loans.



## **Observations**

The various data presented demonstrate that the Maine-chartered financial institutions are encountering increased problems in their residential real estate portfolios, evidenced by rising delinquencies and loans in process of foreclosure. However, at this time, the problems are not of crisis proportions and the institutions have the capital and earnings to respond safely to the escalating housing turmoil. Further, the data also show that Maine financial institutions are not actively originating non-traditional mortgages and that their share of higher-priced loans is very modest. The Bureau will continue to closely monitor the impact on the State's financial institutions and developments in the housing and mortgage markets.

## SECTION II

### BUREAU OF FINANCIAL INSTITUTIONS CONSUMER OUTREACH ACTIVITIES AND DEVELOPMENTS

#### Outreach Program

Since 1987, the Bureau has had a Consumer Outreach Program. The program is administered and implemented by a dedicated Consumer Outreach Specialist. The Consumer Outreach Specialist is available to answer questions related to the business of financial institutions, to mediate complaints and to make referrals to other regulatory agencies, if necessary. In addition, the Consumer Outreach Specialist maintains the Bureau's online consumer resources. The online resources offer links to a variety of financial topics, provide answers to frequently asked questions and allow consumers to inquire or file complaints about a financial institution. As in past years, the Bureau regularly directs consumers to information on fraud and identity theft.

During the fiscal year ending June 30, 2007, the Bureau responded to 741 consumer complaints and inquiries. Of these, 116 required Bureau intervention. The Bureau is most successful when intervening in disputes involving state-chartered financial institutions. When a federally-chartered financial institution is involved, complaints are often forwarded to the appropriate federal regulatory agency. Table 19 lists the Bureau's consumer contacts by account type in fiscal year 2007.

**TABLE 19**

<b>Type of Account</b>	<b>Number of Contacts</b>	<b>% of Total</b>
Credit Cards	301	41%
Checking Accounts	157	21%
Installment Loans	58	8%
Mortgage Loans	85	11%
Other*	140	19%
<b>Total</b>	<b>741</b>	<b>100.0%</b>

\*Included in "Other" are the following: credit report problems, fees to cash checks, forgery, funds availability, identity theft and telemarketing.

Inquiries and complaints related to credit cards continue to represent a high concentration of overall Bureau contacts with Maine consumers. One common inquiry relates to whether there are limits to the interest rates a financial institution can charge on a credit card. The Bureau provides answers and guidance on this and other questions when possible. However, because the majority of credit cards are

underwritten by out-of-state, state-chartered and federally-chartered financial institutions, the Bureau's authority with respect to many complaints is limited. The Consumer Outreach Specialist will discuss the issues with the consumer, but some consumers are ultimately referred to federal agencies.

With respect to nationally-chartered banks, a consumer is directed to file a complaint with the Office of Comptroller of the Currency ("OCC"), the primary regulator of national banks. Until recently, the exchange between the Bureau and the OCC was limited and there was little, if any, feedback regarding the resolution of a given complaint or issue. This limited interaction is changing. To enhance communication and the exchange of information, the Bureau and the OCC signed a Memorandum of Understanding (MOU) in May 2007. The Bureau hopes that this MOU will allow more Maine consumer complaints to reach a prompt and effective resolution. Under the agreement, the Bureau receives a quarterly report containing the status and resolution of complaints and the actions taken by the federal regulator. This review will enable the Bureau to follow up on certain complaints and, if necessary, explore alternatives with the OCC when the resolution is unsatisfactory.

In October, the Bureau's Consumer Outreach Specialist attended the Interagency Consumer Complaint Conference. The conference brought consumer outreach related personnel together from many different agencies. The regulatory agencies present were the OCC, the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and other state regulators. Participants shared ideas about best practices for consumer outreach. It was apparent to the group that average consumers do not know whether they bank at a federal or state institution and that they are even less likely to know the regulator that supervises that institution. Therefore, the federal agencies proposed a recommendation to establish a universal consumer complaint system by which consumers could register a complaint at a single website or phone number, regardless of the type of financial institution at which they do business.

The Conference of State Bank Supervisors (CSBS) is working with the OCC to finalize the model complaint form. They hope to have it available in early 2008. The Federal Financial Institutions Examination Council (FFIEC) created a consumer complaint working group to consider a central call center and several other joint

ventures. One other project nearing testing is the Complaint Referral Express (CRE). This is a web-based tool to allow near-real time transfer of consumer complaints between the OCC and the states.

### **Foreclosure**

As discussed in Section I, one area of concern for the Bureau and all financial regulatory agencies is the current turmoil in the mortgage market. The complaints the Bureau has received thus far reveal that some consumers were confused by the terms of their non-traditional mortgage products while others may have been purposefully misled by unscrupulous lenders. In some circumstances, it was apparent that the consumer miscalculated their ability to afford the higher payments due after an adjustable loan reset.

With respect to banks and credit unions, the Bureau has seen only a slight increase in calls regarding foreclosures in Maine. In 2005, the Bureau received two inquiries regarding foreclosure; both inquiries involved state-chartered banks. In 2006, the Bureau received ten foreclosure inquiries, none of which involved state-chartered banks. As of September 30, 2007, the Bureau received 12 foreclosure inquiries, two of which involved state-chartered banks.

The Bureau believes it is vitally important for consumers with mortgage problems to contact their lender or servicer as soon as possible. Unless a consumer is in contact with its lender or servicer, they cannot negotiate with the lender or servicer to ease the debt strain and the lender is forced to proceed with the more drastic measure of foreclosure. Open lines of communication, at the very least, provide the opportunity for resolution of a consumer's financial distress. A lender or servicer may be able to provide assistance in the form of payment deferment, reinstatement, interest rate reduction or other modification to help the consumer keep the home. Sometimes a consumer simply needs time to sell the home. Lenders are interested in working out repayment problems with the consumer because such resolutions are beneficial to both the lender and the consumer. Generally, both lenders and consumers lose money in foreclosures. Unfortunately, some consumers have purchased homes with non-traditional mortgages they cannot afford, even at reasonable interest rates.

When the Bureau gets an inquiry from a consumer concerned about making mortgage payments or about a foreclosure problem, staff tries to help them understand their options and, if appropriate, will put them in contact with organizations that provide assistance and counseling. Some of these organizations include NeighborWorks Center for Foreclosure Solutions, Community Action Programs (CAP), Coastal Enterprises, Coastal Economic Development Corporation and Pine Tree Legal Assistance. Most of these agencies offer budgeting, counseling and financial education.

In December 2007, the Consumer Outreach Specialist participated in a meeting held with Maine State Housing Authority to discuss the direction the State may take to meet any foreclosure crisis that may occur. One possibility discussed at this meeting was the State partnering with NeighborWorks and their HOPE hotline. The HOPE hotline counselors assess the consumer's mortgage problem and determine an appropriate course of action; these counselors also maintain a database of all calls. If the counselor or consumer feels a face-to-face counseling session is needed, the consumer will be referred to their local housing counseling agency such as Community Action Program (CAP) or Coastal Enterprise Inc. (CEI). HOPE counselors are certified through a 5-day NeighborWorks Foreclosure Prevention training course, which adheres to a national curriculum, certification standard and code of ethics. Representatives at this meeting also discussed the possibility of conducting this training for the local housing agencies.

### **Consumer Fraud**

Fraudulent activity involving Maine consumers and financial institutions is a continuing problem. The Bureau receives numerous inquiries related to the latest scams. Over the past year, the Bureau has received inquiries related to new variations of the fake check scam and the advanced fee loan scam.

The variation of the fake check scam surfacing recently involves what are known as "secret shoppers." Legitimate secret shoppers are employed by businesses to rate the service given, and ensure employees are acting appropriately such as using customer names and offering other products for sale. In this adaptation of the scam, the consumer believes they have been hired as a secret shopper. They are sent a

check and an assignment. Their job is to provide their “employer” with information about how the stores and money transmitters handle the transaction. A small portion of the check they receive is their pay. They are instructed to use the rest of the money to purchase a few items from stores and then use a money transmitter to wire the remaining funds to the scam artist. The unsuspecting secret shopper learns they have been scammed only when their financial institution notifies them that the check they deposited was returned as a counterfeit item. The scam artist has received funds and the victim is left to reimburse its financial institution to cover the bad check. The job the consumer may have desperately needed may cost the consumer hundreds, and even thousands, of dollars.

The variation of the advanced fee loan scam surfacing recently involved out-of-state consumers. The out-of-state consumers saw advertisements in their local newspaper for a loan company. The advertisement suggested there was a high likelihood any loan would be approved, regardless of a consumer’s credit history. When the consumers filed applications, the loans were approved and the consumers told to pay the equivalent of several months’ payments before they could take advantage of the offer. The lender used the address of a legitimate financial institution in Augusta, Maine. There was no record of the lender at this location and the lender was not registered with the Bureau. Fortunately, some consumers called the Bureau to find out if the lender was genuine before sending money. The Consumer Outreach Specialist was able to prevent victimization of several consumers. However, a few consumers had already sent the advance fee to the scam operation. Needless to say, they never received the loan proceeds or a refund of their up-front fees. Part of the Bureau’s response to the scam was to contact law enforcement and take steps to shut down the scam’s website and phone number.

### **Outreach Efforts**

The Consumer Outreach Specialist also engages in educational events around Maine. Some of these outreach efforts have included the following:

**CU Financial Fitness Fair.** The Bureau participated in two of the Financial Fitness Fairs sponsored by the Maine Credit Unions. These are well attended and exciting

financial fairs for young Maine students about to leave school. At the fairs, high school students are given a scenario that describes their life at age 22, including their anticipated job and income level. The students are instructed to visit informational booths that represent the major spending categories in their new life, such as housing, transportation and food. With the help of volunteers, the students make many choices and complete a monthly spending plan. This is an enjoyable money management experience for the students and helps them think about saving, budgeting and spending priorities.

**Senior Expo's.** The Active Aging Expo and the Lifestyle Expo were held in Portland and Augusta, respectively. Representatives from agencies within the Department of Professional and Financial Regulation, including the Bureau, provided discussions regarding credit reports, security freezes and fraud.

**Public Library.** The Portland Public Library held a panel discussion for seniors in September 2007. A representative from the Bureau was present to discuss the variety of ways a check is processed today, including electronic conversions and Check 21. An overview of fraud was also discussed. Literature regarding reverse mortgages, preventing telemarketing and pre-screened credit card offers was also made available to those present. The library also retained extra brochures from the Department for other consumers to review. Another presentation was held at the public library in Camden in December 2007.

