PUBLIC DISCLOSURE

November 28, 2005

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION

Farmers & Mechanics Bank

802129

P. O. Box 518

Frederick, Maryland 21705

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

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: Farmers and Mechanics Bank is rated "**SATISFACTORY.**"

The following table indicates the performance level of Farmers & Mechanics Bank with respect to the lending, investment and service tests.

PERFORMANCE LEVELS	Farmers & Mechanics Bank PERFORMANCE TESTS		
	Lending Test *	**Investment Test**	**Service Test**
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Major factors supporting the institution’s rating include:

- Overall, lending activity is good in relation to the bank’s capacity and market presence.
- A majority of the institution’s small business and Home Mortgage Disclosure Act (HMDA) loans were originated within the bank’s assessment areas.
- The borrower and geographic distribution of loans within all assessment areas is considered excellent.
- A significant level of participation in qualified community development investments responsive to community credit needs was noted and is considered good.
- Delivery systems and branch locations are accessible to all segments of the assessment area reviewed. Branch closings have not adversely affected low- and moderate-income neighborhoods.
- The institution provides a relatively high level of community development services.
- There have been no complaints regarding the bank’s CRA performance since the previous CRA evaluation.

DESCRIPTION OF INSTITUTION

In August 2003, Farmers & Mechanics Bank (FMB) was acquired by Mercantile Bankshares Corporation (MBC), a multibank holding company located in Baltimore, Maryland. FMB is headquartered in Frederick, Maryland, and currently operates 28 branches in Frederick, Allegany, and Washington Counties, Maryland. Since the Mercantile acquisition, through a combination of branch divestitures, mergers, acquisitions, consolidations, openings, and closings, the number of FMB branches has declined from the 48 considered at the previous CRA examination to the current number. Additionally, FMB closed the mortgage division of the bank, Classic Mortgage, in June 2004.

As of September 30, 2005, the bank had assets of approximately $2 billion of which 55.2% were loans and 22.7% were securities. The loan portfolio was comprised of 33.1% one- to four-family residential real estate secured, 36% commercial real estate and farm, 15.9% commercial and agriculture, 13.5% consumer, and 1.5% other. Deposits, as of this date, were approximately $1.3 billion. From September 30, 2003, to September 30, 2005, total assets, loans, and deposits decreased by 6.1%, 18.1%, and 20.7%, respectively. At the previous CRA evaluation dated December 1, 2003, FMB's performance was rated Satisfactory.

The bank's assessment area has changed considerably over the course of the last two years. Lending during 2003 and 2004 is considered for this evaluation. For the greater portion of 2003, the bank had two assessment areas that consisted of the following:

2003 Assessment Areas			
	County/City	Assessment Area Name	Census Tracts Included
Baltimore/ Washington D.C./ Hagerstown (BWH)	Washington	043/3180	All/32
	Frederick	021/8840	All/32
	Carroll	013/720	All/30
	Howard	027/720	All/41
	Baltimore	005/720	55
	Montgomery	031/8840	48
Allegany	Allegany	01/19060	All/23

Soon after the acquisition by Mercantile, at the end of 2003, a number of bank branches were divested into other Mercantile affiliates leaving the bank with branch offices only in Frederick County. As a result, the bank no longer defined its primary assessment area as the entire Baltimore/Washington/Hagerstown (BWH) area as described above. Nor did it include Allegany County. Instead, the assessment area for 2004 incorporated only Frederick County and several adjacent census tracts in Carroll and Howard Counties, Maryland.

The following table details the composition of the bank's 2004 assessment area which is the basis for the lending distribution analysis presented later in this evaluation.

2004 Assessment Area			
Assessment Area Name	County/City	County and MSA #	# of Census Tracts Included
Frederick/ Carroll/ Howard (FCH)	Frederick	021/13644	All/32
	Carroll	013/12580	5*
	Howard	027/12580	2**

* 5090, 5130, 5141, 5142.01, and 5142.02
** 6040.01 and 6040.02

According to the 2000 census data, the Frederick/Carroll/Howard (FCH) assessment area has a population of 233,086 and a median housing value of $168,057. The owner occupancy rate for the market is 75%, which is higher than that for the Metropolitan Division (67.7%), the Metropolitan Statistical Area (MSA) (62.2%) and the State of Maryland (62.5%). The 2004 median family incomes for the Bethesda-Frederick-Gaithersburg, Maryland, Metropolitan Division and the Baltimore–Towson, Maryland MSA are $91,600 and $68,600, respectively. Within the assessment area, 2.6% of families are considered to be living below the poverty level. This level is lower than the level in the Bethesda Metropolitan Division (3.6%), and considerably lower than the Baltimore MSA (7.2%) and the State of Maryland (6.1%).

