



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 26, 2012

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Shore FS & LA  
Charter Number 705740

106 S Division Street  
Salisbury, MD 21801-4929

Office of the Comptroller of the Currency

Patriot Square 395 E Street SW  
Washington, DC 20024

**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 Outstanding.**

**The Lending Test is rated: Outstanding.**

**The Community Development Test is rated: Outstanding.**

The major factors supporting the institution's rating include:

- First Shore Federal's (FSF) average loan-to-deposit ratio is more than reasonable, and meets the standards for outstanding performance;
- A substantial majority of FSF's loans were originated within the bank's combined assessment area;
- FSF's record of lending to borrowers of different income levels reflects reasonable penetration;
- The geographic distribution of loans reflects excellent dispersion in low- and moderate- income census tracts; and
- FSF's responsiveness to community development needs and opportunities in its assessment area is outstanding considering the bank's size, financial capacity, and competition for community development opportunities.

## **Scope of Examination**

First Shore FS&LA (FSF) was evaluated under the Intermediate Small Bank examination procedures, which assesses the bank's performance under the lending test and the community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The CD test evaluates the bank's responsiveness to the CD needs in its AA through CD lending, qualified investments and community development services.

The lending test for FSF covers its performance from January 1, 2009, through December 31, 2011, as this is representative of its lending strategy since the last CRA examination. Based upon the bank's internally prepared loan report, we determined the bank's primary loan product is HMDA reportable lending. The evaluation period for the CD test is from December 19, 2008 through April 26, 2011. CD loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition for community development.

We, previously, tested the accuracy of the mortgage loan data, which we found to be accurate. Therefore, we used all of the mortgage loan data for the lending test.

## **Description of Institution**

First Shore FS&LA (FSF) is a federally chartered mutual savings bank headquartered in Salisbury, MD. As of March 31, 2012, FSF had total assets of \$318 million and Tier 1 Capital of \$36 million. FSF does not have any subsidiaries or affiliates.

FSF has a total of eight branches throughout Maryland and Delaware. The bank has three branches located in Wicomico County Maryland, including the bank's main office, which is located in the downtown Salisbury, Maryland branch. Four branches are located in Worcester County (MD), and one in Sussex County, Delaware. The branches offer lobby hours of 8:30am to 3:00pm along with extended hours until 6:00pm on Fridays, except for the main office. With the exception of the main office and the Snow Hill branch; extended drive-up hours are offered from 8:30am to 4:00pm Monday through Thursday, 8:30am through 6:00pm Fridays, and 8:30am through 12:00pm on Saturdays. Automated Teller Machines (ATMs) are located at all of the branch offices, except for the main office in Salisbury. There were no branches opened or closed, and there were no mergers or acquisitions during the evaluation period.

FSF is a full service community bank, primarily a single-family mortgage lender, offering a variety of residential mortgage loan products, including fixed- and adjustable-rate loans, construction-permanent loans, and lot loans. In addition to residential lending, FSF is actively involved in mobile home lending, and the bank originates a limited number of commercial and consumer loans. Based on 2000 US Census Data, mobile homes and trailers represented 17.55 percent of the housing units within the bank's combined assessment area.

As of March 31, 2012, FSF reported net loans and leases of \$246 million or 77 percent of total assets. The loan portfolio is comprised of: 93 percent real estate loans, one percent commercial and industrial loans, and six percent consumer loans. FSF's primary lending activity throughout the review period was single family mortgage lending.

There are no financial or legal impediments hindering FSF's ability to help meet the credit needs of the communities it serves.

FSF's last Public Evaluation (PE), dated December 18, 2008, was rated Outstanding.

## Description of Assessment Area(S)

FSF has designated Wicomico, Somerset, and Worcester Counties located on Maryland's Eastern Shore and Sussex County in Delaware as its combined assessment area. The assessment areas in each state, Maryland and Delaware, were reviewed separately. Refer to the "Scope" section under each State Rating section for details regarding how the areas were selected.

