

PUBLIC DISCLOSURE

June 2, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commercial and Farmers Bank

05240760

P.O. Box 537

Ellicott City, Maryland 21041

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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

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 Commercial and Farmers Bank, Ellicott City, Maryland, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of June 2, 1997. 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 appears reasonable in relation to demand for credit in the assessment area. A majority of loans sampled during the examination were extended to borrowers or businesses within the assessment area. The institution's lending to low- and moderate-income borrowers and businesses with revenues under \$1 million exceeds standards for satisfactory performance. Furthermore, the geographic distribution of loans inside the assessment area appears reasonable given the institution's size, branch locations, and demographics of the area.

The following table indicates the performance level of Commercial and Farmers Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Commercial and Farmers Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

Commercial and Farmers Bank operates six offices located throughout Howard and Baltimore Counties, Maryland. As of March 31, 1997, the institution had total assets of \$128 million, of which 68% were loans. Management has focused its lending efforts primarily on meeting the credit needs of local businesses. However, a variety of credit and deposit products is offered including loans for construction, residential mortgage, commercial, and consumer purposes. The bank is also active in commercial leasing. Since December 1995, the volume of commercial leases has grown by more than 35%. The loan portfolio as of March 31, 1997, was comprised of the following: 72% real estate secured (consumer and business), 24% commercial (5% loans and 19% leases), and 4% consumer. Based on the number of loans recently extended, commercial and unsecured consumer loans were identified as the bank's primary loan products. The previous CRA rating for Commercial and Farmers Bank was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area encompasses all of Howard County, Maryland and the following census tracts within Baltimore County, Maryland:

4001.00 to 4002.00	4014.00
4004.01	4015.01
4005.00 to 4006.00	4015.03 to 4015.05
4007.01 to 4007.02	4016.01 to 4016.02
4008.00 to 4010.00	4024.01
4011.01 to 4011.02	4024.05
4012.00	4301.01 to 4301.02
4013.01 to 4013.02	4302.00 to 4309.00

The assessment area consists of 64 census tracts, of which 63 are populated. Of the populated geographies, one is low-income, three are moderate-income, 30 are middle-income, and 29 are upper-income. The assessment area is included within the Baltimore-Washington, D. C. Metropolitan Statistical Area (MSA) and has a population of 297,284 residents according to 1990 census data. The 1996 median family income for the MSA was \$52,400.

The following table provides assessment area demographics by the income level of families and the percentage of local residents living in tracts of varying incomes.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	10%	13%	23%	54%	100%
Percentage of Population Residing in Census Tracts by Income Level	<1%	5%	36%	58%	100%

As illustrated by the chart, a majority of families within the market (77%) are middle- and upper-income, and 94% of the population resides in middle- and upper-income census tracts.

The local economy is well diversified with Federal and State Governments, retail/wholesale trade, telecommunications and biotechnology companies, light and heavy manufacturing, and tourism providing local employment opportunities. Approximately 31% of the labor force commutes to jobs in the Baltimore area and an additional third to Washington, D. C. This area is becoming a major employment center in the region largely due to the central location and access to two interstates and six major highways. As of April 1997, the unemployment rates for Howard and Baltimore Counties were 2.6% and 4.8%, respectively. The jobless rate for Maryland is 4.4%.

A community contact was also performed with a local economic development organization to further assist in evaluating the bank's CRA performance. According to the contact, the local business community is thriving; however, additional space for residential real estate is a concern.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters is 73% and is considered reasonable given the institution's size, location, financial capacity, and current local economic conditions. The bank's level of lending is considered responsive to the area's loan demand. The average loan-to-deposit ratio for banks headquartered in metropolitan areas of Maryland of similar asset size to the Commercial and Farmers Bank ranged from 72% to 75%.

LENDING IN ASSESSMENT AREA

Comparison of Credit Extended Inside and Outside of Assessment Area

To determine the institution's volume of lending within the assessment area, a sample of 145 recently extended loans was reviewed. The sample included 100 unsecured consumer loans and 45 business loans.

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	108	37	145
Percentage of Total Loans	74%	26%	100%
Total Amount of Loans (000's)	\$3,238	\$1,299	\$4,537
Percentage of Total Amount	71%	29%	100%

As illustrated in the table above, a majority of the number and dollar amounts of credit extensions have been provided to borrowers and businesses of the assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following two charts illustrate the distribution of the sampled business and consumer loans extended within the assessment area to businesses of different sizes and to borrowers of different incomes.

Distribution of Loans by Size of Business

	Revenues \leq \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	21	10	31
Percentage of Total Loans	68%	32%	100%
Total Amount of Loans (000s)	\$1,455	\$1,355	\$2,810
Percentage of Total Amount	52%	48%	100%

The percentage of the number and dollar amount of loans provided to businesses with gross revenues of \$1 million or less demonstrates the bank's responsiveness to small business credit needs.

Distribution of Loans by Income Level of Borrower

Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	23	18	17	19	77
Percentage of Total Loans	30%	23%	22%	25%	100%
Total Amount of Loans (000's)	\$83	\$111	\$89	\$144	\$427
Percentage of Total Loans	19%	26%	21%	34%	100%

As evidenced above, the review of sampled consumer unsecured loans suggests that the bank has been successful in lending to borrowers of all income levels. The portion of these loans extended to low- and moderate-income applicants (53%) substantially exceeds the 23% of families within the assessment area considered low- and moderate-income. Middle- and upper-income families comprise 23% and 54% of the local community, respectively.

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 charts depicts loan penetration throughout the local community.

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

Business Loans

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	0	6	25	31
Percentage of Total Loans	0%	0%	19%	81%	100%
Total Amount of Loans (000's)	\$0	\$0	\$534	\$2,277	\$2,811
Percentage of Total Loans	0%	0%	19%	81%	100

Consumer Unsecured Loans

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	0	22	55	77
Percentage of Total Loans	0%	0%	29%	71%	100%
Total Amount of Loans (000's)	\$0	\$0	\$111	\$316	\$427
Percentage of Total Loans	0%	0%	26%	74%	100%

The geographic distribution of lending of both loan types is considered reasonable given the local population residing in geographies of various income levels. Although none of the sampled loans were extended within low- or moderate-income census tracts, only four of the 63 tracts in the assessment area are considered low- and moderate-income. Furthermore, as previously mentioned, less than 6% of the population of the assessment area reside in low- and moderate-income tracts.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

The bank is in compliance with the substantive provisions of the fair housing and lending laws and regulations. Violations were identified involving the technical aspects of the Home Mortgage Disclosure Act's Regulation C. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.