



## **PUBLIC DISCLOSURE**

September 30, 2019

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

Madison Bank of Maryland  
Charter Number: 708152

1920 Rock Spring Road  
Forest Hill, MD 21050-2605

Office of the Comptroller of the Currency  
Washington DC Field Office

400 7th Street S.W., 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, and should not 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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>SCOPE OF THE EVALUATION .....</b>	<b>5</b>
<b>DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....</b>	<b>5</b>
<b>STATE RATING .....</b>	<b>6</b>
STATE OF MARYLAND .....	6
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: SUMMARY OF MMSA AND STATE RATINGS .....</b>	<b>B-1</b>
<b>APPENDIX C: DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>C-1</b>
<b>APPENDIX D: TABLES OF PERFORMANCE DATA .....</b>	<b>D-1</b>

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

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

The major factors that support this rating include:

- Madison Bank of Maryland (Madison, bank, or Institution)'s net loan-to-deposit ratio (LTD) is more than reasonable, and exceeds the standard for satisfactory performance;
- The bank originated a substantial majority of its loans by both dollar and number in its assessment area (AA);
- The bank's distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels;
- The bank received no CRA-related complaints during the evaluation period.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's LTD ratio is more than reasonable.

The bank's quarterly average net LTD ratio since the preceding CRA evaluation was 94.6 percent. The ratio ranged from a quarterly low of 81.8 percent as of March 31, 2017, to a quarterly high of 105.2 percent as of September 30, 2014. The ratio is calculated on a bank-wide basis. The quarterly average net LTD ratio for a custom peer group of seven similarly situated institutions with assets ranging from \$126.8 million to \$377.6 million and located in the same MSA was 87.3 percent over the same period. The peer group's ratio ranged from a quarterly low average of 80.8 percent to a quarterly high average of 98.4 percent during that time period.

### Lending in Assessment Area

Madison's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the bank's home mortgage loans were originated inside the bank's AA.

As shown in the Table D, the bank originated and purchased 90.2 percent by number and 88.0 percent by dollar amount of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

<b>Table D - Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2016	34	100.0	0	0.0	34	7,371	100.0	0	0.0	7,371
2017	43	81.1	10	18.9	53	13,025	79.8	3,302	20.2	16,327
2018	43	93.5	3	6.5	46	14,004	90.9	1,400	9.1	15,404
<b>Subtotal</b>	<b>120</b>	<b>90.2</b>	<b>13</b>	<b>9.8</b>	<b>133</b>	<b>34,400</b>	<b>88.0</b>	<b>4,702</b>	<b>12.0</b>	<b>39,102</b>
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

## Description of Institution

Madison is a single-state community oriented financial headquartered in Forest Hill, Maryland. The bank converted from a mutual thrift to a stock savings bank on December 29, 2014, and is wholly owned by MB Bancorp, Inc., also located in Forest Hill, Maryland. MB Bancorp, Inc., with an approximate asset size of \$33.6 million as of September 30, 2019, exists solely for holding the bank's stock. Madison has two subsidiaries: (1) 1920 Rock Spring Road, LLC and (2) Mutual, LLC. 1920 Rock Spring Road, LLC was formed in 1998 to own and hold the title to the corporate office. Mutual, LLC was formed in 2011 to hold other real estate owned. None of these subsidiaries offers financial products or services to the public. Madison primarily originates loans for its own portfolio and does not sell loans in the secondary market. As of December 31, 2018, Madison reported total assets of \$146.8 million, total deposits of \$100.0 million, Tier 1 Capital of \$26.3 million, and net loans and leases of \$97.3 million.

Madison is primarily a residential lender with a majority of the loan portfolio secured by residential properties. As of the June 30, 2019, Call Report (Consolidated Reports of Condition and Income), the loan portfolio consisted of approximately 77.3 percent residential real estate mortgages, followed by 19.8 percent commercial loans, 2.7 percent home equity lines of credit, and 0.16 percent home equity loans.

As of the evaluation date, Madison's branch network consists of three full service offices. The main office, housing the administrative headquarters is located in an upper-income census tract in Harford County. The second branch office is located in a middle-income census tract in Baltimore County and the third location is in a moderate-income census tract in Harford County. The bank does not have any branch offices in a low-income census tract. All three branch offices offer drive-thru services. The branch hours of operation typically are Mondays through Thursdays, 9:00 AM to 3:00 PM, Fridays from 9:00 AM to 5:00 PM and Saturdays from 9:00 AM to 12:00 Noon. The branch hours of operation for the Aberdeen location differ with Friday hours being 9:00 AM to 6:00 PM and closed on Saturdays. Branch hours of operation are comparable to other local financial institutions. The bank does not operate any automated teller machines (ATMs). The bank participates in the Allpoint ATM Network, which provides customers with access to over 55,000 surcharge free ATMs. Madison did not close any branch offices during the evaluation period, nor were there any mergers or acquisitions.

