

PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FCNB Bank

05240830

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Federal Reserve Bank of Richmond

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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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of FCNB Bank, Frederick, Maryland, prepared by the Federal Reserve Bank of Richmond, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of May 5, 1997. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated Satisfactory, based on the findings presented in the following discussion of the institution's performance.

FCNB Bank primarily serves its delineated community through direct lending. A full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, and community development loans. A majority of loans originated since the previous evaluation were within the delineated community, and the distribution of lending was considered reasonable. Community development loans and investments have been extended that have promoted economic revitalization and growth. The institution's fair lending practices, policies, and procedures were determined to be appropriate. Additionally, management's outreach efforts are indicative of its clear commitment to assist local credit needs and community development endeavors.

SCOPE OF EXAMINATION

An evaluation of FCNB Bank was conducted to assess CRA performance. The assessment was based on statements made by bank management and staff, minutes of the board of directors' meetings, various other bank records, and discussions with a local government official and a representative from a local economic development organization. The institution's performance was evaluated in the following categories: geographic distribution, marketing and types of credit extensions offered and extended, community development, fair lending, and ascertainment of community credit needs.

PROFILE

Description of Institution

FCNB Bank is a subsidiary of a one-bank holding company, FCNB Corporation. The bank operates 21 offices throughout central Maryland and is headquartered in Frederick, Maryland. On March 7, 1997, the five bank offices of Elkridge Bank, a holding company subsidiary, were merged and incorporated into FCNB Bank's branch network.

As of December 31, 1996, FCNB Bank had \$555 million in assets, of which 59% were loans. A wide range of deposit and loan products is available through the institution including loans for home purchase, residential construction, home improvement, consumer, and commercial purposes. The loan portfolio as of December 31, 1996, was 74% real estate secured (consumer and business), 15% consumer, and 11% commercial. A review of the number of loans extended since the previous evaluation revealed that 76% of all loans were for consumer non-real-estate purposes. Consumer real estate and commercial loans comprised 11% and 13% of the remaining lending volume, respectively.

The bank's average loan-to-deposit ratio for the previous five quarters is 78%. Since December 31, 1995, total loans have increased by 7% and total deposits have grown 4%. Loan-to-deposit ratios for banks headquartered in metropolitan statistical areas of Maryland and of similar asset size to FCNB Bank range from 77% to 83%.

As of December 31, 1996, Elkridge Bank had \$222 million in total assets, of which 75% were credit extensions. The composition of the loan portfolio was 88% real estate secured (business and consumer), 9% commercial, and 3% consumer. The institution's average loan-to-deposit ratio from December 31, 1995, to December 31, 1996, was 74%.

Reasonableness of Delineated Community

The local community is delineated to include Carroll, Frederick, and Howard Counties, Maryland, and the contiguous portions of Anne Arundel, Montgomery, and Prince George's Counties, Maryland. Frederick, Prince George's, and Montgomery Counties are part of the Washington, D. C. Metropolitan Statistical Area (MSA), and Carroll, Howard, and Anne Arundel Counties are included in the Baltimore MSA. The delineation was recently amended to incorporate areas previously served by Elkridge Bank. Specifically, the delineation encompasses the following census tracts:

| <u>WASHINGTON, D. C. MSA</u> | | | <u>BALTIMORE MSA</u> | | |
|------------------------------|-------------------|------------------------|----------------------|----------------|---------------|
| <u>Frederick</u> | <u>Montgomery</u> | <u>Prince George's</u> | <u>Anne Arundel</u> | <u>Carroll</u> | <u>Howard</u> |
| 7501.00 | 7001.01 | 8001.02 | 7021.00 | 5010.00 | 6011.01 |
| to | to | to | | to | to |
| 7532.00 | 7003.02 | 8002.08 | 7301.01 | 5142.00 | 6070.00 |
| | 7013.09 | | to | | |
| | 7014.08 | | 7307.00 | | |
| | 7014.10 | | | | |
| | | | 7310.01 | | |
| | | | to | | |
| | | | 7310.02 | | |
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| | | | 7311.01 | | |
| | | | to | | |
| | | | 7311.02 | | |
| | | | | | |
| | | | 7312.01 | | |
| | | | to | | |
| | | | 7406.00 | | |
| | | | | | |
| | | | 7408.00 | | |
| | | | to | | |
| | | | 7511.01 | | |

Considering the bank's financial condition and resource, this delineation appears reasonable.