The following table provides demographic data for the FCH metropolitan assessment area including income level of families, the type and distribution of housing units, as well as Dun and Bradstreet (D&B) business and farm data.

FCH (Frederick,Carroll,Howard) - Combined MA 548 ASSESSMENT AREA DEMOGRAPHICS									
Income Categories	**Tract Distribution**		**Families by Tract Income**		**Families < Poverty as a % of Families by Tract**		**Families by Family Income**	
	#	%	#	%	#	%	#	%
Low	3	7.7	1,129	1.8	231	20.5	11,901	18.9
Moderate	10	25.6	14,593	23.2	527	3.6	13,596	21.6
Middle	20	51.3	37,443	59.6	779	2.1	17,261	27.5
Upper	6	15.4	9,671	15.4	108	1.1	20,078	32.0
Total	***39***	***100.0***	***62,836***	***100.0***	***1,645***	***2.6***	***62,836***	***100.0***
	Housing Units by Tract	**Housing Types by Tract**						
		Owner Occupied			**Rental**		**Vacant**	
		#	%	%	#	%	#	%
Low	2,525	745	1.2	29.5	1,544	61.1	236	9.3
Moderate	21,761	13,297	20.6	61.1	7,432	34.2	1,032	4.7
Middle	49,887	40,000	62.1	80.2	8,167	16.4	1,720	3.4
Upper	11,692	10,390	16.1	88.9	1,036	8.9	266	2.3
Total	***85,865***	***64,432***	***100.0***	***75.0***	***18,179***	***21.2***	***3,254***	***3.8***
	Total Businesses by Tract		**Businesses by Tract and Revenue Size**					
			Less than or = $1 Million		**Over $1 Million**		**Revenue not Reported**	
	#	%	#	%	#	%	#	%
Low	422	4.2	322	3.6	84	10.0	16	5.4
Moderate	1,965	19.6	1,766	19.8	137	16.3	62	21.1
Middle	5,944	59.2	5,297	59.5	472	56.0	175	59.5
Upper	1,709	17.0	1,518	17.1	150	17.8	41	13.9
Total	***10,040***	***100.0***	***8,903***	***100.0***	***843***	***100.0***	***294***	***100.0***
Percentage of Total Businesses:				88.7		8.4		2.9
	Total Farms by Tract		**Farms by Tract and Revenue Size**					
			Less than or = $1 Million		**Over $1 Million**		**Revenue not Reported**	
	#	%	#	%	#	%	#	%
Low	2	0.5	2	0.5	0	0.0	0	0.0
Moderate	80	20.4	79	20.4	1	20.0	0	0.0
Middle	243	62.0	240	62.0	3	60.0	0	0.0
Upper	67	17.1	66	17.1	1	20.0	0	0.0
Total	***392***	***100.0***	***387***	***100.0***	***5***	***100.0***	***0***	***0.0***
Percentage of Total Farms:				98.7		1.3		0

Sources: 2000 Census Data, 2004 Dun & Bradstreet business demographic data.

The area is situated in the central portion of Maryland, which is a diverse region that ranges from rural to urban. While a large percentage of local residents commute to the Washington, D. C., and Baltimore, Maryland, metropolitan areas for employment, job opportunities are also available through a variety of government agencies, as well as manufacturing, construction, retail trade, education, technology, and agricultural industries. The location of this assessment area benefits from easy access to Interstates 70, 270, and 495. The following table provides unemployment rates as of November 2005 for the counties in the assessment area, as well as the rate for the State of Maryland.

Locality	Unemployment Rate
Frederick County	3%
Howard County	3%
Carroll County	3.1%
Maryland	4.1%

As of June 30, 2004, FMB operated 20 branches within this market area (it currently has 19) and maintained a deposit market share of 39.1% in Frederick County.