**Power Point presentation for 7 & 8 grades.** The Consumer Outreach Specialist has also created a Powerpoint presentation for 7<sup>th</sup> and 8<sup>th</sup> grade students and is in the process of soliciting schools for opportunities to present the lesson plan. The presentation is meant to get students thinking about the financial system and money choices. The presentation emphasizes savings and responsible money management.



## SECTION III

### BUREAU OF FINANCIAL INSTITUTIONS INDUSTRY CONDITIONS

Maine's financial institutions remain, in the aggregate, in sound financial condition with sufficient capital, earnings and acceptable asset quality. Each of the three main sectors, banks and thrifts, credit unions, and limited purpose banks, is discussed separately below.

#### **Maine Banks**

As of June 30, 2007, there were 38 banks authorized to do business in Maine, a decrease of three from June 30, 2006. Four of these banks are headquartered outside of Maine and a fifth, TD Banknorth, while maintaining its main office in Maine, conducts a substantial majority of its business outside Maine.<sup>8</sup> Maine-specific data for these five banks are limited to total deposits and total loans. The analysis in this section refers to the performance of the remaining 33 state and federally-chartered banks headquartered in Maine for which detailed financial data are available (the "Maine Banks").<sup>9</sup> TD Banknorth remains the largest bank in terms of Maine loans and Maine deposits, but Bangor Savings Bank has become the second largest in terms of loans and third largest in terms of deposits; Bank of America and KeyBank remain significant competitors and round out the top four banks in loans and deposits. Between June 2006 and June 2007, the Maine Banks continued to increase their share of total deposits and loans, holding 64% of deposits and 69% of loans.

Calendar year 2006 was a period of slow growth: asset growth, at 7.0%, was the slowest since 1996; loan growth, at 7.9%, was the slowest since 2001; and core deposit growth, at 2.9%, was the slowest since 1996. Net income declined for only the second time since 1992. The increase in net interest income ("NII") was the lowest in at least 12 years. The net interest margin ("NIM") was the lowest in at least 12 years. Capital ratios were essentially flat. Loans past due less than 90 days ("PD") and noncurrent

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<sup>8</sup> The four banks headquartered outside of Maine are Bank of America, First Tennessee Bank, KeyBank and Ocean Bank; the first three are federally-chartered and Ocean Bank is chartered by the State of New Hampshire.

<sup>9</sup> As of June 30, 2007, there were 12 commercial banks, 16 savings banks and five thrift institutions: 26 are state-chartered and seven are federally-chartered. The Maine Banks do not operate any offices outside of Maine.

loans (“NCL”) increased at their greatest rate in at least 12 years and net loan losses (“NLL”) increased 19%.

As the numbers suggest, 2006 was clearly a down year for Maine banks, but it was far from a disastrous year; in fact, several banks continued to turn in very strong performances. The decrease in growth was a reflection of the economy and increased competition from a wide range of financial providers, both within and outside the State of Maine, seeking to maintain or increase their volume of business. In the face of the prolonged flat yield curve, slower loan growth, intense competition for loans and deposits further squeezing the net interest margin, rising overhead and deteriorating loan quality necessitating increased provisions for loan losses (“PLL”), the earnings decrease was not unexpected. Also not unexpected was the increase in delinquent loans and net loan losses; these have been predicted for several years, due primarily to the pristine quality of loans for several years. Lastly, the 2006 performance must be put into perspective with that of prior years which has generally been very strong. Overall, the condition of the Maine Banks at year-end 2006 was satisfactory and not widely divergent from that of banks nationally.

Performance for the first six months of 2007 was generally more of the same: asset and loan growth slowed further, profitability measures continued to decline and net loan losses increased. On the positive side, core deposit growth accelerated and past due and noncurrent loans both declined, in dollars and as a percentage of loans.

Tables 20 and 21 clearly show the weakness in the NII, especially in the last 18 months.<sup>10</sup> The Maine Banks have a high percentage of residential first real estate

**TABLE 20**

	<b>2005</b>	<b>2006</b>	<b>% Chg</b>	<b>6/06</b>	<b>6/07</b>	<b>% Chg</b>
<b>NII</b>	522	536	2.7	266	262	(1.5)
<b>OI</b>	112	129	15.2	62	66	6.5
<b>OVHD</b>	419	447	6.7	217	231	6.5
<b>PLL</b>	15	20	33.3	9	7	(22.2)
<b>COI</b>	200	198	(1.0)	102	90	(11.8)
<b>Securities Gains</b>	8	4	(50.0)	4	4	0.0
<b>Taxes</b>	65	63	(3.1)	33	29	(12.1)
<b>Net Income</b>	143	139	(2.8)	72	66	(8.3)

Amounts are shown in millions of dollars; COI is Core Operating Income (income before securities gains and taxes).

mortgage loans – 43% of loans at June 2007 vs. 23% for all federally-insured banks – and the yield on such loans is significantly lower than that on commercial or consumer loans. The flat yield curve, while a concern for all financial institutions, has had a

**TABLE 21**

	<b>12/04</b>		<b>12/05</b>		<b>12/06</b>		<b>6/07</b>	
	<b>ME</b>	<b>Natl</b>	<b>ME</b>	<b>Natl</b>	<b>ME</b>	<b>Natl</b>	<b>ME</b>	<b>Natl</b>
<b>NII</b>	3.51	3.88	3.51	3.97	3.31	3.96	3.07	3.84
<b>OI</b>	0.79	0.74	0.75	0.71	0.79	0.69	0.77	0.67
<b>OVHD</b>	2.86	3.08	2.82	3.10	2.76	3.13	2.72	3.08
<b>ALLP</b>	0.09	0.17	0.10	0.16	0.12	0.16	0.08	0.13
<b>COI</b>	1.36	1.45	1.34	1.50	1.22	1.44	1.04	1.35
<b>ROA</b>	0.97	1.06	0.96	1.09	0.86	1.05	0.76	1.00
<b>OI/Rev</b>	18.4	16.0	17.7	15.2	19.4	14.8	20.1	14.9

particularly adverse impact on banks with a residential mortgage concentration. NII has also been squeezed by competitive pricing pressure, both for loans and deposits. In 2006, funding costs rose 77 basis points yet the return on earning assets only increased 55 basis points; in the first six months of 2007, funding costs were up another 25 basis

<sup>10</sup> Table 20 presents comparative data for the Maine Banks in millions of dollars for calendar years 2005 and 2006 and the six month periods ending June 2006 and June 2007. Table 21 shows the same income and expense categories shown in Table 20 as a percentage of average assets and compares the performance of the Maine Banks to that of all federally-insured banks in the United States.

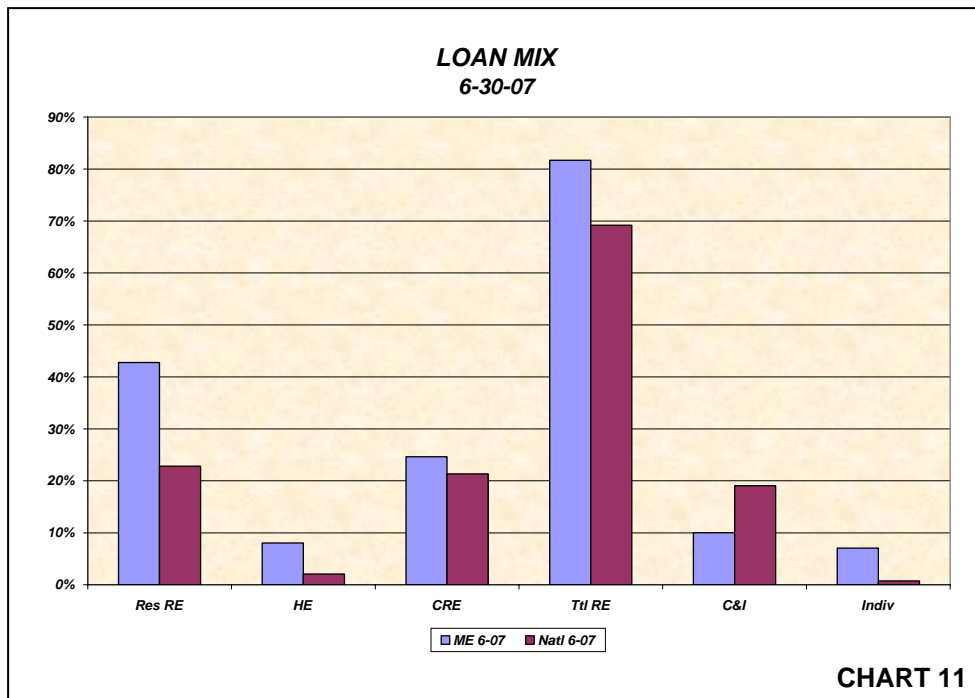
points while the earning asset yield was unchanged. As a result, since December 2005, the net interest margin has declined from 3.79% to 3.31%.

Table 22 details some key balance sheet numbers (in millions of dollars) for the Maine Banks and compares their growth rate between June 2006 and June 2007 with

