

PUBLIC DISCLOSURE

March 16, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Community Bank of Tri-County

P.O. Box 38

Waldorf, Maryland 20604

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 Community Bank of Tri-County, Waldorf, Maryland, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 16, 1998. 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's loan-to-deposit ratio is considered responsive to area loan demand given its financial capacity and location, and a majority of loans sampled during the examination were provided to residents of the assessment areas. The institution's lending to borrowers of different incomes meets standards for satisfactory performance. Additionally, the geographic distribution of loans is considered reasonable given the bank's resources, branch locations, and demographics of its local communities.

DESCRIPTION OF INSTITUTION:

Community Bank of Tri-County is headquartered in Waldorf, Maryland and operates seven full-service branches throughout Calvert, Charles, and St. Marys Counties, Maryland. As of December 31, 1997, the bank had total assets of \$191 million, of which 65% were loans. From March 31, 1997 through December 31, 1997, total assets, loans, and deposits grew at respective rates of 5%, 8%, and 3%. Various credit products are available through the institution including residential mortgage, home improvement, consumer, and business loans. The loan portfolio as of December 31, 1997, was comprised of 91% real estate secured (consumer and business), 5% consumer, and 4% commercial. Based on the number and dollar amounts of loans extended during the previous 12 months, mortgage loans and unsecured consumer loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating (assigned by another regulatory agency) was outstanding.

DESCRIPTION OF METROPOLITAN ASSESSMENT AREA

The bank serves two assessment areas located in the Southern Maryland Peninsula. The first assessment area, located within the Washington, D.C. Metropolitan Statistical Area (MSA), contains six offices and encompasses Calvert and Charles County, Maryland. This assessment area contains 33 census tracts of which 32 are populated. Of the populated geographies, seven are moderate-income, 22 are middle-income, and three are upper-income. There are no populated low-income census tracts within this market. According to 1990 census data, the assessment area has a population of 152,526 and a median housing value of \$125,469. The owner-occupancy rate for the area is 74% which is higher than the rates for the MSA (57%) and the state (60%). The 1997 median family income for the MSA is \$70,300. The following table provides demographics for the metropolitan assessment area by the income level of families and the percentage of population living in census tracts of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	17%	21%	29%	33%	100%
Percentage of Population Residing in Census Tracts by Income Level	0%	17%	76%	7%	100%

DESCRIPTION OF NONMETROPOLITAN ASSESSMENT AREA

The bank has two branch offices serving the second assessment area which includes St. Marys County, Maryland. This nonmetropolitan assessment area contains 13 block numbering areas (BNAs), of which six are middle-income and seven are upper-income areas. There are no low- or moderate-income geographies within this market. According to 1990 census data, this assessment area has a population of 75,974 and a median

housing value of \$108,299. The owner-occupancy rate for the county is 64%. The 1997 median family income for nonmetropolitan areas within Maryland is \$43,100. The following table provides demographics for the nonmetropolitan assessment area by the income level of families and the percentage of population living in BNAs of varying income levels.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	12%	16%	21%	51%	100%
Percentage of Population Residing in BNAs by Income Level	0%	0%	49%	51%	100%

The bank's assessment areas are contiguous and located in the southeastern portion of Maryland. This region is diverse and includes both urban and rural areas. The local economy consists of various light manufacturing, service, fishing, agriculture, and tourism industries. Local government also contributes jobs to the economy and many residents commute to Washington D. C. for employment. Additionally, the recent expansion of the Patuxent River Naval Station in St. Mary's County has increased area employment opportunities. As of December 1997, the unemployment rates for Calvert, Charles, and St. Mary's Counties were 3.7%, 3.7%, and 3.6%, respectively. By comparison, the jobless rate for the State of Maryland was 4.5%.

A representative from a local trade association was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that increased commercial lending options would assist the area's continued economic development. The contact further revealed that area banks are sufficiently meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The institution is responsive to area loan demand. During the four-quarter period ending December 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Maryland and of similar asset size to Community Bank of Tri-County ranged from 75% to 76%. The bank's average loan-to-deposit ratio for the previous four quarters is 87% and is considered highly responsive to strong local demand for credit relative to the institution's financial capacity and size.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within both assessment areas, 150 mortgage loans and a sample of 81 unsecured consumer loans were reviewed. The sample was selected from approximately 137 unsecured consumer loans extended during the previous 12 months. All originated mortgage loans reported on the bank's 1997 Home Mortgage Disclosure Act (HMDA) Loan Application Register(LAR) were analyzed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Number of Loans	197	34	231
Percentage of Total Loans	85%	15%	100%
Total Amount of Loans (000's)	\$19,840	\$1,233	\$21,073
Percentage of Total Amount	94%	6%	100%

As illustrated above, a majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment areas. The institution's level of lending within the assessment areas demonstrates a responsiveness to the local communities and is considered good.

LENDING TO BORROWERS OF DIFFERENT INCOMES

Metropolitan Assessment Area

The following charts illustrate the distribution of the mortgage loans and the sample of unsecured consumer loans originated within the metropolitan assessment area by the income level of the borrower.

