



Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

January 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The National Bank of Rising Sun
Charter Number 2481**

**6 W. Pearl Street
Rising Sun, Maryland 21911**

**Office of the Comptroller of the Currency
1025 Connecticut Avenue, N.W., 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 **The National Bank of Rising Sun** prepared by **the Comptroller of the Currency**, the institution's supervisory agency, as of January 20, 1998. 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 bank's performance meets the standards for a "Satisfactory" rating and is supported by the factors listed below.

- The loan-to-deposit ratio is reasonable based on the bank's size, financial condition, and lending opportunities available in the bank's assessment area.
- A large majority of loans lie in the bank's assessment area.
- The distribution of loans reflects sufficient penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>THE NATIONAL BANK OF RISING SUN</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		X	
Response to Complaints	There have since the	been no last exam.	complaints

DESCRIPTION OF INSTITUTION

The National Bank of Rising Sun (NBRS) is a \$81 million community bank located in the town of Rising Sun, Maryland. The bank's main office is a full-service office with a drive-up facility. A deposit-taking ATM is also located at this location. There are no branch office locations. The bank offers a full array of products and services including residential real estate, mobile home and

small farm loans. A broad selection of small business loans are also available such as term loans, instalment, lines of credit, and letters of credit.

The loan portfolio mix includes residential real estate - 52%, commercial real estate - 30%, commercial and industrial - 1%, and consumer loans - 17%. There are no constraints affecting the bank's ability to meet community credit needs. The National Bank of Rising Sun has not closed or opened any offices since our last examination.

DESCRIPTION OF CECIL COUNTY

The bank's assessment area (AA) is Cecil County, which is bordered by Pennsylvania to the north and Delaware to the east. The main office is situated in the town of Rising Sun which is located to the north of Interstate 95 and Route 40 which represent the major transportation corridors through the county. The assessment area consists of fifteen census tracts and does not arbitrarily exclude any low- or moderate income areas. The median family income is \$40,291. Tract characteristics are shown below.

Census Tract Characteristics

<u>Tract Income</u>	<u>Number</u>	<u>Percentage of AA</u>
Low	0	N/A
Moderate	2	13
Middle	12	80
Upper	1	7

Cecil County is a bedroom community situated between Baltimore and Philadelphia. The population of the county is 71,347 according to 1990 census data. Although 50% of the residents commute outside of the county to work, major employers such as W.L. Gore and Associates, DuPont, Terumo Medical, Thiokol Corporation, Montell USA, Ionics Inc, Fleming Companies, Konica, Air Products and Johnson Controls operate in Cecil County. County officials and a local utility company have been working to construct a pipeline that would bring water, sewer and natural gas service to the Interstate 95/U.S. Route 40 corridor. The comprehensive plan has designated this area for future industrial and commercial development. This effort would create the infrastructure needed to prompt commercial development and enhance the county's tax base. The county plans to establish an enterprise zone to assist the start-up of new and relocating businesses.

A government official in the town of Rising Sun was contacted to get a perspective on the credit needs of the community and the bank's role in serving those needs. Residential real estate, consumer, and small business loans are the primary needs of the town and its surrounding geographies. The town official indicated the NBRS has served an integral role in providing financial services to the area's residents and small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The bank's loan to deposit ratio is reasonable. The average for the last eight quarters is 66% and is comparable to peer banks doing business within the assessment area.

Comparison of Loans Extended Inside and Outside of the Assessment Area

Lending activity is concentrated within the assessment area. A report produced by management, which sorted all loans on the books as of 12/31/97 by zip code, revealed 81% of the dollar volume of loans are located within the assessment area. A representative sample of loans was selected to verify the integrity of the information contained in the bank's report. It was determined that the report was an accurate representation of loans originated by geography.

Distribution of Credit within the Assessment Area by Borrower Income

The bank's lending record to low and moderate borrowers is satisfactory. The table below shows the results of an analysis of 1996 HMDA data. It reveals that NBRS has a higher penetration of the low- and moderate income segments of the community than the market as a whole.

Lender Market Share Comparison Report based on 1996 HMDA Loan Originations in Assessment Area by Income Category of Borrower

	LOW	MODERATE	MIDDLE	UPPER
NBRS	22%	31%	31%	16%
MARKET*	12%	29%	32%	23%

* 4% of loans originated did not include applicants income.

In addition, business loans are offered to assist small businesses with seasonal or permanent financing needs. The bank recently hired an experienced lender that specializes in underwriting small farm loans. As of our evaluation, the bank had originated three loans totaling \$407M to local farmers in the assessment area. Upon further review, the loan officer confirmed that the loans originated were made to farmers with annual revenues under \$1 million. This indicates the loans meet the definition of small farm loans.

Additional support is provided by statistics in the 6/30/97 Call Report which totals loans to small businesses. Loans with original amounts below \$1 million account for 30% of the bank's loan portfolio.

Further segregation of these loans reveal the following:

Original Loan Amounts	Percentage of Small Business Portfolio
\$100,000 or less	29
\$100,000 through \$250,000	41
\$250,000 through \$1 million	30

A report of business loans was prepared and reviewed by the bank's chief lending officer to identify those businesses with annual revenues below \$1 million. The results of this endeavor indicated 83% of the number of loans met the revenue criteria to categorize them as small business loans.

Distribution of Credit Within the Assessment Area by Geography

The distribution of loans is reasonable based on the demographics of the assessment area. There are no low income and only two moderate income census tracts in Cecil County. Loans were originated in all census tracts within the assessment area. There were higher loan volumes in census tracts in close proximity to the bank's only location in Rising Sun.

A review of HMDA reportable loans indicate satisfactory loan distribution by census tract income levels. The 1996 HMDA LAR (Loan Application Register) revealed loans to borrowers in moderate income census tracts represented 12% of loans originated compared with the market percentage of 10.5%. This penetration is consistent with demographic characteristics of the assessment area. The table below indicates the bank's share of loans originated by census tract and the corresponding market ranking.

	CENSUS TRACTS			
	LOW	MODERATE	MIDDLE	UPPER
NBRS - MARKET SHARE (%)	N/A	5	5	1
RANKING IN CECIL COUNTY	N/A	5	6	48

Responses to Complaints

There have been no written complaints relating to the bank's CRA performance.

Fair Lending

We conducted a fair lending review as part of our consumer compliance examination. No violations of the substantive provisions of antidiscrimination laws and regulations were noted. Lending policies, procedures and training initiatives provide adequate guidance to lending staff.