A local economic development official was contacted to further assist in evaluating the bank's CRA performance. The individual described the area economy as stable and indicated that area financial institutions appear to be meeting the credit needs of the community.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, HMDA and small business lending activity reported by the institution from January 1, 2003, through December 31, 2004, was reviewed. Lending in the Allegany assessment area for 2003 is considered in assigning the overall lending test rating; such lending accounted for less than one percent of total lending for the period. Thus, when considering 2003 lending, greatest weight is accorded to lending in the BWH assessment area.

Qualified investments made from December 22, 2003, through November 28, 2005, were considered. All qualified investments outstanding as of the examination date were also considered regardless of when made. The service test evaluation is based upon activity in the FCH assessment area for the same period. At the end of April 2005, the bank acquired branches in both Washington and Allegany Counties, Maryland. Given the timing of the acquisition of these offices, these assessment areas will be evaluated at the next CRA evaluation.

Ratings for the lending, investment, and service tests are assigned to the institution overall based on performance within its assessment areas. When evaluating the geographic and borrower distribution for a specific loan category (HMDA and small business) primary emphasis is placed on the number of loans originated. The institution's overall rating is based on the performance of each loan category and primary consideration is given to the dollar volume each category contributes to the overall activity considered in the evaluation. For the review period, HMDA loans represent the largest dollar volume and are, thus, weighted slightly more heavily. According to the FFIEC's procedures, lending test performance accounts for one-half of the overall rating, while the investment and service tests are equally weighted and each account for one-quarter of the overall rating.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The analyses of the distribution of lending consider home mortgage and small business loans reported in both 2003 and 2004; however, except for the assessment concentration table below, only lending reported for 2004 is reflected in the tables presented throughout this section. Although not presented, the 2003 data was fully analyzed and considered when rating the institution. References to performance in 2003 are provided in the discussions of specific lending criteria. Such discussion will focus on performance in the 2003 BWH assessment area. Although this area is larger than the 2004 FCH assessment area, it includes all of the geographies that make up the FCH area. Since FMB reported only seven small farm loans within its combined assessment areas over the two-year period, this volume of lending is not considered meaningful, and a detailed analysis of this lending was not conducted.

Overall, the lending test is rated high satisfactory based on consideration of lending activity, the distribution of loans, and community development lending. The rating takes note of the change in lending focus, particularly the scaling back of mortgage lending after 2003; nonetheless, the distribution of lending for the review period on the whole is considered excellent.

Area demographic data, D&B business data, and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregate data includes FMB and all other reporting institutions that originated and/or purchased loans of the type considered within the bank's assessment areas. Demographic data is based on the 2000 census. Lending for each reported year is evaluated in the context of this demographic information as well as D&B business data and aggregate data from the corresponding year.

Lending Activity:

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. The bank's quarterly loan-to-deposit ratio for the eight-quarter period ending September 30, 2005, averaged 80.1% and ranged from 78% to 82.2%. During the same time period, the average of quarterly loan-to-deposit ratios was 87.5% for a national peer group of all insured commercial banks having assets ranging from $1 billion to $3 billion. As of September 30, 2005, the institution's loan-to-deposit ratio equaled 81.7%. No barriers to the bank's ability to lend were noted.

For the review period, various loan products were available through the institution including consumer, mortgage, home equity, and commercial loans (the table in the Assessment Area Concentration section below provides information as to the volume of HMDA and small business lending for the review period). As noted previously, the bank closed its mortgage loan division in 2004, but for the review period the bank was an active mortgage lender. Mortgage loans offered by the bank prior to closure of its mortgage division included conventional home purchase, refinance, and improvement loans, adjustable rate mortgages, and Government insured or guaranteed loans. Government and other affordable housing loan programs offer flexible underwriting standards and assist in providing affordable housing for many low- and moderate-income borrowers. During 2003 and 2004, 399 mortgages totaling $50.9 million were originated under Government sponsored or affordable housing loan programs. Most requests for first lien residential mortgages at an FMB branch office are now referred to Mercantile Mortgage Corporation (a subsidiary of Mercantile Safe Deposit & Trust Co., the lead bank under the holding company).

Lending activity is considered good relative to the bank's capacity to lend and the economic conditions within its market area.

Assessment Area Concentration:

The following table includes all HMDA and small business loans reported during 2003 and 2004. The determination of whether a loan is inside or outside an assessment area is based on the year the loan originated and the assessment area definition for that year.