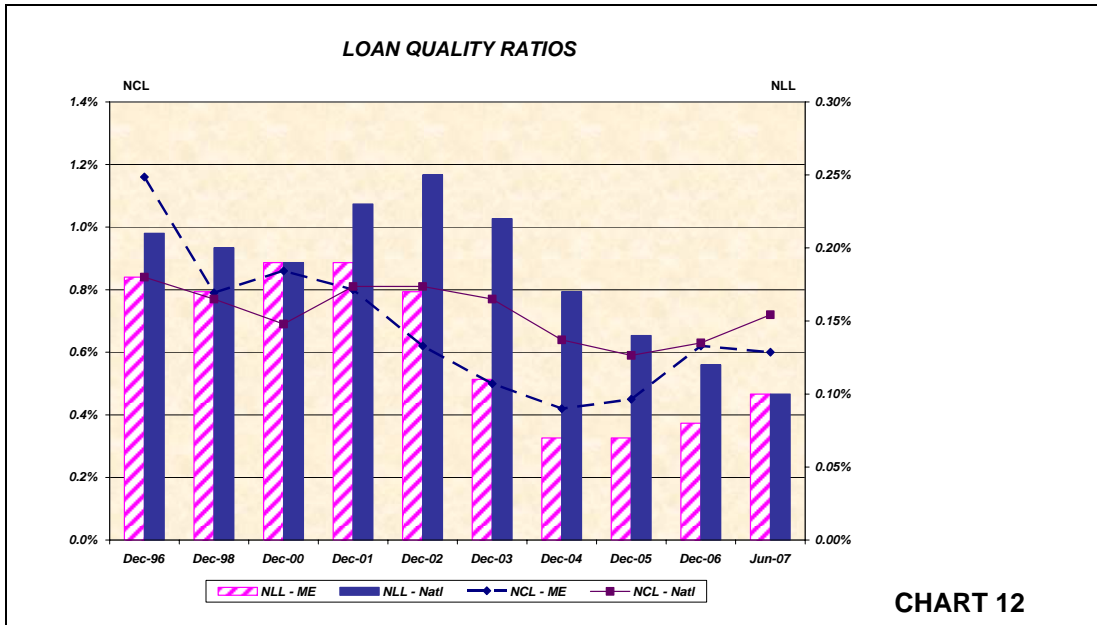
**TABLE 22**

	<b>6/06</b>	<b>6/07</b>	<b>% Chg – MB</b>	<b>% Chg - Natl</b>
Assets	16,289	17,091	4.9	6.4
Core Deposits	9,297	9,980	7.4	10.0
Non-Core Funding	5,320	5,244	(1.4)	2.4
Equity	1,539	1,718	11.6	8.1
Loans	12,496	13,075	4.6	5.7
Commercial RE (CRE)	2,963	3,221	8.7	9.1
1 <sup>st</sup> Residential REM	5,123	5,592	9.2	2.0
Home Equity (HE)	1,188	1,054	(11.3)	3.7
Total Real Estate	10,036	10,708	6.7	5.2
C&I	1,320	1,206	(8.6)	12.4
Individual	903	923	2.2	5.1
Non-Current Loans (NCL)	64	79	23.4	36.2
Net Loan Losses (NLL)	3.6	6.2	72.2	50.2

that of all federally-insured banks. As stated above and shown in Chart 11, the Maine Banks have a high concentration of residential real estate mortgages (first mortgages and home equity loans). Home equity loans have decreased for four consecutive quarters since June 2006; growth in first residential real estate mortgages for the first half of 2007 slowed from the pace of 2006. Over the last 18 months, only first residential real estate mortgages and commercial real estate loans have had any appreciable growth.



Loan quality ratios have deteriorated, but data as of June 2007 indicate that quality remains sound, especially by historic standards. By comparison, for the years 1991 through 1999 NLL averaged 0.27% and NCL averaged 1.26%; between 2000 and 2005, NLL averaged 0.13% and NCL averaged 0.50%. Furthermore, the Maine Banks have an adequate Allowance for Loan Losses (“ALL”) and capital to absorb net loan losses. As of June 2007, the ALL was 1.8 times NCL and equity capital was 10.1% of total assets. The increase in NCL has been driven by modest increases in both real estate loans, primarily home equity loans, and commercial and industrial loans (“C&I”). Commercial real estate (“CRE”), C&I and individual loans each experienced a modest increase in NLL. Of note, residential real estate NLL were negligible through June 2007. For further information, see the material on residential real estate lending, found in Section I.



The strong growth in core deposits during the first half of 2007 positively impacted liquidity for the Maine Banks. Noncore funding supported 31% of assets, the loan-to-core deposit ratio was 123% and long-term assets (maturity or repricing greater than five years) represented 42% of assets; for federally-insured banks, these ratios were 21%, 102% and 13%, respectively. While these ratios compare unfavorably to those of all federally-insured banks, the Maine Banks have a long and successful track record in managing their liquidity. Their ability will be tested if there is a deepening or prolonged residential mortgage downturn.

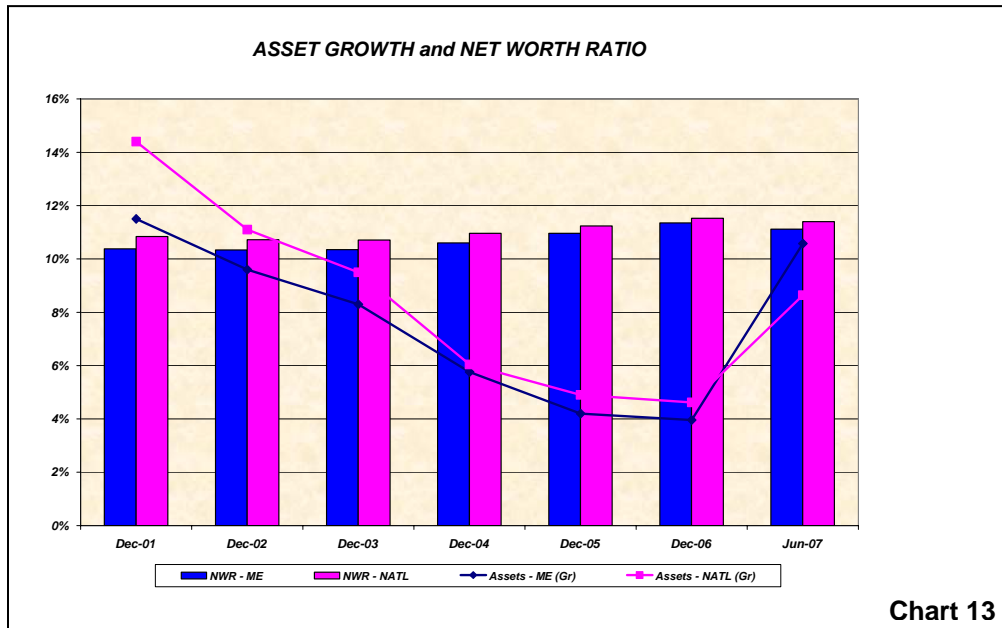
The widespread problems in the residential real estate market, from declining market values to predatory loans to individuals with suspect ability to pay, have, to date and based on available data, not had a significant impact on the Maine Banks. The increase in delinquencies has been very modest, and net loan losses have been minimal. Going forward, the impact may increase, and some banks will be affected more greatly than others, but conditions would have to worsen substantially before the overall stability of the Maine Banks is threatened. Without downplaying the real estate concerns, the Maine Banks continue to face a plethora of issues that are just as significant, including but not limited to declining profitability, weak to stagnant economy, intense competition, technology changes and regulatory burdens. The recent increase

in mergers and acquisitions among the Maine Banks is a testimony to the wide range of challenges, and the difficulty banks of all sizes are having in the current environment.

### **Maine Credit Unions**

The “Maine Credit Unions” consist of 72 credit unions headquartered in Maine: 13 Maine-chartered and 59 federally-chartered. Performance over the last several years has generally been steady with no dramatic fluctuations. However, between June 2006 and June 2007, performance in key areas tended to compare unfavorably with prior periods and with that of credit unions nationally. The gap, though, was not significant and overall performance remains acceptable. The industry continues in sound condition with sufficient capital and earnings. Asset quality, based on most recent data, continues to be acceptable, although loan delinquencies are rising.

The net worth-to-total asset ratio (“NWR”) continued to climb during 2006, and the gap between Maine Credit Unions and credit unions nationally narrowed to the smallest margin in more than 12 years. In the first six months of 2007, both trends reversed as the NWR for Maine Credit Unions declined and the gap widened. However, as seen in Chart 13, the changes were not significant in either year. In recent years, asset growth at the Maine Credit Unions has moderately lagged that of credit unions nationally, but for the first six months of 2007 asset growth was strong, the highest since 2001, and outpaced growth for credit unions nationally. That strong asset growth, combined with declining earnings, resulted in the drop in NWR.



Maine Credit Unions reported record net income (“NI”) of \$33.5 million in 2006, up 6% from 2005 but, for the first six months of 2007, net income fell 13% from the comparable period of 2006, to \$15.2 million. The drop in interim 2007 net income is due to nominal growth in net interest income (“NII”) and a continuing increase in non-interest expense (“OVHD”). NII remains the primary source of revenue, but it has steadily decreased, due to a narrowing spread between interest income and interest expense. To compensate for the narrowing net interest income, there has been an increased emphasis on non-interest income (“OI”). Table 23 shows the changes in dollars, whereas Table 24 shows the changes as a percentage of average assets.

TABLE 23

	12/05	12/06	Chg	6/06	6/07	Chg
<b>NII</b>	\$147,347	\$156,013	5.9%	\$77,311	\$78,657	1.7%
<b>OI</b>	\$42,216	\$47,144	11.7%	\$22,454	\$25,698	14.5%
<b>PLL</b>	\$7,976	\$7,403	-7.2%	\$2,729	\$3,793	39.0%
<b>OVHD</b>	\$149,881	\$162,260	8.3%	\$79,608	\$85,391	7.3%
<b>NI</b>	\$31,707	\$33,494	5.6%	\$17,428	\$15,172	-12.9%

Table 24 presents a more historical picture and better demonstrates the long-term changes in the composition of the return on assets (“ROA”). The “96 – 00” column is the average for the five years 1996 through 2000 and the “04 – 06” column is the average for the three years 2004, 2005 and 2006. The relatively strong NII enjoyed by



**TABLE 24**

	<b>96 - 00</b>	<b>04 - 06</b>		<b>12/06</b>		<b>6/07</b>	
	<i>ME</i>	<i>ME</i>	<i>NATL</i>	<i>ME</i>	<i>NATL</i>	<i>ME</i>	<i>NATL</i>
<b>NII</b>	4.32	3.77	3.24	3.81	3.16	3.67	3.12
<b>OI</b>	0.72	1.05	1.21	1.14	1.28	1.17	1.30
<b>OVHD</b>	3.87	3.84	3.26	3.96	3.32	3.98	3.35
<b>PLL</b>	0.27	0.18	0.36	0.18	0.32	0.18	0.34
<b>ROA</b>	0.89	0.83	0.86	0.82	0.82	0.71	0.75
<b>NII/REV</b>	85.6	77.7	72.4	76.8	70.8	75.4	70.2

