
Comptroller of the Currency
Administrator of National Banks

Northeastern District
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PUBLIC DISCLOSURE

April 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Old Line National Bank
Charter Number: 21700**

**800 Old Line Centre
Waldorf, MD 20604**

**Office of the Comptroller of the Currency
1025 Connecticut Avenue NW, Suite 708
Washington, DC 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 **Old Line National Bank** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 17, 1997. 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 this rating are:

- the loan-to-deposit ratio is reasonable given the bank's size and financial condition,
- the extent of lending and lending-related activity within the bank's assessment is consistent with the bank's emphasis on indirect automobile lending,
- the distribution of borrowers, given the demographics of the assessment area, shows good penetration among individuals of different income levels, and
- analysis of the geographic distribution of lending is not meaningful given the mixture of low-, moderate-, middle-, and upper-income areas within the bank's assessment area.

The following table indicates the performance level of Old Line National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Old Line National Bank</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	Analysis not meaningful.		
Response to Complaints	No complaints were since the prior received examination.		

DESCRIPTION OF INSTITUTION

Old Line National Bank (OLNB) is a full service bank headquartered in Waldorf, Maryland. The bank primarily makes loans to customers located in Charles County and the surrounding counties of southern Maryland. Based on financial information as of December 31, 1996, total assets were \$37 million, gross loans were \$18 million, and total deposits were \$33 million. The majority of the bank's lending activity is concentrated in consumer lending, particularly indirect automobile loans. As a percentage of gross loans, loans to individuals represent 55%, real estate loans (commercial and consumer) represent 30%, commercial loans represent 13%, and other loans represent 2%.

Within its community, bank management identifies the need for consumer installment credit and opportunities for small business and residential construction lending. OLNb is well positioned to meet these needs. There are no impediments, which hinder the bank's efforts to help meet the credit needs within its assessment area. OLNb offers deposit services and loans to individuals, small businesses, associations, and government entities. The branch, located in Accokeek, Maryland, opened in December 1995 and provides the same services as the main office. Both locations offer extended branch hours, late evening and Saturday drive-through service, and have an automated teller machine (ATM).

The local area is characterized as a highly competitive banking environment, particularly in the areas of residential mortgage and residential construction lending. Local competition comes from branches of several large institutions as well as a number of small commercial and savings banks. Thus, OLNb's strategic emphasis on indirect consumer auto lending.

DESCRIPTION OF ASSESSMENT AREA

OLNB has defined one contiguous assessment area. For this evaluation, the assessment area was defined as all of Charles County and a portion of Prince Georges County in Maryland. The latter represents five census tracts of Prince Georges County which border Charles County. These tracts include the location of the branch and the surrounding area and therefore, are a logical extension of the bank's community. The assessment area does not arbitrarily exclude low- or moderate-income census tracts. Within the assessment area, there are six moderate-, 17 middle-, and three upper-income census tracts. There are no low-income census tracts in the assessment area.

Major area employers include the federal, state, and local governments and the retail and services sectors. The local economy continues to expand, with the population expected to increase 20% over the five-year period from 1995, according to information supplied by the Maryland Department of Business and Economic Development. According to information from the 1990 U.S. Census, the median household income for the area was \$47,263. Approximately 76% of the housing is owner-occupied, with rental units representing 20% of the housing. Despite the lack of any low-income designated tracts within the assessment area,

demographics within the area reflect good representation of households of all income levels.
This analysis shows:

Level of Household Income

<u>Census Tract</u>	<u>Low-</u>	<u>Moderate-</u>	<u>Middle-</u>	<u>Upper-</u>
Moderate	32%	22%	24%	22%
Middle	14%	16%	29%	41%
Upper	7%	8%	18%	67%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

OLNB's loan-to-deposit ratio is reasonable considering the competitive local banking environment and the bank's product mix. We reviewed data from the eight quarters since the last CRA examination. Based on that analysis, OLNb's ratio averaged 64% during this period. This compares with a 74% average ratio for local peer banks during the same period. OLNb's eight-quarter ratio reflects a decline from its annual 1995 level of 70%. This is the result of the branch which opened at year-end 1995 and its net deposit-generating phase for most of 1996, and does not reflect a decrease in loan activity.

Lending in the Assessment Area

In reviewing this area, we tested and relied upon information compiled by bank management. For consumer indirect automobile, direct consumer installment, and small business lending activity, management's analysis shows that 49% of loans approved during 1996 were from within the assessment area. The analysis for 1995, shows that 42% of indirect and direct consumer loans approved during that year were from within OLNb's assessment area. Neither of these levels constitute a majority of loan originations; however, when considering the bank's volume of indirect automobile lending and that the majority of indirect loans are referred through dealers located within the assessment area, bank performance with respect to this factor is reasonable .

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Within the assessment area, OLNb's credit distribution among individuals of various income levels is good. During 1995, 48% of applicants were categorized as low- and/or moderate-income and 45% were middle-income. Of the loans approved, OLNb had an origination rate of 89% for 1996, and 76% for 1995. According to individual borrower income, the distribution within the assessment area for 1996 shows:

<u>Income Level</u>	<u>% of Total Approvals</u>	<u>Census Tracts in Area (%)</u>
Low	23	0
Moderate	30	23
Middle	29	65
Upper	19	12

Also within the assessment area, OLNb demonstrates commitment to meeting small business credit needs. By loan size, the distribution of credit to small businesses within the assessment area during 1996 shows:

<u>Loan Size</u>	<u># of Originations</u>	<u>% of Originations</u>
Less than \$100M	22	79
\$100M - \$250M	1	4
Over \$250M	0	0

Response to Complaints

No CRA-related complaints were received since the prior examination.

Compliance with Antidiscrimination Laws

We found no evidence of discrimination or disparate treatment of loan applicants through our Fair Lending examination. Management is in compliance with the regulations governing this area. Lending policies, procedures, and training provide guidance to assure that all loan applicants are treated fairly.