## Ratings

The bank's overall rating is a blend of the combined assessment area rating and state ratings. The review of the State of Maryland assessment areas were weighted most heavily, as approximately 64 percent of the number and 60 percent of the dollar volume of originations were in the Maryland assessment areas. Further, seven of the bank's eight branches are located in the State of Maryland. The Maryland AA included almost equal number and dollar amounts of originations in the Salisbury, MD MSA and the Worcester County, MD (Non-Metropolitan) AA.

## Conclusions with Respect to Performance Tests

### LENDING TEST

FSF's performance under the lending test is "Outstanding". The loan-to-deposit ratio is more than reasonable. A substantial majority of FSF's primary loan product, HMDA reportable single family lending, is originated within the combined AA. The record of lending to borrowers of different incomes reflects reasonable penetration. The geographic distribution of loans reflects excellent dispersion throughout census tracts of different income levels.

### Loan-to-Deposit Ratio

**FSF's quarterly average net loan-to-deposit ratio is more than reasonable and meets the standards for outstanding performance.** The bank's quarterly average loan-to-deposit (LTD) ratio over the twelve quarter review period was 94.95 percent. During this twelve-quarter period, this ratio ranged from a quarterly low of 90.83 percent to a quarterly high of 100.28 percent. FSF's quarterly average net LTD ratio compared favorably with other mutual thrift institutions of similar size. The quarterly average net LTD for mutual thrifts of similar size was 87.61 percent over the same twelve quarters. The peer ratios ranged from a quarterly low of 80.61 percent to a quarterly high of 94.18 percent during that period.

### Lending in Assessment Area

**FSF's lending in the AA is outstanding.** The following table sets forth the percentage of the bank's HMDA reportable lending inside and outside its AA for the review period:

HMDA Reportable Lending in FSF's combined AA										
Loan Type	Number of Loans					Dollars of Loans(000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
HMDA Reportable	506	91.83	45	8.17	551	\$87,414	92.00	\$7,599	8.00	\$95,013

Source: HMDA L/AR 1/1/2009-12/31/2011

FSF made a substantial majority of single family mortgage loans within their AA, which meets the standards for outstanding performance. Throughout the evaluation period, the bank originated 506 loans or 91.83 percent of the number of total HMDA reportable loans within the combined AA. Additionally the bank originated 92 percent of the dollar volume of loans within the combined AA.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans, in the bank's combined AA, reflects reasonable penetration and meets the standards for satisfactory performance. The following chart discusses the bank's performance in the combined AA.

HMDA-Reportable Assessment Area Lending: January 1, 2009 – December 31, 2011						
Borrower Income Levels (1)	Number	No. Pct.	Dollar (000)	\$ Percent	Percent of Families	2010 Aggregate HMDA
Low = <50%	42	8.30%	\$2,529	2.89%	19.43%	3.82%
Moderate = 50-79%	80	15.81%	5,911	6.67%	18.97%	12.06%
Middle = 80-119%	100	19.76%	8,351	9.55%	23.59%	17.62%
Upper = > 120%	280	55.34%	68,052	77.85%	38.01%	60.87%
Income N/A	4	0.79%	2,571	2.94%	0.00%	5.64%
Total	506	100.00%	\$87,414	100.00%	100.00%	100.00%

The distribution of FSF's HMDA-reportable lending to low-income borrowers in the assessment area was significantly lower than the percent of families residing in the assessment area; however, the percentage of lending was reasonable when compared to the peer lending benchmark of 3.82 percent. Lending to moderate-income borrowers in the assessment area was reasonable compared to the percentage of families residing in the assessment area and excellent when compared to the peer lending benchmark of 12.06 percent. Overall performance is considered reasonable when taking into account the family poverty rate of 8.63 percent. Families with incomes below the poverty level would find it difficult to qualify for a home loan.

1 Borrower income category is based on the percentage of the median family income of the MSA (or Statewide for non-MSA) in which that person lives.

