

**PUBLIC DISCLOSURE**

October 21, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

COMMERCE BANK CORPORATION

05240545

9658 Baltimore Avenue

College Park, Maryland 20740

**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 Commerce Bank Corporation, College Park, Maryland, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 21, 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 average loan-to-deposit ratio for the previous five quarters is 81% and is considered more than reasonable given the institution's financial capacity and demand for credit in the community. Sixty-one percent of business loans sampled during the examination were extended within the assessment area and a majority were extended to small businesses with revenues under \$1 million. The geographic distribution of loans inside the assessment area appears reasonable given the institution's size, branch locations, and demographics of the market.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Commerce Bank Corporation</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 were received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Commerce Bank Corporation operates three offices serving Prince George's County, Maryland which are located in College Park, Lanham, and Hyattsville. As of September 30, 1996, the bank had \$73 million in assets, of which 60% were credit extensions. The September 30, 1996, loan portfolio was comprised of the following: 45% real estate secured (consumer and business), 48% commercial, and 7% consumer. Of the real estate secured loan activity, 38% were secured by nonfarm nonresidential properties evidencing management's focus on meeting the credit needs of local businesses. Commercial lending has therefore accounted for most of the recent credit extensions. Consumer loans secured by motor vehicles are also routinely extended, predominately to existing business customers. The bank's previous CRA rating was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

The institution's assessment area includes all of Prince George's County, Maryland, which is included within the Washington, D. C. Metropolitan Statistical Area (MSA). This area consists of 172 census tracts of which four (2%) are considered low-income, 60 (35%) are moderate-income, 94 (55%) are middle-income, and 14 (8%) are upper-income. The following table illustrates the distribution of the county's population by income level of census tract.

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Population</b>	6,470	271,846	384,616	66,336	729,268
<b>Percentage of Population</b>	1%	37%	53%	9%	100%

The largest employer for the region is the Federal Government with a substantial number of local residents commuting to Washington, D. C. for jobs. Additionally, the University of Maryland, which is located in College Park, is a major employer in the area. Numerous small and mid-sized government contractors also operate in the county. The unemployment rate for the assessment area is 5.1% and is consistent with the State of Maryland's jobless rate of 5%. A community contact was performed with a representative from a local trade association to assist in evaluating the bank's CRA performance. This individual indicated that small businesses continue to benefit from the local availability of credit and the sustained economic growth in the region.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT RATIO**

The average loan-to-deposit ratio for the previous five quarters was 81% and evidences that the bank is responsive to the assessment area's loan demand. This high level of lending is considered more than reasonable in relation to the bank's financial capacity, size, and current local economic conditions. As of June 30, 1996, the average loan-to-deposit ratio for banks headquartered in metropolitan areas of Maryland and of similar asset size to Commerce Bank Corporation was 79%.

### LENDING IN ASSESSMENT AREA

A sample of 77 recent commercial loans was reviewed to determine the volume of the institution's lending within the assessment area. The distribution is illustrated below.

#### Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	47	30	77
Percentage of Total Loans	61%	39%	100%
Total Amount of Loans (000's)	\$5,035	\$2,226	\$7,261
Percentage of Total Amount	69%	31%	100%

A majority of the number and dollar amounts of the sampled commercial loans were provided to borrowers residing within the assessment area. An additional 27 consumer loans secured by motor vehicles were also reviewed. Overall, 52% of the 104 sampled loans were from inside the assessment area. The majority of the motor vehicle loans were provided to consumer's living outside the assessment area. Many of these consumers, however, maintain businesses located inside the community, but reside outside the bank's lending area.

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

The following chart illustrates the distribution of the 47 sampled commercial loans extended within the assessment area by the revenue size of the business.

#### Distribution of Loans by Size of Business

	Revenues $\leq$ \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	24	23	47
Percentage of Total Loans	51%	49%	100%
Total Amount of Loans (000's)	\$1,900	\$3,135	\$5,035
Percentage of Total Amount	38%	62%	100%

This table reveals that the majority of loans has been provided to businesses with gross revenues of \$1 million or less. These findings demonstrate the bank's responsiveness to small business credit needs. Furthermore, 13 of the loans extended to businesses with revenues greater than \$1 million were provided to businesses with revenues between \$1 and \$2 million. As a result, 79% of the sampled commercial loans were to businesses with revenues of \$2 million or less.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files included an analysis of lending among various census tracts within the assessment area. The bank's assessment area consists primarily of moderate- and middle-income tracts. The following chart shows the distribution of the sampled business loans according to the income level of the census tract.

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

	Low- Income	Moderate- Income	Middle- Income	Upper-Income	Total
<b>Total Number of Loans</b>	0	17	23	7	47
<b>Percentage of Total Loans</b>	0	36%	49%	15%	100%
<b>Total Amount of Loans (000's)</b>	0	\$2,257	\$2,524	\$254	\$5,035
<b>Percentage of Total Amount</b>	0	45%	50%	5%	100%

The geographic distribution of business loans is reasonable given the local population residing in geographies of various income levels. The percentage of loans made in moderate- and middle-income geographies (85%) approximates the percentage of the market population (90%) residing in these areas. Although none of the sampled loans were to businesses located in low-income census tracts, only 1% of the population resides in such tracts, suggesting limited demand for credit.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

The bank is in compliance with the substantive provisions of the fair lending and fair housing laws and regulations. Technical violations of the Equal Credit Opportunity Act's Regulation B and of the Home Mortgage Disclosure Act's Regulation C were identified. Adequate policies, procedures and training programs have been developed to support nondiscrimination in lending and credit activities.

**Regression Program Usage Report**

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

Institution Name: Commerce Bank Corporation

City, ST: College Park, Maryland

Exam Date: October 21, 1996

Number of HMDA LAR records: 2

Year(s) of data considered: 1995

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinances		Home Improvement	
	Year	Year	Year	Year	Year	Year	Year	Year
White Approvals	0		1		0		1	
White Denials	0		0		0		0	
Minority Approvals	0		0		0		0	
Minority Denials	0		0		0		0	
	0		1		0		1	

Was Step 1 of regression program run? N

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) \_\_\_\_\_

**Results from Regression Step 2**

(Fill this page out for each grouping on which step 2 was run.)

Standard Variables which were not needed for Step 2:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Judgmental Variables which were collected for Step 2:

_____	Cash Available for Closing	_____	Special Loan Program
_____	Refi from Same Lender	_____	Cash Out vs No Cash Out
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Value of MIN Pr > Chi-Square: \_\_\_\_\_

Number of Minority Rejections: \_\_\_\_\_

Number of "Dominant Pairs": \_\_\_\_\_

Explain which files pair analysis used: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What additional factors explained away pairs? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Were pairs of loan files given to bank for explanation?            Y            N

Examiner hours spent specifically on regression: \_\_\_\_\_