

PUBLIC DISCLOSURE

June 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Elkridge Bank

05240735

6810 Deerpath Road

Elkridge, Maryland

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

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 Community Reinvestment Act (CRA) performance of Elkridge Bank prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of June 17, 1996. 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 residing within the assessment area. A substantial portion of consumer credit extensions were provided to low- and moderate-income borrowers. The institution's level of lending in low- and moderate-income census tracts is low considering the percentage of individuals residing in such tracts within the local community.

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

| SMALL INSTITUTION ASSESSMENT CRITERIA | ELKRIDGE BANK 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 were received since the prior examination. | | |
| | | | |

DESCRIPTION OF INSTITUTION

Elkridge Bank operates five offices in the Baltimore/Washington metropolitan area of Maryland, approximately eight miles south of the City of Baltimore. These offices are located in Elkridge, Columbia, Laurel, Odenton, and Glen Burnie. During 1996, the bank acquired Laurel Federal Savings Bank and Odenton Federal Savings and Loan Association. As of March 31, 1996, the institution's total assets equaled \$189.6 million, of which 73% were credit extensions. The composition of the loan portfolio is as follows: 86% real estate secured (business and consumer), 11% commercial, and 3% consumer. The bank offers a variety of credit products including loans for home purchase, home improvement, consumer, and business purposes. Consumer credit for a variety of purposes, including housing needs, was identified as a primary credit product.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses all of Howard County and portions of Anne Arundel, Baltimore, Montgomery, and Prince George's Counties. These counties are part of the Washington, D. C. and Baltimore Metropolitan Statistical Areas (MSAs). A map of the area is contained in the appendix. The following census tracts comprise the portions of four of the five counties in the bank's assessment area:

| <u>Anne Arundel</u> | <u>Baltimore</u> | <u>Montgomery</u> | <u>Prince George's</u> |
|---------------------|--------------------|--------------------|------------------------|
| 7021.00 to 7023.00 | 4004.01 to 4005.00 | 7009.01 to 7010.01 | 8001.02 to 8005.09 |
| 7028.00 | 4008.00 to 4010.00 | 7010.04 to 7012.05 | 8035.05 to 8035.06 |
| 7302.02 to 7305.03 | 4014.00 | 7012.11 to 7015.07 | 8035.10 to 8036.01 |
| 7401.01 to 7411.00 | 4015.03 to 4016.02 | 7021.02 | 8036.06 to 8036.08 |
| 7505.00 to 7511.01 | 4303.00 to 4308.00 | 7030.02 to 7043.00 | 8067.04 to 8067.05 |
| | | | 8067.08 |
| | | | 8073.04 |
| | | | 8074.01 to 8074.07 |

One hundred ninety-three census tracts are included in the assessment area. Four tracts are considered low-income, 16 are moderate-income, 95 are middle-income, and 78 are upper-income. Of the four low-income tracts, one is not populated and a prison is located in the other. As of the 1990 census, the population of the local community was 943,406. The local economy is diverse and affords employment opportunities with the Federal Government, military, light manufacturing, and retail-related businesses. As of February 1996, the unemployment rate for the five counties within the assessment area was 3.8%. The State of Maryland has a jobless rate of 5%. Because of the population density in the area, the cost of housing is high. As a result, home ownership is unaffordable for many low- and moderate-income individuals. A community contact was performed with an official from a local community group to further assist in evaluating the bank's CRA performance. The contact stated that local financial institutions should be more flexible in their mortgage lending policies in order to provide affordable housing opportunities for low- and moderate-income individuals.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters was 69% and is considered reasonable given the bank's financial capacity, size, and current local economic conditions. The bank's level of lending is responsive to the area's loan

demand. The average loan-to-deposit ratio for banks headquartered in the Baltimore and Washington, D. C. MSAs and of similar-size to Elkridge Bank is 72%.

LENDING IN ASSESSMENT AREA

A review of 99 mortgage loans reported on the bank's 1995 Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR), as well as 81 consumer loans was conducted to determine the volume of lending within the assessment area. As illustrated by the table below, a majority of the number and dollar amounts of the sampled loans have been provided to residents of the area.

Comparison of Credit Extended Inside and Outside of Assessment Area

| | Inside Assessment Area | Outside Assessment Area | Total |
|-------------------------------|------------------------|-------------------------|----------|
| Total Number of Loans | 127 | 53 | 180 |
| Percentage of Total Loans | 71% | 29% | 100% |
| Total Amount of Loans (000's) | \$12,680 | \$6,700 | \$19,380 |
| Percentage of Total Amount | 65% | 35% | 100% |

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

The following tables illustrate the distribution of the sampled loans extended within the assessment area by the income level of the borrower. The samples consist of 65 consumer loans and 62 HMDA reportable loans.