## Geographic Distribution of Loans

The geographic distribution of loans, in the bank's combined AA, reflects excellent dispersion throughout census tracts of different income levels and meets the standards for outstanding performance. The following chart discusses the bank's performance in the combined AA:

HMDA-Reportable Assessment Area Lending: January 1, 2009 – December 31, 2011						
Income Level of Census Tract (1)	Number	No. Pct.	Dollar (000)	\$ Percent	% of OOHU (2)	2010 Aggregate HMDA
Low = <50%	1	0.20%	\$61	0.07%	0.07%	0.01%
Moderate = 50-79%	39	7.71%	5,636	6.45%	5.89%	2.92%
Middle = 80-119%	418	82.61%	66,704	76.31%	83.54%	78.26%
Upper = > 120%	48	9.49%	15,013	17.17%	10.50%	18.82%
Total	506	100.00%	\$87,414	100.00%	100.00%	100.00%

The percentage of FSF's loans made in low-income geographies is excellent and exceeds both the percentage of owner occupied housing units and the peer lending benchmark. Loans made in moderate-income geographies is excellent and exceeds the percentage of Owner Occupied Housing Units in the respective census tracts, as well as the peer lending benchmark.

## Responses to Complaints

The bank has received no complaints concerning their lending performance in the assessment area.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in the combined assessment area is "Outstanding".

FSF's community development activities in their assessment areas demonstrate strong responsiveness to the community development needs. The bank extended three community development loans within the assessment area, and continues to offer flexible lending programs. FSF provided approximately \$228 thousand in qualified grants, and donations to help meet community development needs. Bank officers and employees also provided financial expertise to various community development organizations serving the AA, serving roles including: board members, executive committee members, and treasurer.

<sup>2</sup> The numbers in this column represent the ratio of owner-occupied housing units in each census tract income category to the total number of owner-occupied housing units in the assessment area.

### **Number and Amount of Community Development Loans**

FSF originated 3 community development loans in its assessment area throughout the evaluation period totaling \$297 thousand. These community development loans assisted in providing affordable housing within the assessment area.

### **Number and Amount of Qualified Investments**

During the evaluation period, FSF made grants and donations totaling \$228 thousand to benefit 32 different community groups. These grants and donations assist these organizations in providing affordable housing, educational, and community services to low- and moderate-income individuals and families within the AA.

### **Extent to Which the Bank Provides Community Development Services**

Throughout the evaluation period, bank employees and officers provided financial and technical expertise to twelve qualified community development organizations. Bank personnel have served on Boards, led committees, and held various leadership positions. The bank has maintained long-standing relationships with these community development organizations.

### **Responsiveness to Community Development Needs**

The bank's community development activities, as a whole, demonstrate excellent responsiveness to the community development needs of its assessment area, in particular when considering the bank's capacity, performance context, and the competition for community development opportunities in the assessment area.

## **State Rating**

### **State of Maryland**

**CRA Rating for Maryland: Outstanding.**

**The Lending Test: Outstanding.**

**The Community Development Test: Outstanding.**

The major factors supporting the institution's rating include:

- FSF's record of lending to borrowers of different incomes reflects reasonable penetration;
- The geographic distribution of loans reflects excellent dispersion in low- and moderate- income census tracts within the assessment area; and
- FSF's responsiveness to community development needs and opportunities in its assessment area is excellent considering the bank's size, financial capacity, and competition for community development opportunities.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MARYLAND**

FSF has a total of seven branches throughout Maryland. The bank has three branches located in the Salisbury, MD MSA (all three in Wicomico County); including the bank's main office located in its downtown Salisbury, Maryland branch. Four branches are located in Worcester County, MD. All seven branches in Maryland are full service branch offices.

### **DESCRIPTION OF THE STATE OF MARYLAND ASSESSMENT AREAS**

The bank's assessment areas within the State of Maryland include the Salisbury, MSA (Wicomico and Somerset Counties) and Worcester County (Non-Metropolitan Maryland).