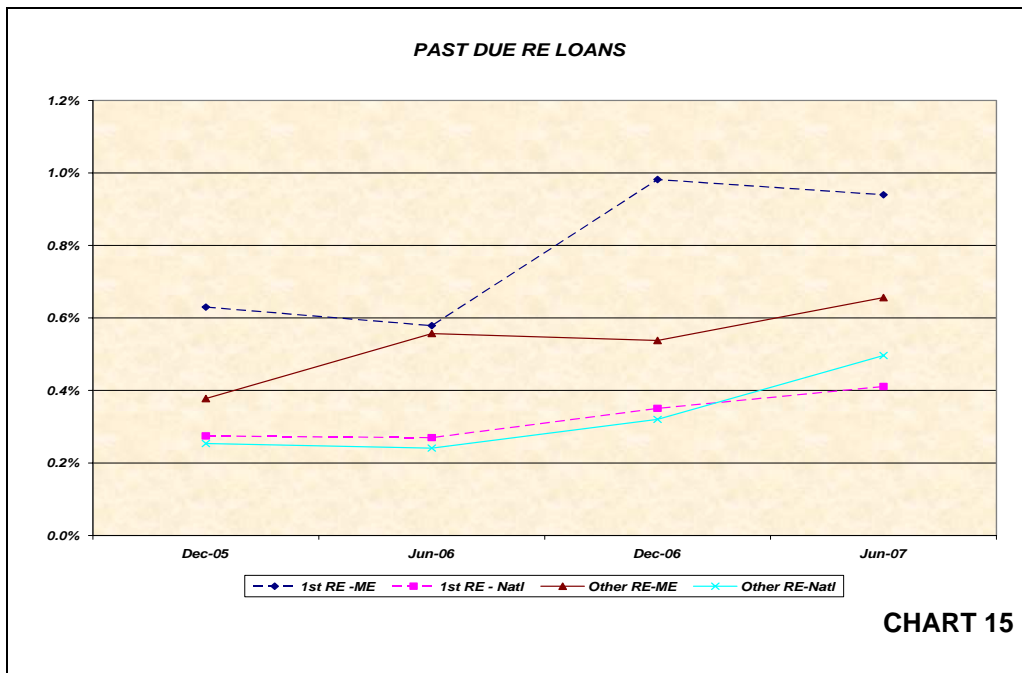
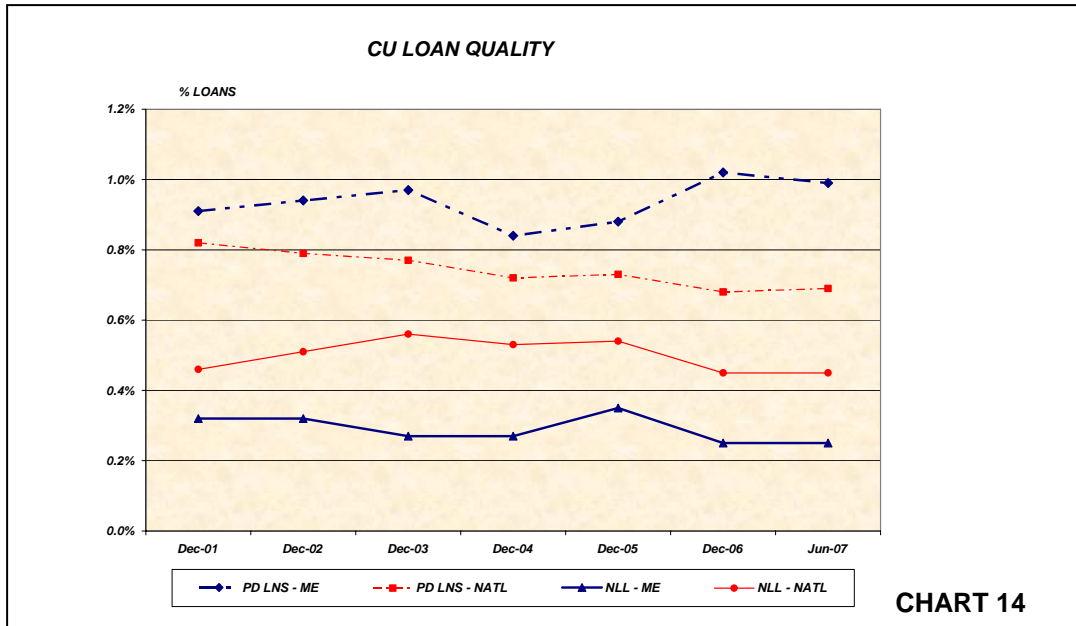
the Maine Credit Unions is attributable to a combination of higher loan yield, lower cost of funds and a higher loan-to-asset ratio. During the first half of 2007, funding costs rose much faster than asset yields and loans increased at a much slower rate than assets, resulting in the decreased net interest income. NII should benefit from the return to a more normalized yield curve. The comparatively high level of real estate loans, traditionally less risky loans, has resulted in lower net loan losses and, therefore, lower provisions for loan losses (“PLL”) for the Maine Credit Unions.

Loan growth during 2006 continued to slow, dropping to \$106 million, 3.6%, compared to 5.3% in 2005 and a 7.4% annual compound growth rate for the five-year period 2000 to 2005. Loan growth during the first six months of 2007 was steady, at 3.5% annualized. Automobile loans and first residential mortgage loans both increased, but unsecured loans and other real estate loans (“Other RE”), primarily home equity loans, decreased. Table 25 shows the change in loan mix for the Maine Credit Unions and compares the mix with that of credit unions nationally. There was minimal change in the mix from June 2006 to June 2007, for both Maine Credit Unions and credit unions nationally.

**TABLE 25**

<b>LOAN MIX</b>	<b>6/00</b>		<b>6/07</b>	
	<i>ME</i>	<i>NAT'L</i>	<i>ME</i>	<i>NAT'L</i>
<b>Auto</b>	32%	40%	28%	35%
<b>1<sup>st</sup> RE</b>	32%	26%	37%	33%
<b>Other RE</b>	13%	13%	21%	17%
<b>Unsecured</b>	12%	14%	6%	10%
<b>Other</b>	11%	7%	8%	5%

Past due loans (“PD”) increased moderately during 2006, to 1.02%, their highest level since December 1998; in the first six months of 2007, PD loans fell slightly, to 0.99%. As can be seen in Chart 14, the gap between PD loans for Maine Credit Unions and credit unions nationally widened considerably during the twelve months June 2006 to June 2007. Most of the increase has been in real estate loans, as seen in Chart 15.



Although RE loans account for a larger share of total loans for the Maine Credit Unions, their aggregate RE loans have increased at about one-half the rate for those nationally over the past 30 months. Nearly two-thirds of all RE loans are first mortgage loans, of which 85% are fixed rate.<sup>11</sup> Overall, 70% of all RE loans carry a fixed rate. Table 26 compares selected real estate loan ratios for Maine Credit Unions with those of credit unions nationally.

**TABLE 26**

	<b>12/05</b>		<b>12/06</b>		<b>6/07</b>	
	<i>ME</i>	<i>NATL</i>	<i>ME</i>	<i>NATL</i>	<i>ME</i>	<i>NATL</i>
<b>RE/LNS</b>	55.9%	47.7%	57.3%	49.4%	57.7%	50.5%
<b>RE Incr</b>	7.3	13.7	6.1	11.8	4.9	9.3
<b>1<sup>st</sup>/RE</b>	63.3	66.4	62.1	65.5	63.6	66.2
<b>Fixed/1<sup>st</sup></b>	83.5	65.9	84.4	65.0	85.4	66.2
<b>Fixed/RE</b>	65.3	59.0	68.4	61.1	70.3	62.7
<b>RE PD</b>	0.54	0.27	0.81	0.34	0.84	0.44
<b>Fixed PD</b>	0.54	0.24	0.75	0.28	0.67	0.39
<b>Adj PD</b>	0.54	0.33	0.98	0.49	1.34	0.57
<b>1<sup>st</sup> NLL</b>	N/A	N/A	0.03	0.02	0.00	0.02

Net loan losses (“NLL”) for the Maine Credit Unions, notwithstanding the increase in PD loans, were at their lowest level since 1995 and continue to compare favorably to credit unions nationally. Property acquired via foreclosure is nominal, accounting for less than .05% of total RE loans in June 2007 vs. .08% for credit unions nationally.

Total shares increased \$123 million, or 4%, in 2006, consistent with the 4% annual compound growth rate of the prior five years. In the first six months of 2007, share growth escalated to 12% annualized. While share growth has historically been strongest during the first six months of the calendar year, the interim 2007 growth was exceptionally strong, significantly outpacing loan and asset growth. As a result, liquidity ratios generally strengthened. Nevertheless, Maine Credit Unions continue to have slightly tighter liquidity ratios, e.g., higher loan-to-share and loan-to-asset ratios, than

<sup>11</sup> Fixed rate real estate loans include hybrid loans where the interest rate is fixed for at least the first five years.

credit unions nationally. Table 27 compares some key liquidity ratios for Maine Credit Unions with those of credit unions nationally.

TABLE 27

	12/04		12/05		12/06		6/07	
	ME	NATL	ME	NATL	ME	NATL	ME	NATL
<b>Loan Incr</b>	8.3	10.1	5.3	10.6	3.6	7.9	3.5	4.9
<b>Share Incr</b>	4.4	5.3	3.3	3.8	3.7	4.1	12.5	10.0
<b>Ln/Sh</b>	86.2	74.5	87.9	79.3	87.9	82.2	84.1	80.3
<b>Ln/TA</b>	73.1	64.0	73.9	67.5	73.7	69.6	71.2	68.4
<b>Borrow/TA</b>	4.1	2.4	4.4	2.9	4.1	2.8	3.6	2.6
<b>LTA</b>	31.5	25.2	31.6	25.1	33.8	27.1	35.1	28.2

In 2006 and for the first six months of 2007, aggregate loan and share growth at the Maine Credit Unions outpaced that for non-credit union financial institutions in Maine. Their share of both loans and deposits, while increasing, remains low, at 14.7% and 16.3%, respectively. Mergers between credit unions continue to shrink the number of Maine Credit Unions. The average asset size, however, continues to increase, climbing from \$56 million in June 2006 to \$62 million in June 2007, but still well below the average size of a Maine Bank, \$518 million.