Lending Inside and Outside the Assessment Areas								
	Inside				**Outside**			
	#	**%**	**$('000s)**	**%**	**#**	**%**	**$('000s)**	**%**
HMDA Home Purchase	426	38.1%	66,978	41%	692	61.9%	96,415	59%
HMDA Refinancing	1,264	64.7%	201,614	63.7%	691	35.3%	114,978	36.3%
HMDA Home Improvement	65	83.3%	1,758	72.4%	13	16.7%	669	27.6%
HMDA Multifamily	4	80%	1,247	85.2%	1	20%	216	14.8%
Total HMDA-related	**1,759**	**55.7%**	**271,597**	**56.1%**	**1,397**	**44.3%**	**212,278**	**43.9%**
Total Small Business	**1,456**	**84.4%**	**178,032**	**83.7%**	**270**	**15.6%**	**34,607**	**16.3%**
Total Small Farm	**7**	**58.3%**	**1,175**	**56%**	**5**	**41.7%**	**922**	**44%**
TOTAL LOANS	**3,222**	**65.8%**	**450,804**	**64.5%**	**1,672**	**34.2%**	**247,807**	**35.5%**

As illustrated in the preceding chart, a substantial majority of small business loans were extended to businesses located in the institution's assessment areas, while a majority percentage of HMDA-related loans were provided to residents inside the bank's assessment areas. The percentage of HMDA-related loans extended outside the bank's assessment areas is attributable to a large volume of loans originated through Classic Mortgage which originated loans in a much broader market than served by the bank, as well as a number of indirect mobile home loans originated where the mobile homes are located outside FMB's local communities.

The majority of all loans depicted in the table above were originated in 2003. Consistent with the branch divestitures at the end of 2003, and the subsequent closing of the mortgage division, loan activity diminished accordingly. In this context, and in recognition of the much smaller assessment area in 2004, a relatively high number and dollar amount of loans have been provided to assessment area residents.

Geographic Distribution:

The table below presents only lending for 2004. All bank, aggregate, and demographic data reflect the specific geographic composition of the assessment area for each year.

Distribution of 2004 HMDA Loans by Income Level of Geography

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	14	101	125	9	249
Percentage of Total Loans	5.6%	40.6%	50.2%	3.6%	100%
Total Amount of Loans (000's)	$1,183	$11,067	$22,782	$2,061	$37,093
Percentage of Total Amount	3.2%	29.8%	61.4%	5.6%	100%

Within the assessment area, 1.2% of all owner-occupied housing units are located in low-income geographies. According to 2004 aggregate HMDA data, 1.6% of all reported loans were to residents of low-income geographies. FMB’s HMDA lending in the low-income geographies significantly exceeded this percentage. Additionally, 20.6% of all owner-occupied housing units are located in moderate-income geographies. Aggregate data for 2004 reports 23.8% of all loans reported were to residents of moderate-income geographies. The bank’s HMDA level of lending in moderate-income areas was much higher.

In light of the change in FMB’s assessment area from 2003 to 2004, a brief discussion of 2003 performance is provided. For 2003, the bank’s provision of HMDA loans to residents of low- and moderate-income geographies was consistent with the performance noted during 2004. In the BWH assessment area, 0.2% of all owner-occupied housing units were located in low-income geographies. Aggregate HMDA data for 2003 shows 0.2% of all reported loans were to residents of low-income geographies while FMB reported .9% of assessment area loans in such geographies. Moreover, FMB’s HMDA lending in the moderate-income geographies was 11.4%. Aggregate moderate-income geographic lending was 6.9%, while 8.4% of all owner-occupied housing units are located in moderate-income geographies.

Overall, the geographic distribution of mortgage lending is considered excellent.

Distribution of Small Business Loans by Income Level of Geography

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	52	130	317	29	528
Percentage of Total Loans	9.8%	24.6%	60.1%	5.5%	100%
Total Amount of Loans (000's)	$6,733	$15,514	$37,968	$3,293	$63,508
Percentage of Total Amount	10.6%	24.4%	59.8%	5.2%	100%

Recent D&B data indicate that 4.2% and 19.7% of area businesses are located in low- and moderate-income census tracts, respectively. Calendar year 2004 aggregate data indicate that of all reported loans, 4.6% were to businesses located in low-income tracts and 18.6% were to businesses in moderate-income tracts. FMB's level of small business lending in both low- (9.8%) and moderate-income (24.6%) census tracts exceeds the aggregate and demographic proxies. These levels of lending reflect an excellent distribution of lending, particularly in low- and moderate-income areas.

