

FEDERAL RESERVE SYSTEM

Allfirst Bank
Baltimore, Maryland

Order Approving Establishment of Branches

Allfirst Bank, Baltimore, Maryland ("Allfirst"), a state member bank, has given notice under section 9 of the Federal Reserve Act ("Act") (12 U.S.C. ' 321 et seq.), of its intention to establish branches at Central Avenue & Campus Way South, Largo, Maryland; and Broadcast Square Center, Broadcast Road & Papermill Road, Reading, Pennsylvania.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published in accordance with the Board ' s Rules of Procedure (12 C.F.R. 262.3(b)). The time for filing comments has expired, and the Board has considered the notices and all comments received in light of the factors specified in the Act.

Allfirst is the largest commercial banking organization in Maryland, controlling deposits of approximately \$11.6 billion, representing 34.6 percent of commercial banking deposits in the state.¹ Allfirst is a wholly owned subsidiary of Allfirst Financial Inc., Baltimore, Maryland, and Allied Irish Banks, P.L.C., Dublin, Ireland.

Community Reinvestment Act Considerations

In acting on an application to establish a branch, the Board is required to take into account the bank ' s record under the Community Reinvestment Act

¹ Deposit and state ranking data are as of June 30, 2000.

("CRA").² The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with their safe and sound operation, and requires the appropriate federal supervisory authority to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating branch applications.

The Board has received a comment from the Maryland Center for Community Development ("MCCD"), a statewide nonprofit organization, that criticizes Allfirst's record of opening branches in Baltimore. MCCD alleges that Allfirst has failed to serve the LMI areas of the city, and that residents in these areas must obtain transportation to reach a bank branch or use check cashing outlets when seeking financial services. MCCD also encourages Allfirst to establish alternative delivery systems to provide banking services in low-income areas. Allfirst has responded that most of its branches serve LMI neighborhoods and that it has loaned more than \$30 million to finance the construction of multifamily residences and approximately \$10 million in equity investments to support affordable housing in Baltimore. Allfirst also has represented that it has worked successfully with community groups and nonprofit organizations to provide credit products and services in disadvantaged areas and to revitalize underserved communities in its assessment area.

A. CRA Performance Examination

As provided in the CRA, the Board evaluates the performance of an institution in light of examinations by the appropriate federal supervisors of the CRA performance record of the institution. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications

² 12 U.S.C. § 2901 et seq.

process because it represents a detailed, on-site evaluation of the institution's overall record of performance under the CRA by its appropriate federal supervisor.³ Allfirst received a "satisfactory" rating at its most recent CRA examination by its then primary federal supervisory agency, the Office of the Comptroller of the Currency, as of October 1998.⁴

B. CRA Performance Record

Examiners found that Allfirst was responsive to the credit needs of its assessment area, including the Baltimore Metropolitan Statistical Area ("Baltimore MSA").⁵ Examiners commended Allfirst for its responsiveness to the credit needs of borrowers of all income levels, including LMI borrowers. For example, while LMI families accounted for 36 percent of all families in its assessment area, and lenders in the aggregate made 25 percent of all their housing-related loans to LMI families in 1997, Allfirst made 40 percent of its housing-related loans to LMI families during this period.⁶ Allfirst also had a good record of lending in

³ See Interagency Questions and Answers Regarding Community Reinvestment, 64 Federal Register 23,618 and 23,641 (1999).

⁴ Allfirst, formerly The First National Bank of Maryland, converted from a national charter to a state charter in December 1998.

⁵ Allfirst's assessment area consists of all Maryland counties, except Allegheny and Garrett Counties; Washington, D.C.; and Arlington, Fairfax, and Loudoun Counties and the cities of Alexandria, Fairfax, and Falls Church in Virginia.

⁶ In the Baltimore MSA, LMI households accounted for 26 percent of all households, and Allfirst made 34 percent of all its housing-related loans in the MSA to LMI households during the CRA examination period, which covered all of 1997 and the first nine months of 1998 ("CRA examination period"). Allfirst also made 53 percent of its home purchase mortgage loans in the Baltimore MSA to LMI borrowers in 1997, and it made 62 percent of these loans to LMI borrowers in the first nine months of 1998.