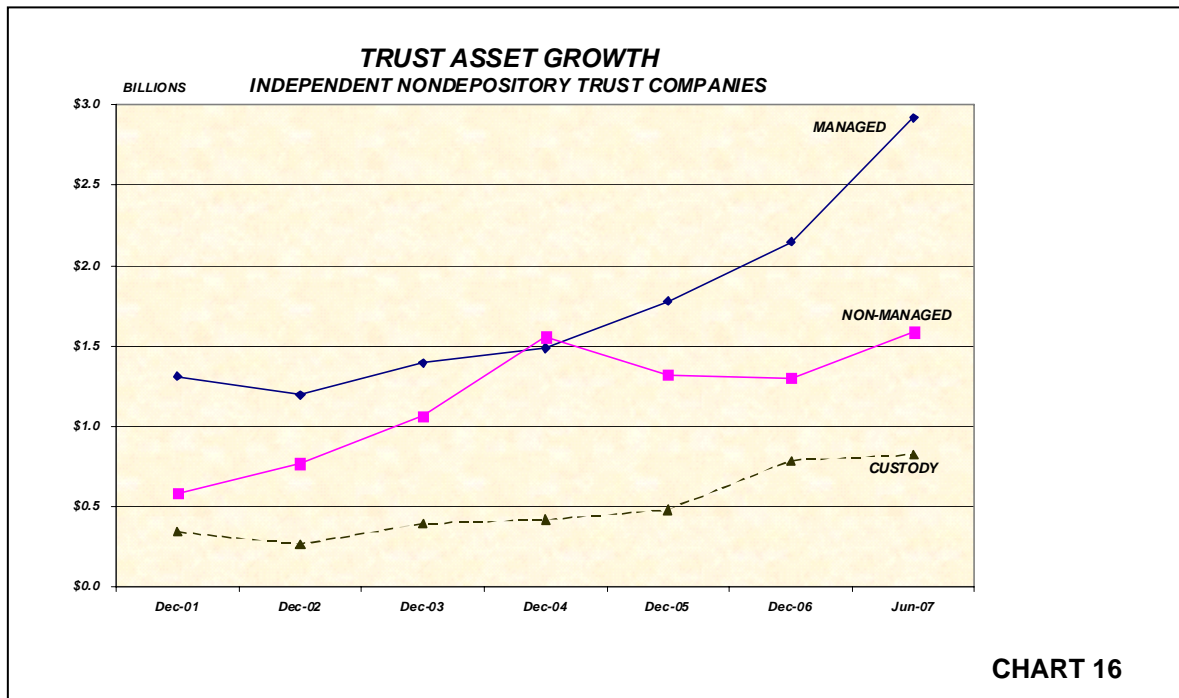
Maine Credit Unions face the same myriad of issues confronting the Maine Banks (and credit unions nationally), but the issues are compounded by the credit unions' relatively small asset size. The smaller asset size generally reduces dollar earnings potential, which constricts their resources to combat their challenges.

### **Limited Purpose Banks**

During the past year, there has been no change in the number of Maine-chartered limited purpose banks, which remains steady at nine. However, one, QUADS Trust Company ("QTC"), was placed in conservatorship by the Bureau on January 31, 2007 due largely to the unsafe and unsound financial condition of its parent holding company.<sup>12</sup> Another is largely temporarily inactive due to the recent sale of its operating businesses but efforts are being made to re-establish trust operations. The seven remaining limited purpose banks function as nondepository trust companies: four

<sup>12</sup> As of December 31, 2006, QTC was custodian of approximately \$595 million of retirement and other plan assets and served approximately 9,600 beneficiaries of these plans. The conservator has transferred the majority of accounts and assets for which it was custodian to other custodians.

focus on “traditional” trust, investment management, advisory and custodial services to individuals and three focus on custodial and administrative services to retirement plans. None of these niche banks is authorized to accept deposits. All of these limited purpose banks were profitable in fiscal year 2006 and each has capital well in excess of that required by the minimum capital formula utilized by the Bureau. Chart 16 shows the growth in fiduciary assets of the seven operating niche banks.



In May 2007, the Bureau approved an application to establish a nondepository trust company filed by Prim Capital Corporation, an Ohio investment advisor and financial planning firm. At this time, the proposed nondepository trust company has not formally organized or commenced operations. The merchant bank approved by the Bureau in November 2006 did not commence operations within one year of the effective date and accordingly it has forfeited its approval.

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# EXHIBITS





**SUMMARY OF FINANCIAL INSTITUTIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

June 30, 2007

	No.	<u>ASSETS</u>		<u>DEPOSITS/SHARES</u>		<u>LOANS</u>	
		Dollars (000's)	% of Total	Dollars (000's)	% of Total	Dollars (000's)	% of Total
Commercial Banks Chartered by the State of Maine	10	3,698,233	17.09%	2,597,012	11.21%	2,640,283	11.96%
Commercial Banks Chartered by Other States	1	N/A	<sup>1</sup> N/A	201,315	0.87%	115,827	0.52%
National Banks	6	2,874,213	<sup>1</sup> 13.28%	8,857,274	38.23%	7,715,431	34.96%
State Limited Purpose Banks	10	140,402	0.65%	0	0.00%	0	0.00%
Federal Limited Purpose Banks	1	9,513	0.04%	0	0.00%	0	0.00%
State Savings Banks	14	9,109,810	42.09%	6,622,160	28.58%	7,271,436	32.94%
Federal Savings Banks	2	1,038,867	4.80%	849,142	3.66%	760,616	3.45%
State Savings & Loans	2	98,495	0.46%	71,244	0.31%	86,915	0.39%
Federal Savings & Loans	3	271,492	1.26%	204,916	0.88%	240,284	1.09%
Credit Unions Chartered by the State of Maine	13	1,197,684	5.53%	1,002,378	4.33%	851,852	3.86%
Credit Unions Chartered by Other States	1	N/A	<sup>1</sup> N/A	10,688	0.05%	10,074	0.05%
Federal Credit Unions	59	3,203,968	<sup>1</sup> 14.80%	2,752,028	11.88%	2,379,849	10.78%
<b>TOTAL</b>	<b>122</b>	<b>21,642,677</b>	<b>100.00%</b>	<b>23,168,157</b>	<b>100.00%</b>	<b>22,072,567</b>	<b>100.00%</b>
Commercial Banks	17	6,572,446	<sup>1</sup> 30.37%	11,655,601	50.31%	10,471,541	47.44%
Limited Purpose Banks	11	149,915	0.69%	0	0.00%	0	0.00%
Savings Banks	16	10,148,677	46.89%	7,471,302	32.25%	8,032,052	36.39%
Savings and Loans	5	369,987	1.71%	276,160	1.19%	327,199	1.48%
Credit Unions	73	4,401,652	<sup>1</sup> 20.34%	3,765,094	16.25%	3,241,775	14.69%
<b>TOTAL</b>	<b>122</b>	<b>21,642,677</b>	<b>100.00%</b>	<b>23,168,157</b>	<b>100.00%</b>	<b>22,072,567</b>	<b>100.00%</b>
Chartered by the State of Maine	49	14,244,624	65.82%	10,292,794	44.43%	10,850,486	49.16%
Chartered by Other States	2	N/A	<sup>1</sup> N/A	212,003	0.91%	125,901	0.57%
Federally Chartered	71	7,398,053	<sup>1</sup> 34.18%	12,663,360	54.66%	11,096,180	50.27%
<b>TOTAL</b>	<b>122</b>	<b>21,642,677</b>	<b>100.00%</b>	<b>23,168,157</b>	<b>100.00%</b>	<b>22,072,567</b>	<b>100.00%</b>
In-State Ownership	113	20,739,808	95.83%	15,395,684	66.45%	15,544,644	70.43%
Out-of-State Ownership	9	902,869	<sup>1,2</sup> 4.17%	7,772,473	33.55%	6,527,923	29.57%
<b>TOTAL</b>	<b>122</b>	<b>21,642,677</b>	<b>100.00%</b>	<b>23,168,157</b>	<b>100.00%</b>	<b>22,072,567</b>	<b>100.00%</b>

<sup>1</sup> Maine assets are unavailable for the following multi-state banks and credit unions:

Bank of America, N.A.	Ocean Bank
First Tennessee Bank, National Association	TD Banknorth, National Association
KeyBank, National Association	Navy Federal Credit Union
	Northeast Credit Union

<sup>2</sup> Out of State Ownership:

	Assets	Deposits	Loans
Bank of America, N.A.	N/A	1,423,903	1,030,176
First Tennessee Bank, National Association	N/A	3,475	Not provided.
KeyBank, National Association	N/A	2,594,802	1,290,129
Maine Bank & Trust	377,174	306,189	293,881
Merrill Merchants Bank	525,695	359,983	360,532
Ocean Bank	N/A	201,315	115,827
TD Banknorth, National Association	N/A	2,842,218	3,327,804
Navy Federal Credit Union	N/A	29,900	99,500
Northeast Credit Union	N/A	10,688	10,074
<b>TOTAL:</b>	<b>902,869</b>	<b>7,772,473</b>	<b>6,527,923</b>

**ASSETS/DEPOSITS/SHARES, AND LOANS BY FACILITY TYPE  
(IN THOUSANDS)**

	06/30/03	06/30/04	06/30/05	06/30/06	06/30/07
<b>Commercial Banks Chartered by the State of Maine</b>					
Number of Institutions	10	10	11	11	10
Number of Offices	83	82	94	93	93
Assets	2,303,686	2,610,874	3,336,620	3,659,000	3,698,233
Deposits	1,697,078	1,845,199	2,363,406	2,607,078	2,597,012
Loans	1,564,522	1,778,851	2,454,152	2,650,729	2,640,283
<b>Commercial Banks Chartered by Other States</b>					
Number of Institutions					1
Number of Offices					7
Assets		<i>Information not available.</i>			N/A
Deposits		<i>Information not available.</i>			201,315
Loans		<i>Information not available.</i>			115,827
<b>National Banks</b>					
Number of Institutions	7	7	6	7	6
Number of Offices	199	198	202	199	207
Assets	1,603,100	1,778,091	2,025,228	2,283,783	2,874,213
Deposits	7,837,742	8,462,889	8,625,754	8,921,400	8,857,274
Loans	6,835,230	7,311,140	7,741,273	7,517,154	7,715,431
<b>State Chartered Savings Banks</b>					
Number of Institutions	15	15	15	15	14
Number of Offices	164	168	177	178	170
Assets	7,189,190	7,851,486	8,374,049	9,112,567	9,109,810
Deposits	5,302,765	5,678,939	6,141,686	6,595,416	6,622,160
Loans	5,268,506	5,895,263	6,326,358	7,148,026	7,271,436
<b>Federal Savings Banks</b>					
Number of Institutions	2	2	1	1	2
Number of Offices	31	32	21	21	30
Assets	1,102,267	1,194,426	699,776	751,574	1,038,867
Deposits	765,155	847,584	514,003	594,530	849,142
Loans	921,362	982,150	572,988	572,571	760,616
<b>State Chartered Savings &amp; Loan Associations</b>					
Number of Institutions	3	3	3	3	2
Number of Offices	3	3	4	5	3
Assets	148,090	153,515	160,612	165,092	98,495
Deposits	110,428	112,302	117,200	114,745	71,244
Loans	114,609	129,987	137,108	143,928	86,915
<b>Federal Savings &amp; Loan Associations</b>					
Number of Institutions	4	4	4	4	3
Number of Offices	8	8	9	9	7
Assets	269,949	291,554	306,466	316,746	271,492
Deposits	211,965	223,857	230,012	231,630	204,916
Loans	212,098	231,426	259,367	285,736	240,284
<b>State Chartered Credit Unions</b>					
Number of Institutions	15	14	12	12	13
Number of Offices	32	31	32	34	44
Assets	912,826	956,141	1,007,522	1,042,126	1,197,684