For 2003, D&B data indicated that 1.1% and 11.7% of businesses in the BWH assessment area were located in low- and moderate-income census tracts, respectively. Aggregate data indicate that of all reported loans, 1.1% were to businesses located in low-income tracts and 10.9% were to businesses in moderate-income tracts. FMB's level of small business lending in low-income tracts (0.7%) was slightly below these proxies for demand, but lending in moderate-income tracts (19.6%) exceeded both proxies.

Overall, for small business loans, these levels of lending reflect an excellent distribution.

The overall geographic loan distribution is considered excellent given the institution's size, branch locations, and effective demand for credit.

Distribution by Borrower Income and Revenue Size of the Business:

The following tables present data about the bank's lending to borrowers of different income levels and to businesses of different revenue sizes during 2004.

<u>Distribution of HMDA Loans by Income Level of Borrower</u>

For calendar year 2004, the bank reported a total of 249 HMDA loans within the assessment area; 13 of the HMDA loans did not contain income data and are excluded from the following analysis.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	67	61	65	43	236
Percentage of Total Loans	28.4%	25.8%	27.5%	18.3%	100%
Total Amount of Loans (000's)	$5,173	$6,908	$7,919	$10,318	$30,319
Percentage of Total Amount	17.1%	22.8%	26.1%	34%	100%

Within the assessment area, 18.9% and 21.6% of families are low- and moderate-income, respectively. According to aggregate HMDA data, in instances where borrower income was known, 13% of all loans were to low-income borrowers and 29.5% were to moderate-income borrowers. FMB's level of lending to low-income borrowers exceeds the proxies for demand, while lending to moderate-income borrowers exceeds demographic proxy and is only slightly below the aggregate. This level of lending is considered excellent.

For calendar year 2003, the bank reported a total of 1,500 HMDA loans within the BWH assessment area; 62 of the HMDA loans did not contain income data. Within the assessment area, 14.6% and 17.1% of families were low- and moderate-income, respectively. According to aggregate HMDA data, in instances where borrower income was known, 7.2% of all loans were to low-income borrowers and 20.4% were to moderate-income borrowers. FMB's level of lending to low-income borrowers (9.7%) exceeds the aggregate but is less than the demographic proxy for demand. As to moderate-income borrowers, the bank's percentage (27%) exceeds both of the proxies utilized to estimate demand.

The borrower distribution for HMDA loans is considered excellent.

Distribution of Lending by Loan Amount and Size of Business

For calendar year 2004, the bank reported a total of 528 small business loans within the assessment area; however, revenues for 100 of the businesses were not known and are not included in the following table.

	$0 - $100,000		>$100,000 to $250,000		>$250,000		Total	
Revenues ≤ $1 Million	216	50.5%	42	9.8%	39	9.1%	297	69.4%
Revenues > $1 Million	96	22.4%	24	5.6%	11	2.6%	131	30.6%
Total	312	72.9%	66	15.4%	50	11.7%	428	100%

According to 2004 D&B data, 91.3% of businesses within the assessment area that reported revenue data have revenues of $1 million or less. Aggregate small business data indicates that 33.1% of reported small business loans in 2004 were to businesses having revenues of $1 million or less. The remaining portion of businesses either had revenues exceeding $1 million or revenue data was not known. Comparing bank performance to these measures of demand, the level of lending is considered excellent.

2003 D&B data indicated that 89.6% of businesses in the BWH assessment area reported business revenue of $1 million or less. Aggregate small business data indicates that 32.4% of reported small business loans in 2003 were to businesses having revenues of $1 million or less. The remaining portion of businesses either had revenues exceeding $1 million or revenue data was not known. During this evaluation period, 66.1% of the bank's loans were to businesses with revenues of $1 million or less. This level of lending is considered excellent.

Overall, the distribution of lending is considered excellent, when considering market demographics and aggregate data.

Community Development Lending:

To the extent that the bank extended any community development loans such loans have been reported as small business loans.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. As of September 30, 2005, the institution held three CRA Qualified Investment Fund bonds worth $8.3 million. The bonds provide funds to finance or refinance affordable multi-family properties and mortgage loans for single family residences by persons or families of limited incomes within Maryland.

