



# WHOLESALE or LIMITED PURPOSE BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

March 19, 2013

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

T. Rowe Price Savings Bank  
Charter Number 715731

100 East Pratt Street  
Baltimore, MD 21202

Office of the Comptroller of the Currency

400 7th Street, SW  
Washington, DC 20291

**NOTE:** This document is an evaluation of this 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. 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.

## **INSTITUTION'S CRA RATING:**

**This institution is rated Satisfactory.**

The conclusions for the three rating criteria are:

- The bank demonstrates an adequate level of qualified investment activities in its assessment area (AA), thus meeting the standards for satisfactory performance.
- The bank does not use innovative or complex qualified investments.
- The bank exhibits adequate responsiveness to community development (CD) needs in its assessment area.

## **Scope of the Examination**

This Performance Evaluation evaluates T. Rowe Price Savings Bank (TRPSB) performance in meeting the credit needs of its AA through CD qualified investments or community development services. In evaluating TRPSB performance under the CRA, we reviewed community development activities from January 1, 2007 through December 31, 2012. We reviewed the level and nature of qualified investments and community development services. At the prior examination dated February 26, 2007, we rated the institution Satisfactory.

The type of CD activities TRPSB presented for review consisted of CRA applicable mortgage backed investment securities and an annual grant awarded to a local community development non-profit organization.

As part of the examination, we considered CD activities outside the institutions' AA in reaching our performance conclusion.

TRPSB has adequately addressed the needs of its AA, and therefore, outside of AA qualified investments were considered in evaluating its performance.

## **Description of Institution**

TRPSB is a federally chartered stock savings association with total assets of \$180.7 million as of December 31, 2012. The institution is a wholly-owned subsidiary of T. Rowe Price Associates, Inc. and T. Rowe Price Group., savings and loan holding companies. The institution's sole office is located in a middle-income census tract in Baltimore, Maryland. The location is not considered a "branch" as defined in the regulation. The office is not open to the public and there is only one full-time employee. There are no drive-in windows. No branches were opened or closed during the review period. Further TRPSB does not operate Automated Teller Machines (ATM) or issue ATM cards to its customers.

TRPSB's business strategy involves the acquisition of retail certificates of deposit on a national basis, and the investment in mortgage backed securities (MBS), as well as other high-grade investment securities.

TRPSB concentrates its operations in the acceptance of certificates of deposits and does not engage in the origination of loans secured by real estate or other collateral. As of December 31, 2012, 11.36 percent of the institution's assets were dedicated to eligible CRA mortgage backed securities. Net income as of December 31, 2012, was 0.18 percent of average assets. TRPSB is a well-capitalized institution with a total risked based capital ratio of 69.32 percent as of December 31, 2012.

TRPSB offers regular certificates of deposit accounts (CDs) ranging in duration from 30 days to 60 months and retirement CDs ranging in duration from six to 60 months. CDs offered by the institution are fixed-rate with no transaction or maintenance fees. The minimum amount to open an account is \$1,000. TRPSB offers these CDs nationwide with accountholders located around the country as well as overseas. Maryland accountholders represent an estimated 18 percent of all deposits.

The institution conducts its retail operations by toll-free telephone and mail. Telephone services are available from 8:00 a.m. to 8:00 p.m. Monday through Friday and from 10:00 a.m. to 2:00 p.m. on Saturday. Information about TRPSB and its products is also available through the T. Rowe Price Web site ([www.troweprice.com/bankingservices](http://www.troweprice.com/bankingservices)). Consumers are also able to download a CD account form to request a CD mail kit. There is no differentiation in the availability or cost of services based upon the location of customers.