**ASSETS/DEPOSITS/SHARES, AND LOANS BY FACILITY TYPE  
(IN THOUSANDS)**

	06/30/03	06/30/04	06/30/05	06/30/06	06/30/07
Shares	782,689	806,457	847,813	874,877	1,002,378
Loans	629,438	686,535	728,196	747,784	851,852
<b>Credit Unions Chartered by Other States</b>					
Number of Institutions				1	1
Number of Offices				1	1
Assets	<i>Information not available.</i>			N/A	N/A
Shares	<i>Information not available.</i>			9,623	10,688
Loans	<i>Information not available.</i>			10,267	10,074
<b>Federal Credit Unions</b>					
Number of Institutions	63	64	63	62	59
Number of Offices	122	131	124	135	135
Assets	2,687,355	2,840,541	2,967,293	3,077,238	3,203,968
Shares	2,333,734	2,430,151	2,526,081	2,645,217	2,752,028
Loans	1,825,396	2,024,802	2,168,932	2,366,452	2,379,849
<b>State Chartered Merchant Banks</b>					
Number of Institutions	1	1	1	1	1
Assets	39,944	40,397	42,334	45,098	46,313
Deposits	N/A	N/A	N/A	N/A	N/A
Loans	21,381	21,269	21,000	22,585	0
<b>State Chartered Nondepository Trust Companies</b>					
Number of Institutions	7	8	9	9	9
Assets	10,521	50,748	54,231	42,891	94,089
Deposits	N/A	N/A	N/A	N/A	N/A
Loans	N/A	N/A	N/A	N/A	N/A
<b>Federal Nondepository Trust Companies</b>					
Number of Institutions				1	1
Assets	<i>Information not available.</i>			8,560	9,513
Deposits	<i>Information not available.</i>			N/A	N/A
Loans	<i>Information not available.</i>			N/A	N/A
<b>State Totals</b>					
Number of Institutions	127	128	125	127	122
Number of Offices	642	653	663	675	697
Assets	16,266,928	17,767,773	18,974,131	20,504,675	21,642,677
Shares & Deposits	19,041,556	20,407,378	21,365,955	22,594,516	23,168,157
Loans	17,392,542	19,061,423	20,409,374	21,465,232	22,072,567

**Note:** Maine deposits, shares, and loans for the following banks and credit unions operating in a multi-state environment are included in this exhibit; however, Maine assets are not available:

Bank of America, National Association	Charlotte, North Carolina
First Tennessee Bank, National Association, doing business as First Horizon	Memphis, Tennessee
KeyBank National Association	Cleveland, Ohio
Navy Federal Credit Union	
Northeast Credit Union	Portsmouth, New Hampshire
Ocean Bank	Portsmouth, New Hampshire
TD Banknorth, National Association	Portland, Maine

**Note:** "Number of Offices" includes main and branch offices that grant loans and accept deposits/shares

**STATE CHARTERED  
COMMERCIAL BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Joseph Murphy, CEO <b>BAR HARBOR BANKING AND TRUST COMPANY</b> 82 Main St. Bar Harbor, ME 04609	835,201	518,166	551,801
Earle Harvey, President <b>BORDER TRUST COMPANY</b> 227 Water St. Augusta, ME 04330	86,741	76,017	65,493
Thomas Finn, Jr., President <b>DAMARISCOTTA BANK &amp; TRUST</b> 25 Main St. Damariscotta, ME 04543	140,506	121,008	106,154
Jon Prescott, President <b>KATAHDIN TRUST COMPANY</b> 11 Main St. Patten, ME 04765	414,064	313,951	309,611
Samuel Ladd, III, President <b>MAINE BANK &amp; TRUST COMPANY</b> 467 Congress St., PO Box 619 Portland, ME 04104	377,174	306,189	293,881
William Lucy, President <b>MERRILL MERCHANTS BANK</b> 201 Main St., PO Box 925 Bangor, ME 04402-0925	525,695	359,983	360,532
James Delamater, President <b>NORTHEAST BANK</b> 500 Canal Street Lewiston, ME 04240-6594	553,956	366,242	425,571
George Giovannis, President <b>PEPPERELL BANK &amp; TRUST</b> <sup>13</sup> 163 Main St. Biddeford, ME 04005	99,699	87,448	61,617
Noel Graydon, President <b>RIVERGREEN BANK</b> 36 Portland Rd. Kennebunk, ME 04043	110,621	98,867	87,706
Peter Blyberg, President <b>UNION TRUST COMPANY</b> 66 Main St., PO Box 479 Ellsworth, ME 04605	554,576	349,141	377,917
<b>TOTAL: 10</b>	<b>3,698,233</b>	<b>2,597,012</b>	<b>2,640,283</b>

<sup>13</sup> Acquired by Bangor Savings Bank effective August 1, 2007.

**STATE CHARTERED  
COMMERCIAL BANKS  
CHARTERED BY OTHER STATES**

		06/30/07 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Danny O'Brien, President <b>OCEAN BANK</b> 325 State St. Portsmouth, NH 03801 7 Maine branches	N/A	201,315	115,827
<b>TOTAL: 1</b>	<u>N/A</u>	<u>201,315</u>	<u>115,827</u>

*Note: Maine deposits and loans for Ocean Bank, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**STATE CHARTERED  
LIMITED PURPOSE BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Daniel Hurley, III, President <b>BAR HARBOR TRUST SERVICES</b> 135 High St., PO Box 1100 Ellsworth, ME 04605	1,344	N/A	N/A
G. West Saltonstall, President <b>EATON VANCE TRUST COMPANY</b> 255 State Street Boston, MA 02109	2,505	N/A	N/A
John Keffer, President <b>FORUM TRUST, LLC</b> Two Portland Sq., PO Box 446 Portland, ME 04112	78,559	N/A	N/A
John Walker, President <b>H. M. PAYSON AND COMPANY</b> 1 Portland Sq., PO Box 31 Portland, ME 04101	3,590	N/A	N/A
Warren Eastman, President <b>INTERNATIONAL CLEARING TRUST COMPANY</b> 6940 Columbia Gateway Drive, Suite 200 Columbia, MD 21046	764	N/A	N/A
Joseph Yohlin, President <b>MAINE MERCHANT BANK</b> 977 Congress St., Suite 1100 Portland, ME 04101	46,313	0	0
Donald Groves, Conservator <b>QUADS TRUST COMPANY</b> <sup>14</sup> c/o Maine Bureau of Financial Institutions 36 State House Station Augusta, ME 04333-0036	867	N/A	N/A
John Higgins, CEO <b>RAM TRUST COMPANY</b> 45 Exchange St. Portland, ME 04101	622	N/A	N/A
William Dannecker, President <b>RSGROUP TRUST COMPANY</b> 317 Madison Ave. New York, NY 10017	5,168	N/A	N/A
Richard Curran, Jr., President <b>SPINNAKER TRUST</b> 5 Milk St., PO Box 7160 Portland, ME 04112-7160	670	N/A	N/A
<b>TOTAL: 10</b>	<b>140,402</b>	<b>0</b>	<b>0</b>

<sup>14</sup> See [Order of Conservatorship](#) issued by the Maine Bureau of Financial Institutions on January 31, 2007.

**STATE CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
Steven Closson, President <b>ANDROSCOGGIN SAVINGS BANK</b> 30 Lisbon St., PO Box 1407 Lewiston, ME 04240	564,757	390,284	455,295
James Conlon, CEO <b>BANGOR SAVINGS BANK</b> 99 Franklin St., PO Box 930 Bangor, ME 04402-0930	2,078,551	1,506,115	1,588,075
Glen Hutchinson, President <b>BATH SAVINGS INSTITUTION</b> 105 Front St., PO Box 548 Bath, ME 04530-0548	453,268	343,436	328,761
Wayne Sherman, President <b>BIDDEFORD SAVINGS BANK</b> 254 Main St., PO Box 525 Biddeford, ME 04005-0525	268,067	193,062	214,031
Peter Judkins, President <b>FRANKLIN SAVINGS BANK</b> 197 Main St., PO Box 825 Farmington, ME 04938-0825	299,828	221,033	256,526
Christopher Emmons, President <b>GORHAM SAVINGS BANK</b> 10 Wentworth Dr., PO Box 39 Gorham, ME 04038	739,223	476,871	541,070
Mark Johnston, President <b>KENNEBEC SAVINGS BANK</b> 150 State St., PO Box 50 Augusta, ME 04330	610,407	387,759	504,970
Kendall Reed, President <b>KENNEBUNK SAVINGS BANK</b> 104 Main St., P.O. Box 28 Kennebunk, ME 04043-0028	719,275	594,816	607,555
Edward Hennessey, Jr., President <b>MACHIAS SAVINGS BANK</b> 4 Center St., PO Box 318 Machias, ME 04654-0318	791,992	640,645	697,583
Rick Vail, President <b>MECHANICS' SAVINGS BANK</b> 100 Minot Ave., PO Box 400 Auburn, ME 04210	259,256	222,034	224,527

**STATE CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Robert Harmon, President <b>NORWAY SAVINGS BANK</b> 261 Main St., PO Box 347 Norway, ME 04268	835,076	645,431	694,332
Kevin Savage, President <b>SACO AND BIDDEFORD SAVINGS INSTITUTION</b> 252 Main St., PO Box 557 Saco, ME 04073	674,339	424,943	529,727
Mark Mickeriz, President <b>SANFORD INSTITUTION FOR SAVINGS</b> 900 Main St., PO Box 472 Sanford, ME 04073	415,046	292,839	340,963
John Witherspoon, President <b>SKOWHEGAN SAVINGS BANK</b> 13 Elm St., PO Box 250 Skowhegan, ME 04976	400,725	282,892	288,021
<b>TOTAL: 14</b>	9,109,810	6,622,160	7,271,436

**STATE CHARTERED  
SAVINGS AND LOAN ASSOCIATIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
William Weir, President <b>BAR HARBOR SAVINGS AND LOAN ASSOCIATION</b> 103 Main St. Bar Harbor, ME 04609	31,237	25,017	27,950
Harry Mank, Jr., President <b>ROCKLAND SAVINGS AND LOAN ASSOCIATION</b> 582 Main St., PO Box 585 Rockland, ME 04841	67,258	46,227	58,965
<b>TOTAL: 2</b>	98,495	71,244	86,915