The bank also holds mortgage-backed securities worth nearly $342,000. These targeted securities consist entirely of loans to low- and moderate-income borrowers or loans to borrowers residing in low- and moderate-income geographies within FMB's assessment area or broader statewide area. Also, the bank held two State of Maryland Community Development bonds worth $200,000. These bonds provide funding for affordable housing loans provided by the state's Community Development Administration.

In 2004, FMB held a $240,000 commitment to support the Dingman Center for Entrepreneurship New Markets Growth Fund which will provide equity capital to small businesses. At least 80% of the investments from the fund must be in census tracts with at least 20% of the population below the poverty level.

Finally, FMB has also established a Home Ownership Assistance Fund with the Community Foundation of Frederick County in the amount of $25,000. The purpose of the fund is to support efforts in assisting low- and moderate- income individuals who currently reside in Frederick County or are relocating to Frederick County to purchase their primary residence. The annual income of the fund is distributed to recipients recommended by Interfaith Housing Alliance which has the same purpose and goal of assisting low- and moderate-income individuals with homeownership. In 2004, $1,100 was distributed to Interfaith Housing Alliance.

SERVICE TEST

Within the FCH assessment area, FMB's performance under the service test is considered good. Systems for delivering retail-banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas. Also, FMB actively participates in several community development organizations.

Retail Services:

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

Immediately prior to the previous CRA evaluation, a number of FMB's branches were distributed to other Mercantile affiliates while other branches were acquired through merger. Additional office consolidation, openings, and closings have resulted in a reconfigured branch network. In particular, in Frederick County, four offices of the former Fredericktown Bank & Trust Company (a now inactive Mercantile affiliate) were absorbed by FMB, which led, through consolidation, to the closure of several FMB offices. Exclusive of these office consolidations, three new offices have been opened since the previous CRA evaluation while two others have been closed. None of the closures have adversely affected service to the community. As required by the Federal Deposit Insurance Corporation Improvement Act of 1991, FMB has adopted a branch closing policy.

Of the 19 FMB branch offices currently within this assessment area, one (5.3%) is located in a low-income census tract and eight (42.1%) are in moderate-income tracts. The distribution of branches is excellent when considering that 1.8% and 23.2% of the assessment area's families reside in low- and moderate-income areas, respectively. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

Community Development Services:

FMB and its employees participate in a relatively high level of community development service endeavors. These activities include but are not limited to the following:

FMB staff provided technical assistance in grant writing to the Frederick City Housing Authority that resulted in a $312,000 grant from the Federal Home Loan Bank of Atlanta’s Affordable Housing Program in 2005. The grant will assist 39 low- and moderate-income homeowners in purchasing a home through the Housing Authority’s Frederick HOPE VI Homeownership initiative.

Financial counseling for primarily low- and moderate-income individuals in conjunction with the following organizations or programs: Frederick County Homeownership Initiative of the Office of Frederick County Housing and Community Development; borrowers that utilize the USDA/Rural Development's Section 502 Leveraged Loan Program; Frederick County Department of Social Services; Religious Coalition for Emergency Needs; and the Frederick City Housing Authority Homebuyers Club.

The CRA Administrator and other bank employees also serve on the board of directors of the following community organizations that either provide affordable housing or services to low- and moderate-income individuals:

- Frederick City Housing Authority - Board of Directors/Vice Chairman
- Habitat for Humanity of Frederick County - Board of Directors
- Frederick County Affordable Housing Council – Chairman
- Religious Coalition for Emergency Human Needs – Board of Directors/Treasurer
- Rebuilding Together with Christmas in April – Board of Directors/President
- Goodwill Industries of Monocacy Valley - Treasurer

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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.

CRA APPENDIX A

SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREA BRANCHES VISITED	
ASSESSMENT AREA	BRANCHES VISITED
Frederick/Carroll/ Howard	110 Thomas Johnson Drive Frederick, MD 21704

CRA APPENDIX B

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of MSAs. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status and living conditions to allow for statistical comparisons.

Community development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of $1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full review: Performance under the lending, investment and service tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA"): The statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include data such as race, gender and income of applications, amount of loan requested, and disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited review: Performance under the lending, investment and service tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area ("MA"): Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan statistical area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income ("Call Report") and the Thrift Financial Reporting ("TFR") instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in "loans to small farms" as defined in the instructions for preparation of the Call Report. These loans have original amounts of $500 thousand or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.