

PUBLIC DISCLOSURE

September 22, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Farmers Bank of Maryland
05240040
P.O. Box 271
Annapolis, Maryland 21404

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

NOTE: 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 CRA performance of Farmers Bank of Maryland, Annapolis, Maryland, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of September 22, 1997. 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 bank primarily serves its assessment area through direct lending and offers a variety of credit products. A majority of the bank's loans were originated in the assessment area, and the geographic distribution of loans is considered reasonable. Furthermore, the bank's lending to low- and moderate-income individuals and businesses with revenues less than \$1 million exceeded expected performance in relation to area demographics. The bank's investment portfolio is primarily comprised of Government securities which are not considered qualified investments for purposes of CRA; nonetheless, the institution's level of responding to community development needs through its investment activities is considered adequate. Delivery systems and branch locations are considered readily accessible, and participation in community development services is considered reasonable.

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

<u>Farmers Bank of Maryland</u>			
PERFORMANCE			
LEVELS	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION:

Farmers Bank of Maryland operates 33 branches throughout its assessment area. The institution is a subsidiary of First Virginia Banks, Inc., a multibank holding company located in Falls Church, Virginia. In March 1997, First Virginia Bank-Central Maryland, a bank affiliate headquartered in the City of Bel Air, was merged into Farmers Bank of Maryland. As of June 30, 1997, the bank had \$840 million in assets of which 57% were loans. The loan portfolio as of this date was comprised of 54% real estate secured (including consumer and business), 37% consumer, and 8% commercial/agricultural. The previous CRA ratings for Farmers Bank of Maryland and First Virginia Bank-Central Maryland were satisfactory.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank primarily serves its assessment area through direct lending and offers a variety of credit products. The quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Maryland and of similar asset size to Farmers Bank of Maryland ranged from 77% to 85% for a six-quarter period ending June 1997. The bank's average loan-to-deposit ratio for the previous six quarters is 65% and, although somewhat below the noted range of average ratios, is nonetheless considered reasonable given the institution's size, location, and financial capacity. Since March 31, 1996, the bank's total loans have increased by 46% while total deposits have grown by 42%. This growth is primarily a result of the March 1997 merger.

As identified in the CRA Public File, a full range of credit products is offered including consumer, small business, commercial, residential mortgage, home improvement, residential construction, and agricultural loans. Long-term mortgages and Government sponsored real estate loans are offered through the bank's two mortgage affiliates, First Virginia Mortgage Company (FVMC) and First General Mortgage Company (FGMC).

The following chart depicts the bank's lending activity, inclusive of the merged affiliate activity, since January 1, 1996, by number, dollar amount, and percentage for the types of products listed. This table also includes loan activity reported within the bank's assessment area by its bank and mortgage affiliates.

Farmers Bank of Maryland Loan Originations/Purchases 1-1-96 to 6-30-97				
Description	Total Number of Loans	Percent of Lending	Total Dollar Amount(000s)	Percent of Lending
Small Business/Farm**	726	7%	\$45,269	22%
Home Mortgage Disclosure Act (HMDA)Loans**	696	7%	\$31,212	15%
Motor Vehicle	6,811	67%	\$101,662	50%
Other Consumer Secured	1,090	11%	\$14,429	7%
Other Consumer Unsecured	589	6%	\$6,185	3%
Home Equity	268	2%	\$5,927	3%
Total	10,180	100%	\$204,684	100%

** The institution is required to collect information about these types of loans.

Exclusive of HMDA reported loans, the majority of the number (86%) and dollar amount (63%) of loan originations was for consumer purposes. The institutions lending activity is considered responsive to assessment area credit needs.

The institutions volume of lending, exclusive of affiliate loans, inside and outside of its assessment area from January 1, 1996, to June 30, 1997, is represented in the following table by number and dollar amounts.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Small Business/Farm		Consumer		HMDA		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	535	171	3,891	2,648	461	89	4,887	2,908
Percentage of Loans	76%	24%	60%	40%	84%	16%	63%	37%
Amount of Loans (000's)	\$24,684	\$7,643	\$55,503	\$39,218	\$16,615	\$4,211	\$96,802	\$51,072
Percentage of Amount	76%	24%	59%	41%	80%	20%	65%	35%

As depicted above, a majority of the number (63%) and dollar amounts (65%) of total loans have been provided to area residents. The volume of consumer credit extended outside the banks assessment area (40%) is primarily a result of indirect automobile loans. Overall, the percentage of loans made in the assessment area is considered responsive to community credit needs.