**STATE CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Matthew Griffiths, CEO <b>COAST LINE CREDIT UNION</b> 333 Cottage Rd. South Portland, ME 04106	36,315	26,539	22,149
Donna Steckino, CEO <b>COMMUNITY CREDIT UNION</b> 144 Pine St., PO Box 7810 Lewiston, ME 04240	42,550	38,561	35,974
Eugene Ardito, CEO <b>cPORT CREDIT UNION</b> 50 Riverside Industrial Pkwy., PO Box 777 Portland, ME 04101-0777	98,794	87,409	63,918
David Tozier, CEO <b>DOWN EAST CU</b> 23 Third Ave., PO Box 130 Baileyville, ME 04694	56,231	38,124	46,874
H. Tucker Cole, CEO <b>EVERGREEN CREDIT UNION</b> 225 Riverside St. Portland, ME 04103	122,366	112,197	98,932
Richard Dupuis, CEO <b>FIVE COUNTY CREDIT UNION</b> 765 Washington St., PO Box 598 Bath, ME 04530-0598	140,142	123,834	111,275
Kerry Hayes, CEO <b>GREATER PORTLAND MUNICIPAL CREDIT UNION</b> <sup>15</sup> 799 Broadway South Portland, ME 04106-2738	67,448	59,230	49,026
Richard LaChance, CEO <b>MAINE EDUCATION CREDIT UNION</b> 23 University Dr., PO Box 1096 Augusta, ME 04330-1096	21,675	19,058	15,140

<sup>15</sup> Merged into Evergreen Credit Union effective August 1, 2007.

**STATE CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
Normand Dubreuil, CEO <b>MAINE STATE CREDIT UNION</b> 200 Capital St., PO Box 5659 Augusta, ME 04332-5659	236,793	200,326	144,805
Luke Labbe, CEO <b>PEOPLESCHOICE CREDIT UNION</b> 35 Bradbury St., PO Box 463 Biddeford, ME 04005	128,108	112,541	69,557
Charles Hinkley, CEO <b>SABATTUS REGIONAL CREDIT UNION</b> 2 Middle Rd., PO Box 250 Sabattus, ME 04280	29,897	27,202	15,392
Carrie Shaw, CEO <b>SACO VALLEY CREDIT UNION</b> 312 Main St., PO Box 740 Saco, ME 04072-0740	58,120	51,927	45,761
Matthew Walsh, CEO <b>UNIVERSITY CREDIT UNION</b> Rangeley Rd. University of ME Orono, ME 04469-5779	159,245	105,430	133,049
<b>TOTAL: 13</b>	<b>1,197,684</b>	<b>1,002,378</b>	<b>851,852</b>

**STATE CHARTERED  
CREDIT UNIONS  
CHARTERED BY OTHER STATES**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Peter Kavalauskas, CEO <b>NORTHEAST CREDIT UNION</b> 100 Borthwick Ave. Portsmouth, NH 03801 1 Maine branch	N/A	10,688	10,074
<b>TOTAL: 1</b>	<b>N/A</b>	<b>10,688</b>	<b>10,074</b>

*Note: Maine shares and loans for Northeast Credit Union, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**FEDERALLY CHARTERED  
NATIONAL BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
Elizabeth Greenstein, Regional CEO <b>BANK OF AMERICA, N.A.</b> 2 Portland Sq. Portland, ME 04101	N/A	1,423,903	1,030,176
Gregory Dufour, President <b>CAMDEN NATIONAL BANK</b> 2 Elm St., PO Box 310 Camden, ME 04843	1,745,001	1,141,460	1,190,102
Ken Glass, President <b>FIRST TENNESSEE BANK, NATIONAL ASSOCIATION</b> Doing business as First Horizon Bank 165 Madison Ave. Memphis, TN 38101 2 Maine branches	N/A	3,475	Not provided.
Katherine Underwood, District President <b>KEYBANK, NATIONAL ASSOCIATION</b> One Monument Sq., PO Box 678 Portland, ME 04112	N/A	2,594,802	1,290,129
Larry Wold, President <b>TD BANKNORTH, NATIONAL ASSOCIATION</b> One Portland Sq., PO Box 9540 Portland, ME 04112	N/A	2,842,218	3,327,804
Daniel Daigneault, President <b>THE FIRST, N.A.</b> 223 Main St., PO Box 940 Damariscotta, ME 04543	1,129,212	851,416	877,220
<b>TOTAL: 6</b>	<b>2,874,213</b>	<b>8,857,274</b>	<b>7,715,431</b>

*Note: Maine deposits and loans for the following banks authorized to do business in a multi-state environment are included in this exhibit; however, Maine assets are not available:*

*Bank of America, N.A.*

*First Tennessee Bank, National Association*

*KeyBank, National Association*

*TD Banknorth, National Association*

**FEDERALLY CHARTERED  
NONDEPOSITORY TRUST COMPANIES  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/07 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Lawrence Blaisdell, Chief Operating Officer <b>ACADIA TRUST, NATIONAL ASSOCIATION</b> 511 Congress St. Portland, ME 04101	9,513	N/A	N/A
<b>TOTAL: 1</b>	<b>9,513</b>	<b>N/A</b>	<b>N/A</b>

**FEDERALLY CHARTERED  
SAVINGS BANKS  
AUTHORIZED TO DO BUSINESS IN MAINE**

		06/30/07 \$ in (000's)	
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Allen Sterling, President <b>AUBURN SAVINGS BANKS, FSB</b> 256 Court St., PO Box 3157 Auburn, ME 04210	62,423	44,957	53,105
Arthur Markos, President <b>GARDINER SAVINGS INSTITUTION, FSB<sup>16</sup></b> 190 Water St., PO Box 190 Gardiner, ME 04345-0190	976,444	804,185	707,511
<b>TOTAL: 2</b>	<b>1,038,867</b>	<b>849,142</b>	<b>760,616</b>

<sup>16</sup> Changed name to Savings Bank of Maine effective September 20, 2007.

**FEDERALLY CHARTERED  
SAVINGS AND LOAN ASSOCIATIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
John Swanberg, President <b>AROOSTOOK COUNTY FEDERAL SAVINGS AND LOAN ASSOCIATION</b> 43 High St., PO Box 808 Caribou, ME 04736-0808	87,517	78,477	75,827
Andrew Perry, President <b>FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF BATH</b> 125 Front St., PO Box 488 Bath, ME 04530	104,612	79,797	95,316
Allen Rancourt, President <b>KENNEBEC FEDERAL SAVINGS AND LOAN ASSOCIATION</b> 70 Main St., PO Box 488 Waterville, ME 04903-0497	79,363	46,642	69,141
<b>TOTAL: 3</b>	271,492	204,916	240,284

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Deposits</u>	<u>Loans</u>
David Desjardins, CEO <b>ACADIA FEDERAL CU</b> 9 East Main St. Fort Kent, ME 04743-1398	75,805	63,201	50,083
Judith Griffin, CEO <b>ALLIANCE OF MAINE FEDERAL CU</b> 44 Edison Dr., PO Box 1056 Augusta, ME 04332-1056	30,499	24,305	13,564
Steve Obrin, CEO <b>ATLANTIC REGIONAL FEDERAL CU</b> 55 Cushing St., PO Box 188 Brunswick, ME 04011-0188	214,108	181,697	148,237
Stephen Clark, CEO <b>BANGOR FEDERAL CU</b> 339 Hogan Rd., PO Box 1161 Bangor, ME 04401-1161	80,498	73,259	66,673
Darla King, CEO <b>BANGOR HYDRO FEDERAL CU</b> 193 Broad St. STE 3 Bangor, ME 04401-6323	15,791	13,726	13,096
Cynthia Burke, CEO <b>BLUE CROSS AND BLUE SHIELD OF ME FEDERAL CU</b> 2 Gannett Dr. South Portland, ME 04106-6911	6,221	5,006	3,809
Daniel Daggett, CEO <b>BOWDOINHAM FEDERAL CU</b> <sup>17</sup> 20 Main St., PO Box 73 Bowdoinham, ME 04008-0073	19,957	18,358	17,469
Richard Kaul, CEO <b>BREWER FEDERAL CU</b> 77 N. Main St., PO Box 189 Brewer, ME 04412-0189	39,005	35,624	29,169
Diana Winkley, CEO <b>CAPITAL AREA FEDERAL CU</b> 10 North Belfast Ave., PO Box 2626 Augusta, ME 04438	14,873	13,177	9,948
James Stone, CEO <b>CASCO FEDERAL CU</b> 375 Main St., PO Box 87 Gorham, ME 04038-0087	34,610	31,102	22,068

<sup>17</sup> Merged with Down East Credit Union effective July 31, 2007

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Vicki Stuart, CEO <b>CENTRAL MAINE FEDERAL CU</b> 1000 Lisbon St., PO Box 1746 Lewiston, ME 04241-1746	72,349	62,543	38,491
Scott Harriman, CEO <b>CUMBERLAND COUNTY FEDERAL CU</b> 101 Gray Rd. Falmouth, ME 04105-2514	88,349	75,190	60,700
Ralph Ferland, CEO <b>EASTERN MAINE MEDICAL CENTER FEDERAL CU</b> 489 State St. Bangor, ME 04401-6616	33,178	29,643	22,089
Daniel Byron, CEO <b>EASTMILL FEDERAL CU</b> 60 Main St. East Millinocket, ME 04430-1128	53,771	44,446	15,952
Cass Hirschfelt, CEO <b>FRANKLIN SOMERSET FEDERAL CU</b> 485 Wilton Rd., PO Box 5061 Farmington, ME 04938-9600	50,345	44,594	31,622
Philip Bergeron, CEO <b>GARDINER FEDERAL CU</b> 8 Brunswick Rd. RR 5 Box 105 Gardiner, ME 04345-9006	17,241	15,860	13,860
Nancy Bard, CEO <b>GREAT FALLS REGIONAL FCU</b> 34 Bates St. Lewiston, ME 04240	21,941	17,891	11,454
Peter Prinz, CEO <b>HANNAFORD ASSOCIATES FEDERAL CU</b> 145 Pleasant Hill Rd., PO Box 1440 Scarborough, ME 04104-5034	30,284	24,833	21,560
Deborah Pomeroy, CEO <b>HEALTHFIRST FEDERAL CU</b> 9 Quarry Rd. Waterville, ME 04901	12,334	11,456	10,716
Kathleen Smith, CEO <b>HOULTON FEDERAL CU</b> 13 Market Sq. Houlton, ME 04730-1775	12,749	10,494	8,253

