

## FEDERAL RESERVE SYSTEM

The Annapolis Banking and Trust Company  
Annapolis, Maryland

## Order Approving Operation of Mobile Branch

The Annapolis Banking and Trust Company (“Bank”), 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 operate a mobile branch by providing a courier service to collect noncash deposits from business customers in Annapolis and Anne Arundel County, all in Maryland.

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 notice and all comments received in light of the factors specified in the Act.

Bank is a wholly owned subsidiary of Mercantile Bankshares Corporation, Baltimore, Maryland. Mercantile is the third largest banking organization in Maryland, controlling deposits of approximately \$6.7 billion, representing 9.8 percent of banking deposits in the state. If Bank were a stand-alone institution, it would rank as the twenty-sixth largest banking organization in Maryland, controlling deposits of approximately \$282.4 million, representing less than 1 percent of banking deposits in the state.<sup>1</sup>

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<sup>1</sup> Deposit and state ranking data are as of June 30, 2001.

## 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 ("CRA").<sup>2</sup> 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.

### 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 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.<sup>3</sup> Bank received a "satisfactory" rating at its most recent CRA examination by the Federal Reserve Bank of Richmond as of April 2001.

### B. CRA Performance Record

Bank operates eleven full-service branches in Anne Arundel County. Examiners found that Bank offered a full range of credit services, including consumer, small business, residential mortgage, home improvement, and

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<sup>2</sup> 12 U.S.C. § 2901 et seq.

<sup>3</sup> See Interagency Questions and Answers Regarding Community Reinvestment, 66 Federal Register 36,620 and 36,639 (2001).

commercial loans. The majority of Bank's loans by number and dollar amount were to residents in Bank's assessment area, and examiners assessed Bank's lending activities as responsive to local credit demand. Examiners concluded that the geographic distribution of Bank's lending indicated adequate penetration in LMI census tracts. Bank also has formed partnerships with other area banks and provided \$200,000 toward a \$3.4 million line of credit to the Anne Arundel Economic Development Corporation ("AAEDC"). The line of credit funded direct loans to local businesses and supported loan guarantees by AAEDC to repay the bank debt of local businesses.

Examiners considered Bank's level of participation in community development investment activities adequate to serve the needs of its assessment area. Bank purchased four Maryland Community Development Administration bonds, which provided funds to finance the purchase of or refinance owner-occupied, single-family residences in Maryland by borrowers with limited income. Since its previous examination, Bank also has made \$18,900 in qualifying grants and donations to local organizations that serve primarily LMI individuals or areas.

Examiners considered Bank's branch locations and business hours to be convenient and to meet the needs of residents and businesses in its assessment area.<sup>4</sup> Nine ATMs are available to local residents and provide 24-hour nationwide

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<sup>4</sup> A commenter suggested that the courier service, currently proposed to be provided only to business customers of Bank, be extended to provide services to local senior citizens and disabled individuals and, in particular, to senior-citizen residences. She also proposed that these extended services be publicly funded if necessary. The Board has considered these comments in light of all the facts of record, including Bank's response.

The Board notes that the CRA does not require financial institutions to provide any particular type of product or service to its customers. As discussed, Bank offers several programs that examiners found to be effective in providing banking services in its assessment area. These services included a checking

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network access. Telephone banking services and a bank-by-mail program are offered. Examiners noted that Bank offered low-cost checking and savings accounts that featured a low opening balance and low monthly fees. The Bank also offered direct deposit for payroll, Social Security, or other recurring payments. Examiners commented favorably on Bank's systems for delivering retail banking services, which were found to be available to all portions of the assessment area, including moderate-income census tracts. Furthermore, examiners determined that Bank offered a level of community development services that was adequate for the institution's size, location, and financial capacity. Accordingly, Bank received a "high satisfactory" rating under the service test component of its CRA performance evaluation.

### C. Conclusion on CRA Performance

The Board has considered carefully the entire record of Bank's CRA performance, including the comment letter and Bank's most recent CRA performance examination. 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 Bank's financial condition, the general character of its management, and the proposed exercise of corporate powers, are consistent with approval of the notice.<sup>5</sup>

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account with no service charge or minimum balance requirement for customers 62 years and older and a checking account with no service charges for customers 55 years and older.

<sup>5</sup> 12 U.S.C. § 322.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that this notice should be, and hereby is, approved. The Board's approval is specifically conditioned on Bank'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 in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

Approval of this notice is subject to the establishment of the proposed branch 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,<sup>6</sup> effective December 26, 2001.

(signed)

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Jennifer J. Johnson  
Secretary of the Board

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<sup>6</sup> Voting for this action: Chairman Greenspan, Vice Chairman Ferguson, and Governors Kelley, Meyer, Gramlich, Bies, and Olson.