

PUBLIC DISCLOSURE
June 8, 1998
COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commerce Bank Corporation
05240545
P. O. Box 898
College Park, Maryland 20740

Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Commerce Bank Corporation, College Park, Maryland, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of June 8, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity and the demand for credit in the area. A majority of loans sampled during the examination were provided to businesses within the assessment area, and many of these loans were extended to businesses with revenues less than \$1 million. Additionally, the geographic distribution of loans is considered appropriate given the bank's resources, branch locations, and demographics of its local community.

DESCRIPTION OF INSTITUTION

Commerce Bank Corporation is based in College Park, Maryland, and operates three branches located in College Park, Lanham, and Hyattsville. The bank is a subsidiary of the Main Street Bank Group, Inc., a multibank holding company located in Martinsville, Virginia. As of March 31, 1998, the bank had \$103 million in assets, of which 43% were loans. Various credit products are available through the institution including commercial, residential real estate, consumer, and agricultural loans. The loan portfolio as of March 31, 1998, was comprised of 49% real estate secured (primarily commercial), 42% commercial, 8% consumer loans, and 1% other. Management has targeted small business lending as its primary market. A review of loans extended during the previous twelve months revealed that commercial loans accounted for a majority of the bank's lending activity. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes all of Prince George's County, Maryland, which is located within the Washington, D. C. Metropolitan Statistical Area (MSA). According to 1990 census data, the assessment area has a population of 729,268 and consists of 172 census tracts. Of these geographies, four are low-income, 60 are moderate-income, 94 are middle-income and 14 are upper-income. The 1997 median family income for the MSA is \$70,300.

The following table provides demographics for the assessment area by the percentage of the population living in census tracts of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Population Residing in Census Tracts by Income Level	1%	37%	53%	9%	100%

The largest employer in the region is the Federal Government with a substantial number of local residents commuting to Washington, D. C. for jobs. Additionally, the University of Maryland at College Park is a major employer in the area. Numerous small and mid-sized Government contractors, as well as tourist industries, also operate in the county. As of April 1998, the unemployment rate for the assessment area was 3.9% and is consistent with the state's jobless rate of 4.1%.

A local government official was contacted recently to further assist in evaluating the bank's CRA performance. The contact indicated that area banks are sufficiently meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit ratio for banks headquartered in metropolitan areas of Maryland and of similar asset size to Commerce Bank Corporation ranged from 74% to 76% for a six-quarter period ending March 31, 1998. The bank's loan-to-deposit ratio for the previous six quarters is 74% and is considered reasonable given the institution's financial capacity, size, and location. Current economic conditions suggest steady area growth and demand for credit.

LENDING IN ASSESSMENT AREA

A sample of 81 commercial loans was reviewed to determine the volume of the institution's lending within the assessment area. The sample was selected from 135 commercial loans extended during the previous 12 months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	59	22	81
Percentage of Total Loans	73%	27%	100%
Total Amount of Loans (000's)	\$10,374	\$2,452	\$12,826
Percentage of Total Amount	81%	19%	100%

A majority of the number and dollar amounts of the sampled loans were provided to businesses based within the assessment area. The institution's level of lending within the assessment area demonstrates responsiveness to community credit needs.

LENDING TO BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the 59 commercial loans extended within the assessment area by the size of the business.

Distribution of Loans by Size of Business

	Revenues \leq \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	37	22	59
Percentage of Total Loans	63%	37%	100%
Total Amount of Loans (000's)	\$3,834	\$6,540	\$10,374
Percentage of Total Loans	37%	63%	100%

As illustrated above, a majority of the commercial loans (63%) have been provided to businesses with gross annual revenues of \$1 million or less. These findings demonstrate the bank's responsiveness to area small business credit needs.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various census tracts within the assessment area. The following chart shows the distribution of the sampled loans according to income level of the census tract.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	16	33	9	59
Percentage of Total Loans	2%	27%	56%	15%	100%
Total Amount of Loans (000's)	\$240	\$3,247	\$5,302	\$1,585	\$10,374
Percentage of Total Loans Amount	3%	31%	51%	15%	100%

As indicated by the table above, Commerce Bank Corporation extended 29% of its commercial loans to businesses located in low- and moderate-income geographies. This compares favorably with aggregate loan data reported for 1996 in the assessment area. The 1996 data for small business lending in Prince George's County by all institutions subject to reporting indicated that 25% of such loans were extended to businesses located in low- and moderate-income geographies. Reporting institutions are those with total assets greater than or equal to \$250 million or institutions with assets less than \$250 million and an affiliate of a holding company with assets greater than or equal to \$1 million.

Given the demographics of the assessment area and the bank's commercial lending when compared to aggregate commercial lending, the geographic distribution of loans is considered reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.