The geographic distribution of loans is discussed in detail later in this evaluation and is considered reasonable with penetration into low- and moderate-income geographies. The banks lending to low- and moderate-income individuals and businesses with revenues less than \$1 million exceeded expected performance in relation to area demographics. In addition, the institution has demonstrated a responsiveness to the credit needs of its market areas through community development lending and product flexibility, including offering several Government sponsored loan programs.

The overall rating of the institution under the lending test is high satisfactory.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated low satisfactory. A qualified investment in a state issued bond promoting affordable housing was noted, as were several qualified donations; however, the banks investment portfolio is primarily comprised of Government securities which are not considered qualified investments for purposes of CRA.

SERVICE TEST

The overall rating of the institution under the service test is high satisfactory. Delivery systems, including ATMs, and branch locations are considered readily accessible, and the hours of operation are convenient to all portions of the assessment area. The banks participation in community development services is considered reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

METROPOLITAN ASSESSMENT AREAS

(for metropolitan areas with some or all assessment areas reviewed using the examination procedures)

DESCRIPTION OF THE INSTITUTION'S PERFORMANCE IN ANNAPOLIS ASSESSMENT AREA:

DESCRIPTION OF ASSESSMENT AREA

Farmers Bank of Maryland is headquartered in Annapolis, Maryland, and has defined an assessment area that encompasses all of Harford and Queen Annes Counties, Maryland. Additionally, portions of Anne Arundel, Baltimore, and Kent Counties and the City of Baltimore, Maryland, are included consisting of the following census tracts or block numbering areas (BNAs):

<u>Anne Arundel County</u>	<u>Baltimore County</u>
7011.00 through 7021.00	2805.00 through 4049.00
7024.00 through 7027.00	4070.00 through 4102.00
7061.01 through 7301.01	4112.01 through 4112.02
7306.02 through 7313.07	4301.01 through 4309.00
	4901.00 through 4922.00
<u>Kent County</u>	<u>Baltimore City</u>
9501.00 through 9503.00	2720.01 through 2720.03

With the exception of the BNAs in Kent County, this market area is located within the Baltimore Metropolitan Statistical Area (MSA). The bank's assessment area consists of 219 census tracts/BNAs of which 216 are populated. Of the populated geographies, four are low-income, 17 are moderate-income, 107 are middle-income, and 88 are upper-income. Two of the four low-income census tracts, however, do not contain any households or families. According to 1990 census data, this assessment area has a population of 898,152 and a median-housing value of approximately \$120,000. The owner occupancy rate for the market is 66% which is slightly higher than that for the MSA (60%) and the State of Maryland (60%). The 1997 median family income for the Baltimore MSA is \$54,100.

The assessment area changed slightly from 1996 to 1997 as a result of the merger in March 1997. During 1996, the two institutions assessment areas included all of Baltimore County and excluded the entire City of Baltimore. The following tables provide demographic data for the 1997 and 1996 assessment areas by the income level of families and the percentage of population living in census tracts/BNAs of varying income levels.

Demographics for 1997 Assessment Area

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	12%	16%	25%	47%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level of Tract or BNA	<1%	8%	50%	42%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract or BNA	<1%	4%	48%	48%	100%

Demographics for 1996 Assessment Area

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	13%	17%	26%	44%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level of Tract or BNA	1%	10%	54%	35%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract or BNA	<1%	6%	54%	39%	100%

The local economy is stable and provides diverse employment opportunities in the Federal and State Governments, local tourism industry, light manufacturing, seafood processing, and various retail businesses. In addition, a large number of residents commute to the nearby metropolitan areas of Washington, D. C. and the City of Baltimore for jobs. The current unemployment rates in the assessment area range from 3.2% in Queen Annes County to a high of 8.2% in the City of Baltimore. The current jobless rate for the State of Maryland is 4.3%.

Community contacts were recently conducted to further assist in evaluating the bank's CRA performance. According to the contacts, local community development needs are currently being met by area financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ANNAPOLIS ASSESSMENT AREA:

LENDING TEST

Geographic Distribution of Loans

The bank's geographic distribution of loans is reflected in the following tables. As a result of the changes in the assessment area from 1996 to 1997, the bank's lending activity was analyzed separately for these two years. The tables below represent the institutions' lending within the 1996 assessment area according to income level of

1996 Distribution of Small Business/Farm Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	24	193	207	424
Percentage of Total Loans	0%	6%	45%	49%	100%
Total Amount of Loans (000's)	\$0	\$963	\$8,631	\$9,016	\$18,610
Percentage of Total Loans	0%	5%	46%	49%	100%

1996 Distribution of Consumer Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	9	225	1,917	1,934	4,085
Percentage of Total Loans	<1%	6%	47%	47%	100%
Total Amount of Loans (000's)	\$113	\$2,898	\$27,071	\$29,227	\$59,309
Percentage of Total Loans	<1%	5%	46%	49%	100%