Prior to the March 7, 1997, addition of the ElkrIDGE Bank offices, FCNB Bank's delineated community was comprised of Frederick and Carroll Counties, and the adjoining portions of Howard and Montgomery Counties, Maryland. As a result, this evaluation focuses primarily on CRA activities in these areas.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

Conclusion/Support

The delineated community is comprised of 162 census tracts. Six are considered low-income, 15 are moderate-income, 86 are middle-income, and 55 are considered upper-income. The following chart portrays the percentage of delineated community population residing in low-, moderate-, middle-, and upper-income census tracts, based on the defined area's median family income.

Population Percentage within the Delineation by Census Tract Income Level

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|---|----------------|---------------------|-------------------|------------------|-------|
| Percentage of Population Residing in Census Tracts | 1% | 8% | 53% | 38% | 100% |

Additionally, the following table depicts area families by low-, moderate-, middle-, and upper-income levels.

Percentage of Families in the Delineated Community by Income Level

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|-------------------------------|----------------|---------------------|-------------------|------------------|-------|
| Percentage of Families | 12% | 17% | 26% | 45% | 100% |

Through its outreach efforts, management is aware of lending and community development opportunities within the delineated community and participates in various programs consistent with the institution's size, financial capacity, location, and local conditions. As previously stated, FCNB Bank operates 21 offices in central Maryland and maintains its headquarters in Frederick, Maryland. This diverse region ranges from rural to urban and includes portions of both the Washington, D. C., and Baltimore MSAs. The area has a total population of 846,014. While a large percentage of local residents commute to the Washington, D. C., and Baltimore metropolitan areas for employment, job opportunities are available through a variety of Governmental agencies, as well as the construction, manufacturing, retail trade, transportation, utility,

education, technology, and agricultural industries. The largest employer in the area is the National Cancer Institute at Fort Detrick, providing over 4,500 jobs. The respective unemployment rates in the region range from a low of 2.2% in Montgomery County to 4.2% in Carroll. In comparison, the Maryland state unemployment rate is 4.6%.

The median-family incomes for the Washington, D. C., and Baltimore MSAs are \$68,300 and \$52,400, respectively. The median-family income for the State of Maryland is \$42,000.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Conclusion/Support

The board of directors has appointed a CRA committee to coordinate and oversee the CRA program. The committee is chaired by the compliance officer and comprised of senior bank officials, including the chief executive officer. The program addresses various aspects of an effective CRA program including outreach efforts, marketing, training, periodic self-assessments by the board of directors, and branch closing procedures. The CRA committee presents quarterly reports to the board of directors and makes recommendations concerning CRA matters. Board minutes reflect general discussions of CRA-related activities, and CRA goals and objectives are clearly outlined and understood by all personnel. Furthermore, the board has expanded its CRA Statement to include a detailed description of the bank's performance in helping to meet community credit needs.

CRA PERFORMANCE

I. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING BRANCHES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

Conclusion/Support

The bank records the geographic distribution of all credit applications by zip code. A report based on these data is compiled by management and indicates that loan penetration throughout the bank's community is reasonable. Since the previous evaluation, 83% of total loans originated have been to residents of the delineated community. A review of credit denials for the months of February and March 1997, by zip code, revealed that 83% of all denied applications received were from persons residing within the delineated community.

A review of the bank's 1996 Home Mortgage Disclosure Act (HMDA) data was conducted to determine the institution's volume of mortgage lending within the delineated community. The distribution of all 1996 HMDA reportable transactions is represented in the following chart.

Comparison of Credit Extended Inside and Outside of Assessment Area

| | Inside Assessment Area | Outside Assessment Area | Total |
|-------------------------------|---------------------------|----------------------------|----------|
| Total Number of Loans | 493 | 51 | 544 |
| Percentage of Total Loans | 91% | 9% | 100% |
| Total Amount of Loans (000's) | \$38,849 | \$6,081 | \$44,930 |
| Percentage of Total Amount | 86% | 14% | 100% |

As illustrated above, a substantial majority of the number and dollar amounts of the HMDA loans have been provided to residents of the defined community.

The review of HMDA data included an analysis of lending distribution among low-, moderate-, middle-, and upper-income census tracts of the delineated community. The tables below depict mortgage loan penetration in the portion of the local community in each respective MSA.