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN SALISBURY MSA ASSESSMENT AREA**

#### **Description of Institutions Operations in Salisbury, MD MSA Assessment Area**

FSF operates three full service branches in the Salisbury, MD MSA, including its main office. The Salisbury, MD MSA assessment area consists of Wicomico and Somerset Counties, which encompass the entire Salisbury, Maryland MSA.

#### **Description of Salisbury, MD MSA Assessment Area**

Below is a summary of demographic information for this AA:

<b>Demographic Information for the Salisbury, MD MSA AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	24	4.35	21.74	60.87	13.04
Population by Geography	109,295	1.36	20.53	63.31	14.79
Owner-Occupied Housing by Geography	50,505	0.23	12.76	69.54	17.47
Renter Occupied Housing by Geography	12,072	4.03	34.92	52.37	8.69
Vacant Units by Geography	14,391	1.25	21.13	70.08	7.54
Family Distribution by Income Level	27,402	21.13	17.82	22.01	39.03
Household Distribution by Income Level	40,597	26.70	17.74	19.86	35.70
Census Median Family Income (MFI)	45,549	Median Housing Value		90,550	
HUD-Adjusted MFI: 2008	61,700	Unemployment Rate		9.80%	
Families Below the Poverty Level	9.96%				

Source: 2000 U.S. Census Data; 2009 HUD updated MFI

Somerset County is home to numerous seaside resort towns, small towns, and agriculture. Major business sectors in this AA include: leisure and hospitality; trade, transportation, and utilities; educational and health services; government; and professional and business services.

## LENDING TEST

### Lending to Borrowers of Different Incomes

The distribution of loans in the Salisbury, MD MSA reflects reasonable penetration and meets the standards for satisfactory performance. The following chart discusses the bank's performance in the Salisbury, MD MSA AA.

<b>HMDA-Reportable Lending in Salisbury, MD MSA: January 1, 2009 – December 31, 2011</b>						
<b>Borrower Income Levels (5)</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Dollar (000)</b>	<b>\$ Percent</b>	<b>Percent of Families</b>	<b>2010 Aggregate HMDA</b>
Low = <50%	13	8.13%	\$964	3.85%	21.13%	7.09%
Moderate = 50-79%	42	26.25%	2,929	11.969%	17.382%	18.20%
Middle = 80-119%	38	23.75%	3,201	12.78%	22.01%	23.15%
Upper = > 120%	65	40.63%	15,731	62.81%	39.03%	38.49%
Income N/A	2	1.25%	2,222	8.87%	0.00%	13.07%
<b>Total</b>	<b>160</b>	<b>100.00%</b>	<b>\$25,047</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The distribution of FSF's HMDA-reportable lending to low-income borrowers in the assessment area was substantially below the percentage of low-income families residing in the assessment area; however, the percentage of lending was excellent when compared to the peer lending benchmark of 7.09 percent. The percentage of lending to moderate-income borrowers is excellent and exceeds the percentage of moderate-income families in the assessment area as well as the peer lending benchmark of 18.20 percent. The bank's overall performance is considered reasonable when taking into account the family poverty rate of 9.96 percent. Families with incomes below the poverty level would find it difficult to qualify for a home loan.

**Geographic Distribution of Loans**

**The geographic distribution of loans, in the Salisbury, MD MSA AA, reflects excellent dispersion and meets the standards for outstanding performance.** The following chart discusses the bank's performance in the Salisbury MSA AA:

HMDA-Reportable Lending in Salisbury, MD MSA: January 1, 2009 – December 31, 2011						
Income Level of Census Tract	Number	No. Pct.	Dollar (000)	\$ Percent	% of OOHU (6)	2010 Aggregate HMDA
Low = <50%	1	0.63%	\$61	0.24%	0.23%	0.06%
Moderate = 50-79%	20	12.50%	\$4,037	16.12%	12.76%	10.63%
Middle = 80-119%	108	67.50%	\$16,591	66.24%	69.54%	67.32%
Upper = > 120%	31	19.38%	\$4,358	17.40%	17.47%	21.99%
Total	160	100.00%	\$25,047	100.00%	100.00%	100.00%

The percentage of FSF's loans made in low-income geographies is excellent and exceeds both the percentage of owner occupied housing units and the peer lending benchmark. Loans made in moderate-income geographies are excellent and exceeds the percentage of Owner Occupied Housing Units in the respective census tracts, as well as the peer lending benchmark.