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Gary Bragdon, CEO <b>HOWLAND ENFIELD FEDERAL CU</b> 4 Coffin St., PO Box 405 Howland, ME 04448-0405	9,291	8,328	7,068
Kenneth Williams, CEO <b>INFINITY FEDERAL CU</b> 202 Larrabee Rd., PO Box 9742 Westbrook, ME 04104-5060	174,928	107,694	130,092
Beverly Beaucage, CEO <b>KV FEDERAL CU</b> 316 Northern Ave., PO Box 2108 Augusta, ME 04338	48,180	43,318	30,465
Donald Casco, CEO <b>KATAHDIN FEDERAL CU</b> 1000 Central St. Millinocket, ME 04462-2193	69,176	57,569	45,098
Deseree Gilman, CEO <b>KSW FEDERAL CU</b> 222 College Ave. Waterville, ME 04901	29,089	25,875	21,615
Kerry Hayes, CEO <b>LEWISTON MUNICIPAL FEDERAL CU</b> 291 Pine St., PO Box 60 Lewiston, ME 04243-0060	13,565	11,710	9,973
David Brilliant, CEO <b>LINCOLN MAINE FEDERAL CU</b> 171 W. Broadway, PO Box 220 Lincoln, ME 04457-0220	27,903	25,293	22,831
George Roy, CEO <b>LISBON COMMUNITY FEDERAL CU</b> 325 Lisbon Rd., O Box 878 Lisbon, ME 04240-0878	63,096	55,208	44,166
Ronald Fournier, CEO <b>MAINE FAMILY FEDERAL CU</b> 555 Sabattus St. Lewiston, ME 04240-4195	92,694	82,578	65,957
Rhonda Taylor, CEO <b>MAINE HIGHLANDS FEDERAL CU</b> 73 Main St., PO Box 233 Dexter, ME 04930-0233	57,324	50,878	43,753



**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Jennifer Hartel, CEO <b>MAINE MEDIA FEDERAL CU</b> 390 Congress St., PO Box 7702 Portland, ME 04112-7702	4,519	3,359	3,710
John Reed, CEO <b>MAINE SAVINGS FEDERAL CU</b> 1101 Western Ave., PO Box 347 Hampden, ME 04444-0347	177,354	150,626	141,269
Gail Richardson, CEO <b>MIDCOAST FEDERAL CU</b> 831 Middle St., PO Box 780 Bath, ME 04530-0780	101,091	88,791	71,953
Marguerite Gagne, CEO <b>MONMOUTH FEDERAL CU</b> 1176 Main St., PO Box 150 Monmouth, ME 04259-0150	8,682	7,905	5,886
Culter Dawson, CEO <b>NAVY FEDERAL CU</b> PO Box 3000 Merrifield, VA 22119 1 Maine branch	N/A	29,900	99,500
Ryan Poulin, CEO <b>NEW DIMENSIONS FEDERAL CU</b> 61 Grove St. Waterville, ME 04901-5826	43,429	39,223	25,803
Shelly Page, CEO <b>NEW ENGLAND UNITED METHODIST FEDERAL CU</b> PO Box 245 Westbrook, ME 04098	3,862	3,485	1,930
David Rossignol, CEO <b>NORSTATE FEDERAL CU</b> 78 Fox St. Madawaska, ME 04756	109,178	91,378	88,737
Joseph Chapin, CEO <b>OCEAN COMMUNITIES FEDERAL CU</b> 1 Pool St., PO Box 1961 Biddeford, ME 04005-1961	122,929	106,827	99,569

*Note: Maine shares and loans for Navy Federal Credit Union, which operates in a multi-state environment, are included in this exhibit; however, Maine assets are not available.*

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	06/30/07 \$ in (000's)		
	<u>Assets</u>	<u>Deposits</u>	<u>Loans</u>
Roland Poirier, CEO <b>OTIS FEDERAL CU</b> 170 Main St., PO Box 27 Jay, ME 04329-0027	94,253	76,069	66,669
Matthew Kaubris, CEO <b>OXFORD FEDERAL CU</b> 225 River Rd., PO Box 252 Mexico, ME 04257-0252	115,840	101,430	92,058
Steve Baillargeon, CEO <b>PENOBSCOT COUNTY FEDERAL CU</b> 191 Main St., PO Box 434 Old Town, ME 04468-0434	36,151	32,144	28,010
Hosea Carpenter, CEO <b>PORTLAND MAINE POLICE DEPARTMENT FEDERAL CU</b> 109 Middle St. Portland, ME 04101	7,287	6,757	6,585
Robert Hill, CEO <b>PORTLAND ME TRANSIT FEDERAL CU</b> 2 Frank Savage Rd. Hollis, ME 04042	358	308	267
Lillian Turner, CEO <b>R.C.H. FEDERAL CU</b> 420 Franklin St. Rumford, ME 04276	384	282	149
Philippe Moreau, CEO <b>RAINBOW FEDERAL CU</b> 391 Main St., PO Box 741 Lewiston, ME 04243-0741	132,773	109,503	73,399
Catherina Blais, CEO <b>RIVERVIEW FEDERAL CU</b> 15 Depot Sq. Gardiner, ME 04345-2117	5,658	5,002	3,370
Kyle Casburn, CEO <b>SEABOARD FEDERAL CU</b> 177 Main St., PO Box G Bucksport, ME 04416-1207	82,702	73,093	60,358
James Lemieux, CEO <b>SEBASTICOOK VALLEY FEDERAL CU</b> 14 Sebecook St., PO Box 10 Pittsfield, ME 04967-0010	48,378	38,635	39,991

**FEDERALLY CHARTERED  
CREDIT UNIONS  
AUTHORIZED TO DO BUSINESS IN MAINE**

	<u>Assets</u>	06/30/07 \$ in (000's) <u>Shares &amp; Deposits</u>	<u>Loans</u>
Diana Garcia, CEO <b>SEMICONDUCTOR OF ME FEDERAL CU</b> 333 Western Ave. South Portland, ME 04106-0022	10,513	8,952	6,956
Susan Thurlow, CEO <b>SHAW'S EMPLOYEES FEDERAL CU</b> 205 Spencer Dr. Wells, ME 04090-5553	7,487	5,678	4,170
MaryAnn Chamberlain, CEO <b>ST. AGATHA FEDERAL CU</b> 315 Mason St., PO Box 130 Saint Agatha, ME 04772-0130	14,056	12,597	7,519
Sidney Wilder, CEO <b>TACONNET FEDERAL CU</b> 60 Benton Ave. Winslow, ME 04901-6798	30,938	28,169	24,827
Kenneth Hensler, CEO <b>THE COUNTY FEDERAL CU</b> 82 Bennett Dr., PO Box 939 Caribou, ME 04736-1944	97,396	86,219	70,889
Chris Daudelin, CEO <b>TOWN &amp; COUNTRY FEDERAL CU</b> 557 Main St., PO Box 9420 South Portland, ME 04106-9420	157,876	136,166	105,911
Kenneth Acker, CEO <b>TRUCHOICE FEDERAL CU</b> 272 Park Ave., PO Box 10659 Portland, ME 04104-6059	63,768	55,792	49,225
Cathy Bond, CEO <b>WINSLOW COMMUNITY FEDERAL CU</b> 12 Monument St., PO Box 8117 Winslow, ME 04901	21,554	19,261	12,999
Jeffrey Seguin, CEO <b>WINTHROP AREA FEDERAL CU</b> 22 Highland Ave., PO Box 55 Winthrop, ME 04364	43,403	38,512	31,927
James Nelson, CEO <b>YORK COUNTY FEDERAL CU</b> 1516 Main St. Sanford, ME 04073-3530	152,995	131,109	126,382
<b>TOTAL: 59</b>	<u><u>3,203,968</u></u>	<u><u>2,752,028</u></u>	<u><u>2,379,849</u></u>

**DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION  
MAINE BUREAU OF FINANCIAL INSTITUTIONS**

Lloyd P. LaFountain III, Superintendent

[Lloyd.P.LaFountain.III@Maine.gov](mailto:Lloyd.P.LaFountain.III@Maine.gov)

624-8575

**MISSION**

The mission of the Bureau of Financial Institutions is to assure the strength, stability and efficiency of all Maine-chartered financial institutions, and to assure their reasonable and orderly competition, thereby encouraging the development and expansion of those financial services advantageous to the public welfare.

<b>EMPLOYEE</b>	<b>POSITION</b>	<b>PHONE</b>	<b>EMAIL ADDRESS</b>
<u>Examination/Supervision Division</u>			
Donald W. Groves	Deputy Superintendent	624-8577	Donald.W.Groves@Maine.gov
Bruce G. Doyle	Principal Examiner	624-8589	Bruce.G.Doyle@Maine.gov
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Shelley K. Foster	Office Specialist I	624-8571	Shelley.K.Foster@Maine.gov
<u>Research/Administration Division:</u>			
John A. Barr	Deputy Superintendent	624-8561	John.A.Barr@Maine.gov
Christine D. Pearson	Principal Examiner	624-8576	Christine.D.Pearson@Maine.gov
Robert B. Studley	Principal Examiner	624-8573	Robert.B.Studley@Maine.gov
Christian D. Van Dyck	Attorney	624-8574	Christian.D.Van.Dyck@Maine.gov
Ann P. Beane	Consumer Outreach	624-8581	Ann.P.Beane@Maine.gov
Christine L. Solomon	Secretary Associate	624-8572	Christine.L.Solomon@Maine.gov
Anne Turgeon	Office Associate II	624-8648	Anne.Turgeon@Maine.gov
Assistant Attorney General:			
Jim Bowie		626-8800	Jim.Bowie@Maine.gov

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In March 1994, the Bureau established the Financial Institutions Advisory Committee. The role of that Committee, which meets semiannually, is to review the financial issues relating to the Bureau's operation. Over the past thirteen years, the Bureau has benefited from the discussions and guidance of this advisory group. In 2007, the following were members of the Bureau of Financial Institutions Advisory Committee. Special thanks for the dedication and interest of these individuals serving in this advisory capacity to the Bureau.

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Thomas Finn, Jr., President, Damariscotta Bank & Trust Company  
Mark L. Johnston, President, Kennebec Savings Bank  
John Murphy, President, Maine Credit Union League  
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