HMDA Loan Distribution in Delineated Community by Census Tract Income Level

Washington, D. C. MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|-------------------------------|----------------|---------------------|-------------------|------------------|----------|
| Total Number of Loans | 10 | 86 | 339 | 3 | 438 |
| Percentage of Total Loans | 2% | 20% | 77% | 1% | 100% |
| Total Amount of Loans (000's) | \$320 | \$5,326 | \$26,750 | \$269 | \$32,665 |
| Percentage of Total Amount | 1% | 16% | 82% | 1% | 100% |

Baltimore MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|-------------------------------|----------------|---------------------|-------------------|------------------|---------|
| Total Number of Loans | 0 | N/A | 33 | 21 | 55 |
| Percentage of Total Loans | 0% | N/A | 61% | 39% | 100% |
| Total Amount of Loans (000's) | \$0 | N/A | \$2,633 | \$3,476 | \$6,109 |
| Percentage of Total Amount | 0% | N/A | 43% | 57% | 100% |

As a means of comparison, the following chart illustrates the percentage of population residing in the respective MSA portions of the delineated community by census tract income level.

Population Percentage by MSA within the Delineation by Census Tract Income Level

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|---|----------------|---------------------|-------------------|------------------|-------|
| Washington, D. C. MSA Community Population | 3% | 22% | 67% | 8% | 100% |
| Baltimore MSA Community Population | 0% | N/A | 60% | 40% | 100% |

When compared to market demographics, FCNB Bank's penetration among types of census tracts appears reasonable in both the Washington, D. C., and Baltimore MSA portions of the delineated community. The institution's percentage of mortgage lending in low- and moderate-income census tracts in the Washington, D. C., portion was 22% and closely correlates to the population percentage in such areas (25%). As illustrated above, the Baltimore MSA portion of the delineation does not include any moderate-income census tracts or populated low-income tracts; however, the bank's percentage of lending in middle- and upper-income areas approximates the percentage of individuals residing in these tracts.

A review of the public Community Reinvestment Act Performance Evaluation for Elkrigde Bank on June 17, 1996, revealed that the institution received a "Satisfactory" rating. The findings of the evaluation also indicated that a majority of loans sampled during the examination were extended to borrowers residing within the assessment area. Furthermore, 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 of the local community, however, was considered low when compared to the percentage of individuals residing in such tracts.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

Conclusion/Support

The institution's 21 offices are reasonably accessible to all segments of the community, and hours of operation are considered convenient. Six new branch offices, five of which were offices of the former Elkrigde Bank, have been opened since the previous evaluation. Although no branches have been closed since the previous evaluation, a formal policy addressing branch closings that meets the requirements of the Federal Deposit Insurance Corporation Improvement Act 1991 has been adopted.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Conclusion/Support

As identified in the CRA Public File, a full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, and community development loans. The following chart depicts the bank's consumer lending activity since the previous evaluation by number and dollar amount (exclusive of loans originated by Elkrigde Bank).

| FCNB Bank Consumer Loan Originations | | |
|---|--------|----------------|
| Description | Number | Amount (000's) |
| Home Purchase | 116 | \$12,486 |
| Home Construction | 40 | \$9,642 |
| Home Refinance | 302 | \$31,359 |
| Home Improvement | 253 | \$4,832 |
| Non-Real Estate Consumer Loans | 4,676 | \$47,474 |

The bank is primarily a retail lender; a significant portion of its consumer loans were mortgages for various purposes. Conventional mortgage loan products offer a maximum term of 30 years with competitive rates and are included in the above totals. FCNB Bank also offers customers access to mortgage products that are sold in the secondary market to Countrywide Funding Corporation (CFC) or the Federal Home Loan Mortgage Corporation (FHLMC). Through the Federal National Mortgage Association's Community Home Buyer Program, CFC is able to provide mortgages requiring only a 3% down payment. FHLMC programs allow a 5% down payment of which 2% may be borrowed. Since the previous evaluation, 13 mortgages totaling \$2.2 million (included in the chart totals above) have been originated with loan-to-value ratios of 95% or greater.

Mobile home loans, which provide affordable housing to low- and moderate-income residents, are also offered. Since the previous evaluation, seven mobile home secured loans for \$115,514 have been originated. Additionally, small dollar amount consumer loans are offered and often help meet the needs of low- and moderate-income borrowers. Since November 6, 1995, 666 loans for \$1,500 or less have been provided.