**Responses to Complaints**

The bank has received no complaints concerning their lending performance in the assessment area.

**COMMUNITY DEVELOPMENT TEST**

**Number and Amount of Community Development Loans**

The bank originated 3 community development loans in its assessment area throughout the evaluation period totaling \$297 thousand. These community development loans

were made through Salisbury Neighborhood Housing Services, which assists in providing affordable housing within the assessment area.

**Number and Amount of Qualified Investments**

During the evaluation period, FSF made grants and donations totaling \$220,400 to benefit 24 different community groups in the Salisbury, MD MSA. These grants and donations assist these organizations in providing affordable housing, educational, and community services to low- and moderate-income individuals and families within the AA.

**Extent to Which the Bank Provides Community Development Services**

Throughout the evaluation period, bank employees and officers provided financial and technical expertise to eight qualified community development organizations. Bank personnel have served on Boards, led committees, and held various leadership positions. The bank has maintained long-standing relationships with these community development organizations.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WORCESTER, MD ASSESSMENT AREA**

**Description of Institution’s Operations in Worcester, MD Assessment Area**

FSF operates four full service branches in the Worcester County, MD assessment area. Worcester County is a largely rural area located along Maryland’s eastern shore.

**Description of Worcester, MD Assessment Area**

Below is a summary of demographic information for this AA:

<b>Demographic Information for the Worcester County, MD AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	11	0.00	18.18	60.87	0.00
Population by Geography	46,543	0.00	19.61	80.39	0.00
Owner-Occupied Housing by Geography	14,775	0.00	13.35	86.65	0.00
Renter Occupied Housing by Geography	4,919	0.00	32.10	67.90	0.00
Vacant Units by Geography	27,666	0.00	1.17	98.83	0.00
Family Distribution by Income Level	13,404	20.17	19.45	25.53	34.85
Household Distribution by Income Level	19,706	21.83	17.60	21.39	39.18
Census Median Family Income (MFI)	47,625	Median Housing Value		124,548	
HUD-Adjusted MFI: 2008	69,400	Unemployment Rate		12.80%	
Families Below the Poverty Level	7.18%				

Source: 2000 U.S. Census Data; 2009 HUD updated MFI

The county includes a resort town, Ocean City, which attracts visitors throughout summer months. Given the fact that a portion of the homes in the county are vacation homes, many of the housing units are vacant during much of the year. There are no low- or upper-income census tracts within Worcester County.

## LENDING TEST

### Lending to Borrowers of Different Incomes

**The distribution of loans, in the bank’s Worcester, MD AA, reflects reasonable penetration and meets the standards for satisfactory performance.** The following chart discusses the bank’s performance in the Worcester, MD AA.

HMDA-Reportable Lending in Worcester County, MD (Non-Metropolitan) AA: January 1, 2009 – December 31, 2011						
Borrower Income Levels	Number	No. Pct.	Dollar (000)	\$ Percent	Percent of Families	2010 Aggregate HMDA
Low = <50%	15	9.04%	\$839	3.07%	20.17%	2.78%
Moderate = 50-79%	18	10.84%	1,261	4.61%	19.45%	9.61%
Middle = 80-119%	29	17.47%	2,604	9.52%	25.53%	16.10%
Upper = > 120%	104	62.65%	22,637	82.80%	34.85%	66.42%
Income N/A	0	0.00%	0	0.00%	0.00%	5.10%
Total	166	100.00%	\$27,047	100.00%	100.00%	100.00%