Distribution of Loans by Income Level of Borrower

Consumer Loans

| | Low-Income | Moderate-Income | Middle-Income | Upper-Income | Total |
|-------------------------------|------------|-----------------|---------------|--------------|-------|
| Total Number of Loans | 19 | 13 | 12 | 21 | 65 |
| Percentage of Total Loans | 29% | 20% | 19% | 32% | 100% |
| Total Amount of Loans (000's) | \$101 | \$173 | \$226 | \$438 | \$938 |
| Percentage of Total Amount | 11% | 18% | 24% | 47% | 100% |

Distribution of Loans by Income Level of Borrower-contd.

HMDA Loans

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|--|----------------|---------------------|-------------------|------------------|----------|
| Total Number of Loans | 1 | 10 | 11 | 40 | 62 |
| Percentage of Total Loans | 2% | 16% | 18% | 64% | 100% |
| Total Amount of Loans (000's) | \$38 | \$831 | \$1,245 | \$9,628 | \$11,742 |
| Percentage of Total Amount | 1% | 7% | 11% | 81% | 100% |

The volume of consumer loans extended to low-income borrowers substantially exceeds the proportion (11%) of such families in the assessment area. Furthermore, the percentage of consumer (20%) and HMDA (16%) loans extended to moderate-income individuals reflects the proportion (16%) of such families in the community. Middle- and upper-income families comprise 25% and 48% of such families in the assessment area, respectively. The review of the HMDA loans revealed that only 2% were made to low-income borrowers. However, the high cost of housing in the area has made it difficult for many low-income individuals to either purchase or own homes in the community. In particular, 85% of the owner-occupied housing in the assessment area is valued in excess of \$101,000. Based on 1995 income figures, a low-income family would not earn more than \$24,700 per year in the Baltimore MSA and \$31,350 in the Washington, D. C. MSA.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the institution's assessment area. As shown by the following tables, the majority of the sampled loans have been extended in middle- and upper-income areas.

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

Consumer Loans

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|--|----------------|---------------------|-------------------|------------------|-------|
| Total Number of Loans | 0 | 0 | 34 | 31 | 65 |
| Percentage of Total Loans | 0 | 0 | 52% | 48% | 100% |
| Total Amount of Loans (000's) | 0 | 0 | \$337 | \$600 | \$937 |
| Percentage of Total Amount | 0 | 0 | 36% | 64% | 100% |

Distribution of Loans in Assessment Area by Income Level of Census Tract-contd.

HMDA Loans

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|----------------------------------|----------------|---------------------|-------------------|------------------|----------|
| Total Number of Loans | 0 | 0 | 19 | 43 | 62 |
| Percentage of Total Loans | 0 | 0 | 31% | 69% | 100% |
| Total Amount of Loans (000's) | 0 | 0 | \$2,002 | \$9,740 | \$11,742 |
| Percentage of Total Amount | 0 | 0 | 17% | 83% | 100% |

As illustrated by the charts above, no loans sampled were extended to residents of low- and moderate-income census tracts. A further review of the 1995 Loan Application Registers submitted by Laurel Federal Savings Bank and Odenton Federal Savings and Loan Association also revealed that no HMDA reportable loans were extended by these institutions in a low- or moderate-income census tract located within the assessment area. Since 1% and 9% of the population reside in low- or moderate-income census tracts, respectively, the bank's performance reflects an unreasonable low level of lending within these census tracts. The population residing in middle- and upper-income tracts is 47% and 43%, respectively.

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. Isolated and technical violations of the Equal Credit Opportunity Act's Regulation B and the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

Regression Program Usage Report

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: Elkridge Bank

City, ST: Elkridge, MD

Exam Date: June 17, 1996

Number of HMDA LAR records: 124

Year(s) of data considered: 1995

| | FHA, VA, & FmHA HOME Purchase | | Conventional Home Purchase | | Refinancings | | Home Improvement | |
|--------------------|-------------------------------|------|----------------------------|------|--------------|------|------------------|------|
| | 1995 | Year | 1995 | Year | 1995 | Year | 1995 | Year |
| White Approvals | 0 | | 51 | | 41 | | 0 | |
| White Denials | 0 | | 4 | | 1 | | 0 | |
| Minority Approvals | 0 | | 4 | | 7 | | 0 | |
| Minority Denials | 0 | | 3 | | 1 | | 0 | |

Was Step 1 of regression program run? NO

if "N", why not? Insufficient number of minority denials

What grouping(s) of data (i.e, loan type, location, year(s), etc.) were used?

MIN Pr > Chi Square Value

(1) _____

(2) _____

(3) _____

(4) _____

(5) _____

(6)