**Table 1: Financial Information (000s)**

	Year-end 2012	Year-end 2011	Year-end 2010	Year-end 2009	Year-end 2008	Year-end 2007	Average for Evaluation Period
<b>Tier 1 Capital</b>	\$22,426	\$22,085	\$21,457	\$20,406	\$14,689	\$14,459	\$19,253
<b>Total Income</b>	\$4,204	\$1,317	\$1,527	\$1,830	\$1,928	\$1,505	\$2,051
<b>Net Operating Income (Loss)</b>	\$563	\$275	\$400	\$534	\$328	\$ (36)	\$344
<b>Total Assets</b>	\$180,749	\$200,948	\$185,569	\$185,466	\$170,917	\$129,010	\$175,443
<b>Pass-Through Receivables</b>	\$92,273	\$98,776	\$81,876	\$91,819	\$98,336	\$87,387	\$91,774

Source: Consolidated Report of Condition and Income and bank reported data.

## Description of Assessment Area

TRPSB defined the Baltimore-Towson Metropolitan Statistical Area (MSA) as its sole AA. The AA/MSA consists of Baltimore City, Anne Arundel County, Baltimore County, Carroll County, Harford County, Howard County, and Queen Anne's County. We used the 2000 Census data for the analysis of the institution's 2007-2011 activity as well as the 2010 Census data for the analysis of the 2012 activity.

According to the 2000 Census, the AA contained 625 (5 did not note an income level) census tracts (CT) with income designations including 79 low-, 137 moderate-, 247 middle-, and 157 upper-income levels. A low-income CT is one with a median family income (MFI) of less than 50.0 percent of the MFI of an MSA. A moderate-income CT is one with a MFI of at least 50.0 percent, but less than 80.0 percent of the MFI of an MSA. A middle-income CT is one with a MFI of at least 80.0 percent, but less than 120.0 percent of the MFI of an MSA, and an upper-income CT is one with a MFI of 120.0 percent or more of the MFI of an MSA.

In 2011, the population of the bank's AA was 2,552,994. Of this population, 227,828 (8.9 percent) resided in low-income CTs; 510,961 (20.01 percent) resided in moderate-income CTs; 1,024,552 (40.13 percent) resided in middle-income CTs; 779,416 (30.5 percent) resided in upper-income CTs; and 10,237 (.1 percent) reside in CTs designated as NA. Based on the 2000 Census data reflecting 2004 geographies the median family income of the AA was \$59,301. The HUD estimated 2011 MFI was \$84,500. Also according to the 2000 Census Data the AA had 974,359 households of which 8.6 percent were low-income, 20.9 percent were moderate-income, 40.9 percent were middle-income, and 29.5 percent were upper-income.

**2007-2011**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	625	12.64%	21.92%	39.52%	25.12%
<b>Households</b>	974,359	8.59%*	20.96%*	40.95%*	29.50%*
<b>Businesses</b>	291,549	4.67%**	15.04%**	41.80%**	38.47%**

Source: CRA Wiz 2000 US Census and 2011 Business Geodemographic Data  
 Tracts and businesses percentages do not add to 100% due to omission of CTs with N/A as income designations.  
 \*Represents households by income level. \*\*Represents businesses by income level of census tract.

The 2010 US Census data reported a population for 2,710,489 for TRPSB's AA in 2012. Of this population, 287,685 (10.6 percent) resided in low-income CTs; 557,923 (20.6 percent) resided in moderate-income CTs; 963,465 (35.5 percent) resided in middle-income CTs; 887,616 (32.7 percent) resided in upper-income CTs; and 13,800 (.005 percent) resided in CTs designated as NA. According to the 2010 US Census the median family income of the assessment area was \$81,788. The HUD estimated MFI remained unchanged. The AA had 1,038,765 households of which 10.41 percent were low-income, 21.31 percent were moderate-income, 36.2 percent were middle-income, and 31.95 were upper-income.

**2012**

	Number	Low	Moderate	Middle	Upper
<b>Tracts</b>	681	14.64%	21.52%	33.24%	28.84%
<b>Households</b>	1,038,765	10.41%*	21.31%*	36.32%*	31.95%*
<b>Businesses</b>	274,583	7.15%**	14.51%**	37.49%**	40.63%**

Source: CRA Wiz 2010 US Census and 2012 Business Geodemographic Data  
 Tracts and businesses percentages do not add to 100% due to omission of CTs with N/A as income designations.  
 \*Represents households by income level. \*\*Represents businesses by income level of census tract.

