

Northeastern District  
1114 Avenue of the Americas - Suite 3900  
New York, New York 10036

## **PUBLIC DISCLOSURE**

**January 4, 1999**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First Liberty National Bank  
Charter Number 18739  
1146 19th Street, N.W.  
Washington, D.C. 20036**

**Office of the Comptroller of the Currency  
1025 Connecticut Avenue, N.W. - Suite 708  
Washington, D.C. 20036**

**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 Community Reinvestment Act (CRA) performance of **First Liberty National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 4, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**SATISFACTORY.**”

The primary factors supporting the bank's overall rating include:

- o The loan-to-deposit ratio averaged 84% for the period under review, compared to 74% for similarly situated financial institutions.
- o The bank's assessment area contains 55% of the number and 60% of the dollar amount of all loan originations.
- o A good record of lending to small businesses and to individuals of different incomes.

The following table indicates the performance level of **First Liberty National Bank** with respect to each of the five performance criteria.

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>FIRST LIBERTY NATIONAL BANK PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does not meet Standards for Satisfactory Performance</b>
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	Analysis	not	meaningful.
Response to Complaints	No complaints	were received since	the prior examination.

## DESCRIPTION OF INSTITUTION

First Liberty National Bank (FLNB) is located in the heart of the business district in Washington, D.C. The bank is a wholly owned subsidiary of First Liberty Bancorp, Inc. As of September 30, 1998, total assets were \$32 million, gross loans were \$21 million, and total deposits were \$22 million. FNB is well positioned to help meet the credit needs of the assessment area. As a percentage of gross loans, 67% were commercial real estate loans, 27% were commercial loans, and 6% were consumer/other loans. The bank offers a full range of loan and deposit services, with the exception of home mortgage loans. The bank does not offer residential mortgages due to its size, business focus and location, and strong competition for these loans by other financial and non-financial institutions.

FLNB serves the community from its main office in D.C. and one full service branch in College Park, Maryland. Both locations offer regular business hours and a proprietary ATM is available 24 hours a day at the main office. FLNB opened the branch office since the prior examination. No offices have been closed. There is strong competition from large regional banks, other community banks, thrifts and credit unions, which have many offices in the area. FLNB has no impediments, legal or otherwise, which would hinder efforts in helping to meet the credit needs of the assessment area.

## DESCRIPTION OF ASSESSMENT AREA

FLNB has defined one contiguous assessment area, including all of D.C. and the northeastern portion of Prince George's county bordering D.C. The bank's assessment area complies with CRA and does not arbitrarily exclude low- or moderate-income census tracts. Based on 1990 Census information, the area population is approximately 848 thousand with a median family income of \$52,807. The demographics and characteristics of the bank's assessment area reflect:

<i>Census Tract Characteristics</i>			<i>Family Income Characteristics</i>	
<i>Tract Type</i>	<i>Number</i>	<i>Percent</i>	<i>Level of Income</i>	<i>Percent</i>
Low	52	20%	Low Income	32%
Moderate	94	37%	Moderate Income	22%
Middle	69	27%	Middle Income	20%
Upper	37	14%	Upper	26%
NA	5	2%		
Total	257	100%	Total	100%

The area economy is considered stable, reflecting modest growth, and area unemployment is low. Major employers in D.C. include the Federal Government, retail sales/services, and numerous restaurants. Major employers in Prince George's county include NASA, Giant Food, and the University of Maryland. Management and the Board continue to identify the primary credit need within the bank's assessment area as commercial and commercial real estate lending, particularly to small businesses, which is the bank's primary focus.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### **Loan to Deposit Ratio**

FLNB's loan to deposit ratio is reasonable, indicating a good commitment in helping meet the credit needs of the bank's assessment area. We reviewed the nine quarters since the last CRA examination consisting of the quarter ending 9/30/96 through 9/30/98 inclusively. Our results reflect FLNB's loan to deposit ratio averaged 84% during this period in comparison to the 74% average during the same interval for similiarly situated financial institutions. However, the bank's ratio is slightly skewed due to the exclusion of approximately \$2.5 million in repurchase agreements which management categorizes as deposits vs. borrowings. If these repurchase agreements were included in the ratio, it would average approximately 76%.

### **Lending in Assessment Area**

The majority of the bank's small business loans are located within its assessment area. FLNB does not have any HMDA reportable loans and as such, our analysis focused on small business lending. As part of this analysis, we tested and relied on management reports. Based on our review of these reports, the assessment area contains 55% of the number and 60% of the dollar amount of all small business loan originations.

### **Lending to Businesses of Different Sizes**

Due to the lack of HMDA reportable loans as noted above, we did not perform a review of lending to borrowers of different income levels.

FLNB has a good record of lending to small businesses. We tested and relied on management reports, including the June 30, 1998 Call Report. Based on our sample, 100% of the number of commercial and commercial real estate loans are less than \$1 million in size. Additionally, 60% of the number of commercial and commercial real estate loans have annual revenues of \$1 million or less. The following reflects the distribution of small business loans as of June 30th:

#### *FLNB's Commercial Loans To Small Businesses*

<u>Loan Size</u>	<u># of Loans</u>	<u>\$ (000's)</u>
Less than \$100M	14	438
\$100M - \$250M	20	3,251
<u>\$250-\$1MM</u>	<u>9</u>	<u>3,691</u>
Total	43	7,380

#### *FLNB's Commercial Real Estate Loans To Small Businesses*

<u>Loan Size</u>	<u># of Loans</u>	<u>\$ (000's)</u>
Less than \$100M	41	1,445
\$100M - \$250M	10	1,286
<u>\$250M - \$1MM</u>	<u>7</u>	<u>3,153</u>
Total	58	5,884



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

### Geographic Distribution of Loans

A geographic analysis of the distribution of loans is not meaningful, given the lack of HMDA reportable loans.

### Response to Complaints

No complaints were received since the prior examination.

### Compliance with Antidiscrimination Laws

No violations of antidiscrimination laws were noted during the concurrent Fair Lending examination.