LMI census tracts. Allfirst made 16 percent by number and 13 percent by dollar volume of its housing-related loans in LMI census tracts in its assessment area in 1997, compared with 14 percent and 9 percent, respectively, by lenders in the aggregate.⁷ In addition, Allfirst's lending to small businesses in LMI census tracts exceeded the distribution of small business loans in these census tracts by lenders in the aggregate.⁸

Allfirst was found by examiners to be an active community development lender. During the CRA examination period, Allfirst extended 25 community development loans and lines of credit, totaling \$52.5 million, throughout its assessment area. Seventeen of these loans, totaling \$41.6 million,

⁷ LMI census tracts accounted for 28 percent of all census tracts in Allfirst's assessment area. Allfirst made 16 percent by number and 13 percent by dollar volume of its housing-related loans in the Baltimore MSA in LMI census tracts in 1997, compared with 15 percent by number and 8 percent by dollar volume for lenders in the aggregate. LMI census tracts accounted for 31 percent of all census tracts in the Baltimore MSA. For the City of Baltimore, the area addressed by MCCC in its comments, data collected under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) for 1998 and 1999 indicate that Allfirst has maintained a similar record. Allfirst made 55 percent of its housing-related loans to borrowers in LMI census tracts in 1998 and 55.2 percent in 1999, compared with 57.5 percent and 60.1 percent by lenders in the aggregate during these periods. LMI census tracts accounted for 72 percent of all census tracts in the city and 70 percent of the total population of the city resided in these areas.

⁸ In 1997, Allfirst made 21 percent by number and dollar volume of its loans to small businesses in its assessment area to small businesses located in LMI census tracts, compared with 17 percent by number and dollar volume for lenders in the aggregate. Data collected after the CRA examination period indicate that Allfirst has maintained this level of performance in Baltimore. In 1998, Allfirst made 77.8 percent by number of its loans to small businesses in the city to small businesses located in LMI census tracts, compared with 67.2 percent for lenders in the aggregate. In 1999, Allfirst made 78.8 percent of these loans in LMI census tracts, compared with 65.7 percent for lenders in the aggregate.

were made in the Baltimore MSA. Allfirst also made \$8.6 million of qualified community development investments in its assessment area, and made commitments to invest an additional \$30 million. These projects included a commitment made in 1998 to invest \$2.7 million, of which \$1.5 million was funded during the CRA examination period, to create an affordable elderly housing facility in a moderate-income census tract in Baltimore County, Maryland, and a commitment of \$250,000 to a nonprofit organization to help to purchase and renovate a shopping center in a low-income area of the City of Baltimore.⁹ Qualified investments in the Baltimore MSA totaled \$2.6 million, which was a reasonable amount according to examiners.

Allfirst's distribution of branches and ATMs was considered by examiners to be reasonable and to serve all income-level areas of its assessment area. Twenty-six percent of Allfirst's branches and 29 percent of its nonbranch ATMs were in LMI census tracts. Branch openings and closings did not adversely effect accessibility by LMI individuals. In the City of Baltimore, ten of Allfirst's 14 branches are in LMI census tracts, and a bank branch operates within one mile of each of the LMI neighborhoods identified by MCCD in its comment. Examiners found that all branches offered a common set of traditional banking products and services.¹⁰ During the CRA examination period, Allfirst also participated in 24

⁹ According to Allfirst, it has made \$39.9 million of community development loans after the CRA examination period, including \$18.4 million to finance the construction of 947 affordable housing units in LMI areas in Baltimore.

¹⁰ Deposit products included a basic checking account that requires no minimum balance and allows limited check writing for a nominal fee; a direct deposit checking account that requires no minimum balance, charges no monthly fee, and allows unlimited check writing; and a checking account for customers over age 50 that requires a minimum balance of \$100 and charges no monthly fee.

community development events in Baltimore and surrounding counties to promote home ownership and small business development.

A fair lending review of Allfirst conducted during the CRA examination period did not identify any violations of antidiscrimination laws and regulations. Examiners stated that the bank had an effective system in place to ensure compliance with fair lending laws and regulations.

C. Conclusion on CRA Performance

The Board has considered carefully the entire record of Allfirst ' s CRA performance, including MCCD's comments, Allfirst ' s response, Allfirst ' s most recent CRA performance examination, and supplemental information concerning Allfirst ' s housing-related lending and small business lending. Based on all the facts of record, the Board concludes that CRA considerations are consistent with approval of the proposal.

Other Considerations

The Board also has concluded that the factors it is required to consider under section 9 of the Act, including Allfirst ' s financial condition, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval of these notices.¹¹

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the notices should be, and hereby are, approved. The Board ' s approval is specifically conditioned on Allfirst ' s compliance with all commitments made in connection with the proposal. The commitments and conditions relied on by the Board are deemed to be conditions imposed in writing by the Board in

¹¹ 12 U.S.C. § 322.

connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The Board's approval is subject to the establishment of the proposed branches within one year of the date of this Order, unless such period is extended by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority, and to approval of the proposal by the appropriate state authorities.

By order of the Board of Governors,¹² effective February 5, 2001.

(signed)

Robert deV. Frierson
Associate Secretary of the Board

¹² Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, and Gramlich.