Distribution of Loans by Income Level of Borrower - MSA

HMDA Mortgage Loans

	Low-Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	9	31	29	26	95
Percentage of Total Loans	9%	33%	31%	27%	100%
Total Amount of Loans (000's)	\$840	\$3,276	\$4,701	\$5,045	\$13,862
Percentage of Total Loans	6%	24%	34%	36%	100%

Unsecured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	18	4	11	2	35
Percentage of Total Loans	51%	11%	31%	7%	100%
Total Amount of Loans (000's)	\$66	\$17	\$58	\$5	\$146
Percentage of Total Loans	45%	11%	40%	4%	100%

The percentage of mortgage loans extended to low- and moderate-income borrowers (42%) exceeds the percentage of area low- and moderate-income families (38%); however, lending to low-income borrowers is somewhat below the percentage of such families in the area. Additionally, the percentage of unsecured consumer loans extended to low- and moderate-income borrowers (62%) significantly exceeds the proportion (38%) of such families in the community.

Nonmetropolitan Assessment Area

The following tables portray the distribution of HMDA and unsecured consumer loans originated within the nonmetropolitan assessment area by the income level of the borrower.

Distribution of Loans by Income Level of Borrower - Non-MSA

HMDA Mortgage Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	6	9	30	46
Percentage of Total Loans	2%	13%	20%	65%	100%
Total Amount of Loans (000's)	\$85	\$507	\$881	\$4,278	\$5,751
Percentage of Total Loans	1%	9%	15%	75%	100%

Unsecured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	5	6	8	21
Percentage of Total Loans	10%	24%	29%	37%	100%
Total Amount of Loans (000's)	\$5	\$29	\$21	\$26	\$81
Percentage of Total Loans	6%	36%	26%	32%	100%

The percentage of mortgage loans extended to low- and moderate-income borrowers (15%) is lower than the percentage of low- and moderate-income families residing within the local community (28%). This loan penetration is primarily due to the limited lending to low-income borrowers (2%) compared to 12% of the assessment area families considered low-income. However, much of the housing within the county is unaffordable to low-income residents. According to 1990 census data, the median family income for St. Marys County is \$40,830 of which 50%, \$20,415, would be the maximum income figure for low-income families. Mortgage industry standards consider housing that is three times annual income to be affordable. Only 6% of the county's housing is valued under \$60,000 and thus considered affordable for low-income residents; approximately 58% of the assessment area's housing is priced over \$100,000.

The percentage of unsecured consumer loans extended to low- and moderate-income borrowers (34%) exceeds the proportion (28%) of such families in the nonmetropolitan assessment area.

Overall, the distribution of mortgage and unsecured consumer loans to borrowers of different income levels is considered satisfactory, relative to the estimated demand for these loan types, using area demographics as a proxy.

GEOGRAPHIC DISTRIBUTION OF LOANS

Metropolitan Assessment Area

The review of the loan files also included an analysis of lending among the various census tracts within the bank's metropolitan assessment area. As mentioned previously, there are no populated low-income census tracts located within the market. The tables below depict the geographic distribution of the sampled mortgage and unsecured consumer loans according to the income level of the census tract.

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

HMDA Mortgage Loans

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	15	71	9	95
Percentage of Total Loans	16%	75%	9%	100%
Total Amount of Loans (000s)	\$1,900	\$10,541	\$1,421	\$13,862
Percentage of Total Loans	14%	76%	10%	100%

Unsecured Consumer Loans

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	9	21	5	35
Percentage of Total Loans	26%	60%	14%	100%
Total Amount of Loans (000s)	\$51	\$82	\$13	\$146
Percentage of Total Loans	35%	56%	9%	100%

As illustrated above, 16% of the mortgage loans and 26% of the unsecured consumer loans were extended to residents of moderate-income census tracts. The percentage of HMDA loans closely corresponds to the population percentage in such tracts. The volume of mortgages extended in moderate-income tracts also approximates the percentage of owner-occupied units in these tracts (17%). The percentage of unsecured consumer loans extended within moderate income tracts exceeds the percentage of the population residing in such areas (17%). Given the demographics of the assessment area, the geographic distribution of lending is considered reasonable.

Nonmetropolitan Assessment Area

A review of the loan files was further conducted to analyze the institutions lending among the various BNAs within the nonmetropolitan assessment area. The following charts portray the geographic distribution of the mortgage and unsecured consumer loans according to the income level of the BNA. As mentioned previously, there are no populated low- and moderate-income BNAs located within St. Marys County.

Distribution of Loans in the Nonmetropolitan Assessment Area by Income Level of BNA

HMDA Mortgage Loans

	Middle-Income	Upper-Income	Total
Total Number of Loans	23	23	46
Percentage of Total Loans	50%	50%	100%
Total Amount of Loans (000s)	\$3,036	\$2,715	\$5,751
Percentage of Total Loans	53%	47%	100%

Unsecured Consumer Loans

	Middle-Income	Upper-Income	Total
Total Number of Loans	15	6	21
Percentage of Total Loans	71%	29%	100%
Total Amount of Loans (000s)	\$53	\$28	\$81
Percentage of Total Loans	66%	34%	100%

The overall percentage of loans extended in middle- and upper-income BNAs is 57% (38/67) and 43% (29/67), respectively. As stated previously, the percentage of the population residing in middle- and upper-income geographies is 49% and 51%, respectively. This distribution of lending is considered reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of 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.

Regression Program Usage Report

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

Institution Name: Community Bank of Tri-County

City, State: Waldorf, Maryland

Exam Date: March 16, 1998

Number of HMDA LAR records

Year(s) of data considered: 1997

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	1997	Year	1997	Year	1997	Year	1997	Year
White Approvals	6		36		94		0	
White Denials	1		1		5		0	
Minority Approvals	0		0		12		0	
Minority Denials	0		0		1		0	

Was Step 1 of regression program run? NO

if "N", why not? Insufficient minority activity

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) _____