Madison offers traditional deposit accounts and loan products. Loan products include residential mortgage loans, non-residential real estate loans, construction and land loans, and home equity lines of credit. Deposit products include checking and savings accounts, money market accounts, certificates of deposit, and individual retirement accounts. Customers have 24-hour access to their accounts through the bank's website and mobile banking. They can access account balance information, transfer funds and pay bills online through the website or through mobile banking. The bank's Internet website, <https://www.mbofmd.com>, provides further details on products and services offered.

The Bank has one AA located within the Baltimore-Towson, Maryland (MD) Metropolitan Statistical Area (MSA) 12580. The current AA includes Baltimore, Harford, and Anne Arundel counties and City of Baltimore. The AA delineation changed during the evaluation period. In 2016, the bank's AA included only Howard and Baltimore counties. In the beginning of 2017, the bank added Baltimore City and Anne Arundel County to the AA.

There are no financial or legal impediments to hinder Madison's ability to help meet the credit needs of the communities. The bank received a CRA rating of "Outstanding" at the previous CRA Performance Evaluation dated June 30, 2014, under the Small Bank performance standards.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

The bank's performance is evaluated under the Small Bank performance criteria, which consists of a Lending Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its AA through its lending activities. The Lending Test considers the bank's performance pursuant to the following criteria: Loan-to-Deposit Ratio Analysis; AA Concentration; Geographic Distribution; Borrower Distribution; and Response to CRA Complaints. The consideration and evaluation of community development (CD) activities is optional under the Small Bank examination procedures. At management's request, we evaluated CD activities during the evaluation period.

The evaluation period for the Lending Test is from January 1, 2016 to December 31, 2018. We determined that home mortgage loans are the bank's primary product. The bank is a Home Mortgage Disclosure Act (HMDA) reporter; therefore, we considered all home mortgage loans reported on the bank's 2016, 2017, and 2018 HMDA Loan Application Registers (LARs). The HMDA data was tested and found to be reliable.

### **Selection of Areas for Full-Scope Review**

The bank operates in one AA consisting of all census tracts in Baltimore, Harford, and Anne Arundel counties, and the City of Baltimore, Maryland located within the Baltimore-Columbia-Towson, MD MSA12580. We performed a full-scope review on this AA.

Refer to Appendix A. Scope of Examination, regarding the AA receiving a full-scope review.

### **Ratings**

Madison's overall rating is the state rating since it has domestic branches in only one state.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Maryland

**CRA rating for the State of Maryland:** Satisfactory.

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

The major factors that support this rating include:

- The bank's average LTD ratio is more than reasonable based on its size, financial condition, AA credit needs, and local competition;
- A substantial majority of the bank's mortgage loans were originated inside the bank's AA; and
- The bank's distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels.

### Description of Institution's Operations in Maryland

The bank operates only in the State of Maryland and provides its products and services through three branches. Residential real estate loans are the bank's primary lending products and were evaluated under the Lending Test.

There is a high level of competition for financial services in the AA. According to the most recent Federal Deposit Insurance Corporation (FDIC) Deposit Market Share data as of June 30, 2019, there are 50 financial institutions that operate 667 full-service offices in the MSA. Of all those institutions, Madison ranked 33<sup>rd</sup> with only 0.13 percent of the market share. The five largest competitors within the MSA are Bank of America, N.A. (29.6 percent market share), Manufacturers & Traders Trust Company (19.3 percent market share), PNC Bank, N.A. (10.2 percent market share), Wells Fargo Bank, N.A. (9.5 percent market share) and Branch Banking and Trust Company (7.2 percent market share) for a total market share of 72.8 percent.

There is a high level of competition for financial services in the AA. According to the most recent Federal Deposit Insurance Corporation (FDIC) Deposit Market Share data as of June 30, 2019, 50 financial institutions operate 667 full-service offices in the MSA. Of all those institutions, Madison ranked 33<sup>rd</sup> with only 0.13 percent of the market share. The five largest competitors within the MSA are Bank of America, N.A. (29.6 percent market share), Manufacturers & Traders Trust Company (19.3 percent market share), PNC Bank, N.A. (10.2 percent market share), Wells Fargo Bank, N.A. (9.5 percent market share) and Branch Banking and Trust Company (7.2 percent market share) for a total market share of 72.8 percent.