The distribution of FSF’s HMDA-reportable lending to low-income borrowers in the assessment area was significantly lower than the percentage of low-income families residing in the assessment area; however, the percentage of lending was excellent when compared to the peer lending benchmark of 2.78 percent. The percentage of lending to moderate-income borrowers is poor when compared to the percentage of moderate-income families in the assessment area; however, the percentage of lending was reasonable when compared to the peer lending benchmark of 9.61 percent. The bank’s overall performance is considered reasonable when taking into account the family poverty rate of 7.18 percent. Families with incomes below the poverty level would find it difficult to qualify for a home loan.

### Geographic Distribution of Loans

**The geographic distribution of loans, in the Worcester County, MD AA, reflects reasonable dispersion and meets the standards for outstanding performance.** The following chart discusses the bank’s performance in the Worcester County AA:

<b>HMDA-Reportable Lending in Worcester County, MD (Non-Metropolitan) AA: January 1, 2009 – December 31, 2011</b>						
<b>Income Level of Census Tract</b>	<b>Number</b>	<b>No. Pct.</b>	<b>Dollar (000)</b>	<b>\$ Percent</b>	<b>% of O.O.H.U.</b>	<b>2010 Aggregate HMDA</b>
Low = <50%	0	0.00%	\$0	0.00%	0.00%	0.00%
Moderate = 50-79%	19	11.45%	1,599	5.85%	13.35%	3.76%
Middle = 80-119%	147	88.55%	25,742	94.15%	86.65%	96.24%
Upper = > 120%	0	0.00%	0	17.17%	0.00%	0.00%
<b>Total</b>	<b>166</b>	<b>100.00%</b>	<b>\$27,341</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

The Worcester County, MD AA does not contain any low income census tracts and therefore the analysis would not be meaningful. Loans made in moderate-income geographies are reasonable and is near the percentage of Owner Occupied Housing Units in the respective census tracts, however, the level is excellent when compared to the peer lending benchmark of 3.76 percent.

### **Responses to Complaints**

The bank has received no complaints concerning their lending performance in the assessment area.

### **COMMUNITY DEVELOPMENT TEST**

#### **Number and Amount of Community Development Loans**

The bank did not originate any community development loans within the Worcester County, MD assessment area.

#### **Number and Amount of Qualified Investments**

During the evaluation period, FSF made grants and donations totaling \$5,700 to benefit four different community groups in the Worcester County AA. These grants and donations assist these organizations in providing affordable housing and community services to low- and moderate-income individuals and families within the AA.

#### **Extent to Which the Bank Provides Community Development Services**

Throughout the evaluation period, bank employees and officers provided financial and technical expertise to three qualified community development organizations. Bank personnel have served on Boards, led committees, and held various leadership positions. The bank has maintained long-standing relationships with these community development organizations.

## State of Delaware

**CRA Rating for Delaware: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

The major factors supporting the institution's rating include:

- FSF's record of lending to borrowers of different income levels reflects reasonable penetration;
- The geographical distribution analysis is not meaningful as there are no low- and moderate-income census tracts; and
- FSF's responsiveness to community development needs and opportunities in its assessment area is adequate considering the limited number of branches and competition for community development opportunities.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN DELAWARE

FSF operates one full service branch in the State of Delaware. The Ocean View branch is located in Sussex County.

Below is a summary of demographic information for this AA:

<b>Demographic Information for the Sussex County (Non-Metropolitan) DE AA</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	36	0.00	0.00	91.66	8.33
Population by Geography	156,638	0.00	0.00	92.26	7.74
Owner-Occupied Housing by Geography	50,505	0.00	0.00	90.18	9.82
Renter Occupied Housing by Geography	12,072	0.00	0.00	90.87	9.13
Vacant Units by Geography	30,493	0.00	0.00	53.22	46.78
Family Distribution by Income Level	44,090	18.14	19.53	23.99	38.34
Household Distribution by Income Level	62,582	7.71	26.45	31.45	34.39
Census Median Family Income (MFI)		45,603	Median Housing Value		127,483
HUD-Adjusted MFI: 2008		57,100	Unemployment Rate		2.84%
Families Below the Poverty Level		7.72%			