FCNB Bank also offers a wide range commercial loan products. From November 6, 1995, to May 5, 1997, 805 commercial extensions (again, exclusive of Elkridge Bank lending) totaling \$88.2 million were originated for a variety of business needs including business start up, facility expansion, and working capital purposes. Specific commercial loan extensions that contributed to job creation, housing opportunities, and small business demands are depicted in the chart below.

| FCNB Bank Commercial Loan Originations | | |
|--|--------|----------------|
| Description | Number | Amount (000's) |
| Business Start up | 21 | \$2,988 |
| Business/Facility Expansion | 16 | \$1,952 |
| Loans to Housing Developers | 30 | \$6,846 |
| Loans to Nonprofit Organizations | 25 | \$4,364 |
| Small Business (\$1 million or less in gross revenues) | 227 | \$16,421 |
| Small Farm | 10 | \$558 |

An assessment of the 1996 HMDA transactions extended within the delineation was conducted to analyze borrower income characteristics in both delineated portions of the Washington, D. C., and Baltimore MSAs. The following table portrays the distribution of HMDA loans extended in the delineated portion of the Washington, D. C. MSA by borrower income level.

HMDA Loan Distribution by Borrower Income Level - Washington, D. C. MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|--------------------------------------|----------------|---------------------|-------------------|------------------|----------|
| Total Number of Loans | 68 | 124 | 133 | 100 | 425 |
| Percentage of Total Loans | 16% | 29% | 31% | 24% | 100% |
| Total Amount of Loans (000's) | \$2,740 | \$7,508 | \$10,747 | \$10,655 | \$31,650 |
| Percentage of Total Amount | 9% | 24% | 34% | 33% | 100% |

As a means of comparison, the following table illustrates Washington, D. C. MSA families residing within the delineated community by low-, moderate-, middle-, and upper-income levels.

Percentage of Families by Income Level - Washington, D. C. MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|----------------------|----------------|---------------------|-------------------|------------------|-------|
| % of Families | 18% | 23% | 29% | 30% | 100% |

When compared to the distribution of local families, the bank's volume of lending to low- and moderate-income individuals (45%) slightly exceeded the percentage of such families residing within the Washington, D. C. MSA portion of the delineated community (41%).

The distribution of 1996 HMDA reportable transactions originated within the delineated portion of the Baltimore MSA is depicted below by borrower income level.

HMDA Loan Distribution by Borrower Income Level - Baltimore MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|--------------------------------------|----------------|---------------------|-------------------|------------------|---------|
| Total Number of Loans | 4 | 5 | 14 | 32 | 55 |
| Percentage of Total Loans | 7% | 9% | 26% | 58% | 100% |
| Total Amount of Loans (000's) | \$128 | \$359 | \$921 | \$4,776 | \$6,184 |
| Percentage of Total Amount | 2% | 6% | 15% | 77% | 100% |

The table below portrays families residing in the Baltimore MSA portion of the delineated community by low-, moderate-, middle-, and upper-income levels.

Percentage of Families by Income Level - Baltimore MSA

| | Low- Income | Moderate- Income | Middle- Income | Upper- Income | Total |
|----------------------|----------------|---------------------|-------------------|------------------|-------|
| % of Families | 11% | 15% | 27% | 47% | 100% |

Although the volume of lending to low- and moderate-income individuals (16%) is lower than the percentage of such families residing within the delineated portion of the Baltimore MSA (26%), the sample size was limited to 55 HMDA loans. Furthermore, FCNB Bank's volume of lending and penetration in the Baltimore MSA should increase with the addition of the five previously mentioned Elkridge Bank branch offices (all located in the Baltimore MSA).

Assessment Factor J - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

Conclusion/Support

The bank is a Small Business Administration (SBA) lender. Since November 6, 1995, 14 SBA loans have been extended for \$1.3 million. FCNB Bank has also been approved to offer Veterans Administration (VA) and Federal Housing Administration (FHA) loans; however, no FHA or VA loans have been originated since the previous evaluation.

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Conclusion/Support

The institution's marketing program primarily consists of service and product advertisements placed in area newspapers and broadcasted on local radio stations. Loans and deposits are further promoted through billboards, statement stuffers, and lobby posters. Although most advertisements are generally institutional in nature, the bank regularly uses these mediums to promote new loan and deposit products. Director and officer contact and involvement with civic, business, and social organizations are also utilized for communicating the availability of products and services. This marketing strategy is considered appropriate given the institution's size and location.

III. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

Conclusion/Support

The institution supports and is involved in the development of projects promoting economic revitalization and growth within its community. Participation in various projects has taken the form of direct loans, Government assisted loans, investments, contributions, financial services, and technical expertise.

The bank promotes community development primarily through direct lending to small businesses, individuals, nonprofit organizations, and local government, as evidenced by a 78% loan-to-deposit ratio. These types of credits have financed business start up and affordable housing projects that have created jobs and provided housing for local residents. Specifically, 11 loans totaling \$1.1 million provided financing for rental housing primarily serving low- and moderate-income individuals.

FCNB Bank is also a member of the Federal Home Loan Bank (FHLB) of Atlanta, and primarily uses FHLB borrowed funds to originate mortgage loans for applicants making 115% or less of the area median income. These FHLB funds can also be used to finance certain commercial loans that rebuild economically distressed areas and/or create employment opportunities. Since the previous evaluation, 12 FHLB loans have been extended totaling \$480,000.

FCNB Bank continues to be a member of the Alliance Business Program. The program provides an alternative source of financing for growing companies. Its primary mission is the creation and retention of long-term employment opportunities in Frederick County. Under the program, loans are available for new capital and expansion projects of small (annual sales up to \$5 million) for-profit manufacturing, industrial, high technology, and export-related companies, and for service industries which support these companies. A pool of commitments from six participating financial institutions serves as the source of funding for the project. Each institution's original commitment is accessed by the program on a rotating basis. To date, FCNB Bank has funded \$20,000 of its \$500,000 commitment. From November 6, 1995, to May 5, 1997, the Alliance Business Loan Program has closed two loans totaling \$330,000 that have resulted in the creation of 21 new jobs.

Additionally, the bank is a member of, and has invested \$25,000 in, the Carroll County Development Corporation (CCDC). The CCDC is a for-profit corporation striving to stimulate economic development through the financing of small businesses (as defined by the SBA), particularly those that create jobs for low- and moderate-income Carroll County residents. Since the preceding evaluation, three loans for \$130,000 have been extended by the CCDC. These loans created 15 full-time and 45 part-time jobs.

FCNB Bank has also purchased an industrial revenue bond for an acquisition construction loan worth \$1.9 million from Howard County. This investment funded the renovation of a 50,400-square-foot industrial building that houses eight manufacturing firms. It is estimated that 25 new jobs over five years will result from this project.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

Conclusion/Support

FCNB Bank provides technical assistance to potential home buyers and local businesses through seminars and expositions and uses these formats to inform residents on local economic conditions, employment opportunities, and the availability of credit and deposit services. Additionally, donations of human and financial resources are routinely made to a variety of local nonprofit organizations and schools.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

Conclusion/Support

A review was made of written loan policies, forms, and accepted and denied loan applications. Loan officer interviews were also conducted to gain information regarding management's fair lending policies and procedures. The review of files conducted during the examination demonstrated an equal application of credit standards, and no discriminatory credit practices were identified. The minority population of the portion of the community served by FCNB prior to its merger with Elkridge Bank was only 5%. Because of this small proportion of minorities, analysis of the bank's aggregate HMDA data was limited. Files of denied minority applicants and approved applicants were reviewed, however, and the credit decisions were found to be consistent with bank policies. Furthermore, management has adopted a second review process to insure the equal treatment of all applicants.

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Conclusion/Support

Adequate policies, procedures, and training have been developed to support nondiscrimination in lending and credit activities. Applications are solicited from all segments of the delineated communities, including low- and moderate-income neighborhoods.

V. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Conclusion/Support

Outreach efforts continue to be strong and demonstrate a willingness by the institution to assist community development. Management utilizes a formal officer call program to help determine the credit needs of the delineated community. Under the program, bank officers are required to contact local

Conclusion/Support--contd.

businesses and community organizations and leaders on a regular basis by telephone and in person. To further insure a proactive relationship with the community, two FCNB Bank Advisory Boards meet monthly to discuss the local credit and community development needs of their designated regions. The advisory boards are comprised of senior bank officials and local community members serving two-year terms. The recommendations of the advisory meetings are recorded and frequently reviewed by senior management and the board of directors. The institution's outreach efforts are ongoing, include contact with individuals and groups that represent a large segment of the community, and are well documented.