1996 Distribution of HMDA Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	26	221	198	446
Percentage of Total Loans	<1%	6%	50%	44%	100%
Total Amount of Loans (000's)	\$11	\$1,577	\$9,564	\$8,998	\$20,150
Percentage of Total Loans	<1%	8%	47%	45%	100%

During 1996, 6% (285/4,955) of the banks loans originated within the assessment area were extended to individuals and businesses located in low- and moderate-income census tracts/BNAs. This level of lending is somewhat lower than the percentage of the population (11%) residing in such areas. HMDA lending distribution was consistent with the proportion of owner-occupied housing units within each type of geography. While no small business/farm loans were extended within low-income census tracts, only 1% of the population resides within these geographies.

As mentioned previously, management adjusted the banks assessment area during 1997 to exclude the southeastern portion of Baltimore County and to include three census tracts in the City of Baltimore. The geographic distribution of loans extended during 1997 is reflected in the following tables. These tables represent the institutions lending within the 1997 assessment area according to income level of census tract/BNA.

1997 Distribution of Small Business/Farm Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	5	102	79	186
Percentage of Total Loans	0%	3%	55%	42%	100%
Total Amount of Loans (000's)	\$0	\$152	\$4,876	\$3,987	\$9015
Percentage of Total Loans	0%	2%	54%	44%	100%

1997 Distribution of Consumer Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	87	859	1,077	2,024
Percentage of Total Loans	<1%	4%	42%	53%	100%
Total Amount of Loans (000's)	\$12	\$1,023	\$11,901	\$16,706	\$29,642
Percentage of Total Loans	<1%	3%	40%	56%	100%

1997 Distribution of HMDA Loans by Income Level of Census Tract/BNA
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	9	80	71	160
Percentage of Total Loans	0%	6%	50%	44%	100%
Total Amount of Loans (000's)	\$0	\$392	\$2,872	\$3,840	\$7,104
Percentage of Total Loans	0%	6%	40%	54%	100%

Overall, 4% (102/2,370) of the bank's loans originated within the 1997 assessment area were extended to individuals and businesses located in low- and moderate-income census tracts/BNAs. This level of lending is slightly lower than the percentage of the population (8%) residing in such areas. While no HMDA or small business/farm loans were extended within low-income geographies, less than 1% of the population resides within these areas. Further, as noted for 1996, the distribution of HMDA loans was comparable to the distribution of owner-occupied housing units.

Given the local economic conditions and the size and location of the institution, the bank's overall loan distribution is considered satisfactory.

Borrower's Profile

The following charts illustrate the distribution of consumer, HMDA, and small business/farm loans extended in the 1996 and 1997 assessment areas by income level of borrower or to businesses of different sizes. The proportion of families by income level was almost the same for each assessment area. The overall distribution of the bank's lending activity for both of these years was also substantially similar. The lending was therefore analyzed collectively for the two years.

Distribution of Consumer Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	1,033	1,344	1,593	1,974	5,944
Percentage of Total Loans	17%	23%	27%	33%	100%
Total Amount of Consumer Loans (000's)	\$10,205	\$16,996	\$22,806	\$37,531	\$87,538
Percentage of Total Amount	12%	19%	26%	43%	100%

Distribution of HMDA Loans by Income Level of Borrower
(Includes Affiliate Lending)

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	63	136	185	218	602
Percentage of Total Loans	10%	23%	31%	36%	100%
Total Amount of Consumer Loans (000's)	\$1,642	\$4,889	\$6,793	\$13,183	\$26,507
Percentage of Total Amount	6%	18%	26%	50%	100%

As depicted in the tables above, the percentage of consumer loans (40%) and HMDA loans (33%) extended to low- and moderate-income borrowers exceeds the percentage of such families residing in the 1996 assessment area (30%) as well as the 1997 assessment area (28%).

Included in the HMDA loan figures are Federal Housing Authority (FHA) and Veterans Administration (VA) loans which are available through FVMC. From January 1996 through June 1997, eight FHA and VA loans (\$805,000) were reported by the mortgage company within the bank's assessment area. In addition, the bank provides FHA Title One Mobile Home loans and has originated 16 of these loans totaling \$205,060 since January 1996. These Government sponsored loan programs offer flexible underwriting standards and assist in providing affordable housing for many low- and moderate-income borrowers.