*Source: 2000 U.S. Census Data; 2009 HUD updated MFI*

Sussex County is a largely rural area located along Delaware's eastern shore. The county includes a resort town, Rehoboth Beach, which attracts visitors throughout summer months. Given the fact that a portion of the homes in the county are vacation

homes, many of the housing units are vacant during much of the year. Major business sectors in this AA include: leisure and hospitality; trade, transportation, and utilities; educational and health services; government; and professional and business services.

## SCOPE OF EVALUATION IN DELAWARE

FSF's assessment area in Delaware consists of Sussex County, DE (Non-Metropolitan). FSF designated all 36 census tracts in the Sussex County, DE AA. This AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN DELAWARE

### LENDING TEST

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans, in the bank's Sussex County, DE AA, reflects reasonable penetration and meets the standards for satisfactory performance. The following chart discusses the bank's performance in the Sussex County, DE AA

HMDA-Reportabl Lending in Sussex County, DE (Non-Metropolitan) AA: January 1, 2009 – December 31, 2011						
Borrower Income Levels (3)	Number	No. Pct.	Dollar (000)	\$ Percent	Percent of Families	2010 Aggregate HMDA
Low = <50%	14	7.78%	\$726	2.07%	18.14%	3.08%
Moderate = 50-79%	20	11.11%	1,721	4.91%	19.53%	10.85%
Middle = 80-119%	33	18.33%	2,546	7.27%	23.99%	16.29%
Upper = > 120%	111	61.67%	29,684	84.75%	38.34%	66.47%
Income N/A	2	1.11%	349	1.00%	0.00%	3.31%
Total	180	100.00%	\$35,026	100.00%	100.00%	100.00%

The distribution of FSF's HMDA-reportable lending to low-income borrowers in the assessment area was significantly lower than the percentage of low-income families residing in the assessment area; however, the percentage of lending was excellent when compared to the peer lending benchmark of 3.08 percent. The percentage of lending to moderate-income borrowers is poor when compared to the percentage of moderate-income families in the assessment area; however, the percentage of lending was reasonable when compared to the peer lending benchmark of 10.85 percent.

<sup>3</sup> Borrower income category is based on the percentage of the median family income of the MSA (or Statewide for non-MSA) in which that person lives.

FSF's overall performance is considered reasonable when taking into account the family poverty rate of 7.72 percent. Families with incomes below the poverty level would find it difficult to qualify for a home loan.

### **Geographic Distribution of Loans**

A geographic distribution analysis is not meaningful as there are no census tracts designated as low- or moderate-income.

### **Responses to Complaints**

The bank has received no complaints concerning their lending performance in the assessment area.

## **COMMUNITY DEVELOPMENT TEST**

FSF's resources within Sussex County are limited, with only one branch office located in the assessment area. First Shore has engaged in a reasonable level of community development activities relative to its resources.

### **Number and Amount of Community Development Loans**

The bank did not originate any community development loans within the Delaware assessment area.

### **Number and Amount of Qualified Investments**

During the evaluation period, FSF made grants and donations totaling \$1,651 to benefit four different community groups in the Sussex County AA. These grants and donations assist these organizations in providing affordable housing and community services to low- and moderate-income individuals and families within the AA.

### **Extent to Which the Bank Provides Community Development Services**

Throughout the evaluation period one executive provided financial expertise while serving on the fundraising committee for a Sussex County community organization that provides affordable housing for low- and moderate- income families.

### **Responsiveness to Community Development Needs**

The bank's community development activities, as a whole, demonstrate adequate responsiveness to the community development needs of its assessment area, in particular when considering the bank's capacity, performance context, and the competition for community development opportunities in the assessment area.

## **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.