During the assessment period, the nation was in a recession and Marylanders felt the effects. According to the United States Congress Joint Economic Committee March 2013 report, "In Maryland, employees in the natural resources, mining, construction, manufacturing, and information services sectors, faced the largest job losses (as a percent of employment within an industry) over the recession." The unemployment rate in January 2007 was 3.3 percent, which rose to a high of 8.0 percent in December 2009. In December 2012, the US Department of Labor, Bureau of Labor and Statistics reported the state's unemployment rate at 6.7 percent. Though unemployment rates decreased from its peak in 2009, TRSPB's AA continued to experience the effects of a slowly recovering economy. The number of businesses in the AA declined 5.82 percent from 291,549 in 2011 to 274,583 in 2012. Even with business decline

the AA experienced growth in the population by 157,495 from 2011 to 2012. During that same time period the CTs in the AA also increased by 56 tracts. The opportunity to assist low- to moderate-income families increased due to the growing population in the AA (households in low-income CTs increased by nearly 2.0 percent from 2011 to 2012), but the decline in businesses in the area coupled with the recession and an increase in the unemployment rate for the area created adverse business conditions. Nevertheless, the March 2013 Joint Economic Committee report anticipated improvement in Maryland's economy. The service-providing industries like health care, social assistance, professional and business services, as well as retail trade sectors are expected to experience the most growth in the state between 2010 and 2020.

During our evaluation, we contacted one community organization whose primary mission is affordable housing for low-income families. We determined through this community contact and our internal research that opportunities for partnerships in addition to monetary contributions exist. Other community development opportunities include advocating for affordable housing, committing time to help rehab homes, and donating resources. The most prevalent community needs for the AA is affordable housing for low-income families. The contact also indicated a need for traditional and basic banking services, such as free checking and small consumer loans with low interest rates and flexible credit terms. The community contact indicated that local financial institutions have been meeting the needs of the community through monetary contributions and the other opportunities aforementioned.

## Conclusions about Performance

TRPSB's performance under the CD test in their AA is rated satisfactory. The number and amount of qualified investments made is adequate relative to Tier 1 Capital and Total Income.

- Over the evaluation period, TRPSB invested in 18 qualified investments, totaling \$26 million. A majority, by number, of these investments were backed by mortgage loans made to low- to moderate-borrowers in the AA.
- The bank did not use any innovative or complex products or services in meeting community development needs.
- The bank exhibited an adequate responsiveness to the opportunities for community development in its AA.

## Qualified Investments

During the review period, TRPSB held 37 CRA-qualifying investment pools of which 18 were purchased during the review period. The 18 purchased carried a book value of approximately \$26.0 million as of December 31, 2012, or 116 percent of Tier 1 Capital. Of those purchased during the review period, 15 or \$11 million (49 percent of Tier 1 Capital) were originated to LMI borrowers whose property is located in the institution's AA. As of December 31, 2012, TRPSB carried a book value of \$20.5 million of all CRA investment

securities currently held on the institution's balance sheet or an estimated 91.5 percent of Tier 1 Capital.

### *Grants*

In addition, TRPSB awarded a local housing and community development non-profit organization a total of \$125 thousand to help build homes for LMI borrowers. TRPSB contributed a \$25 thousand cash donation every year in the review period.

### **Community Development Services**

TRPSB did not provide any community development services to its AA over the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Assessment Area (AA):** A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

**Benefit to Assessment Area:** A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

**Census Tract (CT):** Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Community Development (CD):** Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301)) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or

- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Median Family Income (MFI):** The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Net Operating Income:** As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments.



**Pass-Through Receivables:** Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries

**Total Assets:** Total bank assets as listed in the Consolidated Report of Condition and Income.

**Total Income:** From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income.

**Wholesale Institution:** An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.