Distribution of Lending* by Loan Amount and Size of Business or Farm
(Includes Affiliate Lending)

	\$0 - \$100,000		>\$100,000 - \$250,000		> \$250,000		Total	
Total Revenues ≤ \$1 Million	453	80%	21	4%	8	1%	482	85%
Total Revenues > \$1 Million	66	12%	14	2%	6	1%	86	15%
Total	519	91%	35	6%	14	3%	568	100%

As illustrated above, 85% (482/568) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Furthermore, 80% of the 568 small business/farm loans were to borrowers with revenues not exceeding \$1 million and for an amount of \$100,000 or less. Farmers Bank of Maryland offers Small Business Administration (SBA) loans and has originated twelve loans for \$1.1 million since January 1996. This level of lending demonstrates the bank's willingness to meet the credit needs of local small businesses.

Given the product lines offered by the institution and its affiliates, the distribution of loans to borrowers of different income levels and to businesses of different sizes is considered more than reasonable and demonstrates the bank's willingness to meet the credit needs of all segments of its community.

Community Development Loans

The bank has originated the following four qualified community development loans within the assessment area since the previous evaluation:

- C A loan to a local developer for the rehabilitation of 30 vacant rental units in a low- and moderate-income neighborhood in Havre De Grace. The proceeds of the loan have assisted in revitalizing this lower-income community. The housing, which is rented for \$400 a month, will primarily be occupied by lower-income residents.
- C A loan to a nonprofit organization that was established to improve the health, education, housing, and general welfare in rural low-income communities in the State of Maryland. The purpose of this loan was to provide transportation services to low- and moderate-income individuals in Anne Arundel, Queen Anne's, and Caroline Counties.
- C A line of credit to a nonprofit housing organization that was established to provide affordable housing to low- and moderate-income persons residing or working in Harford County. This organization primarily purchases foreclosed properties from HUD which are then renovated and sold to lower-income individuals. This organization also offers a home ownership counseling program which is certified by HUD.
- C A loan to a nonprofit organization that provides counseling, housing, and other services to mentally handicapped residents. Approximately 75% of this organization's clientele are low- and moderate-income and receive financial assistance from the Department of Disabled Services.

To the extent the bank may have originated any additional loans for community development purposes, such financing has been reported as small business or HMDA loans.

INVESTMENT TEST

The bank has invested \$75,000 in Maryland State Housing Bonds, which are the primary source of funding for the Maryland Department of Housing and Community Development. This organization was established to provide affordable housing options to low-income families throughout the State of Maryland.

In addition, contributions totaling approximately \$3,600 were provided to several organizations that primarily serve low- and moderate-income residents of the assessment area. These donations include:

- C Anne Arundel County Habitat for Humanity which provides affordable housing for low- and moderate-income families and individuals.

- C Anne Arundel County Economic Opportunity Committee, an organization established to plan and coordinate programs designed to combat problems of poverty in urban and rural communities of Anne Arundel County.
- C Lighthouse Shelter, a group that primarily serves low-income individuals and families by providing temporary shelter and food.
- C Hope House provides housing for low-income mentally handicapped persons in Crownsville, Maryland.
- C Robinwood Planning Action used funds to build a youth center in a Government subsidized house project in Annapolis.
- C Anna's House provides food and housing for low- and moderate-income women in the City of Annapolis.
- C Consumer Credit Counseling offers credit counseling services to area residents.

Overall, the institutions level of qualified investments is considered adequate.

SERVICE TEST

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Twenty-eight Automated Teller Machines (ATMs) are located within the assessment area. These ATM locations provide local residents with 24-hour nationwide network access. One of the ATMs is located within a moderate-income census tract in Harford County. Mail banking services are also available to provide customers with 24-hour accessibility.

Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area with most branches offering Saturday hours. Several branches have drive-in facilities that are open Monday through Friday until 7:00 p.m.; specific branch hours vary. Farmer Bank of Maryland's 33 offices are accessible to all segments of the community, and one of the branches is located in a moderate-income census tract.

Since the previous evaluation, two branch locations in Cockeysville and Edgewater have been closed. Although the Cockeysville branch was located in a low-income census tract, this geography is primarily industrial with less than 400 residents and only 18 owner-occupied housing units. In March 1996, the institution acquired a branch in Edgewater from its affiliate bank, First Virginia Bank - Maryland. This office was situated within two miles of the existing Farmers Bank of Maryland Edgewater branch. As previously mentioned, the existing branch location was closed. A branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

Community Development Services

The bank provides technical assistance to community development organizations. Specifically, a member of senior management serves on the board of directors for Harford County Housing, Inc. This organization was established to provide affordable housing to low- and moderate-income persons residing or working in Harford County. A home ownership counseling program is also offered by the organization.

The institution participates in a school partnership with a middle school in Anne Arundel County which includes the establishment of a school savings program. The institutions provision of community development services is considered reasonable.