The bank faces strong competition from other financial institutions and mortgage companies that originate loans within the AA. The 2018 aggregate HMDA data shows that 582 lenders originated or purchased 69,922 home mortgage loans in the bank's AA. Madison ranked 175<sup>th</sup> with only 0.06 percent of the market share. The top five lenders were Wells Fargo Bank, N.A., PennyMac Loan Services LLC, Quicken Loans, Inc., First Home Mortgage Corporation, and Bank of America, N.A.

Data obtained from the U.S. Bureau of Labor Statistics indicates that as of December 31, 2018, the unemployment rate for Baltimore-Columbia-Towson, MD MSA was 3.5 percent, which is slightly lower than the 2018 state average of 3.7 percent and the national average of 3.9 percent.

As stated previously, the composition of the bank's AA changed between 2016 and 2017-2018. In the beginning of 2017, after performing its own internal analysis, the bank amended its AA to include the counties of Anne Arundel, Baltimore, and Harford and the City of Baltimore. Prior to 2017, the bank's AA included Baltimore and Howard counties in the State of Maryland. The AA consists of whole geographies and does not arbitrarily exclude low- or moderate-income areas and include the census tracts where the bank's offices are located.

The information in the following tables provide select demographic characteristics of the AA.

### 2016 AA

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	271	4.8	22.5	45.4	25.8	1.5
Population by Geography	1,049,855	5.1	23.3	45.7	25.4	0.4
Housing Units by Geography	427,973	5.1	24.2	46.7	24.1	0.0
Owner-Occupied Units by Geography	284,470	2.4	17.6	49.8	30.2	0.0
Occupied Rental Units by Geography	120,493	11.2	38.3	39.3	11.2	0.0
Vacant Units by Geography	23,010	6.4	31.7	45.7	16.2	0.0
Businesses by Geography	67,087	4.0	15.8	45.4	34.5	0.3
Farms by Geography	1,599	1.8	9.0	41.7	47.4	0.1
Family Distribution by Income Level	268,369	19.4	18.8	23.3	38.6	0.0
Household Distribution by Income Level	404,963	21.6	17.2	19.7	41.4	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$81,788	Median Housing Value			\$286,506
			Median Gross Rent			\$1,047
			Families Below Poverty Level			5.0%

*Source: 2010 U.S. Census and 2016 D&B Data  
Due to rounding, totals may not equal 100.0  
(\* The NA category consists of geographies that have not been assigned an income classification.*

In 2016, the bank's designated AA consisted of Baltimore and Howard counties in the state of Maryland within the Baltimore-Columbia-Towson MD MSA 12580. Based on the 2006-2010 ACS Census data, the AA consisted of 271 census tracts of which, 4.8 percent were low- income, 22.5 percent were moderate- income, 45.4 percent were middle-income, 25.8 percent were upper-income, and 1.5 percent were not assigned an income classification. There were no distressed, underserved, or designated disaster areas within the AA.



**2017-2018 AA**

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	576	15.5	26.4	32.6	23.3	2.3
Population by Geography	2,249,659	11.0	26.8	34.9	26.2	1.0
Housing Units by Geography	948,526	12.9	27.3	34.7	24.7	0.3
Owner-Occupied Units by Geography	543,999	6.2	21.4	39.3	33.0	0.1
Occupied Rental Units by Geography	306,232	19.0	37.2	30.0	13.2	0.6
Vacant Units by Geography	98,295	31.3	29.2	24.4	14.2	0.9
Businesses by Geography	145,455	6.6	19.4	39.0	34.1	1.0
Farms by Geography	2,825	1.8	14.8	38.4	44.9	0.1
Family Distribution by Income Level	536,708	24.8	18.2	19.9	37.0	0.0
Household Distribution by Income Level	850,231	27.4	16.3	17.7	38.7	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$87,788	Median Housing Value			\$250,088
			Median Gross Rent			\$1,149
			Families Below Poverty Level			8.6%

*Source: 2015 ACS Census and 2018 D&B Data  
Due to rounding, totals may not equal 100.0  
(\* The NA category consists of geographies that have not been assigned an income classification.*

In 2017, the bank's AA area changed from two counties to four counties comprised of all census tracts in Anne Arundel, Baltimore, and Harford counties and the City of Baltimore. Based on the 2011-2015 ACS Census data, the AA consists of 576 census tracts of which, 15.5 percent are low-income, 26.4 percent are moderate-income, 35.6 percent are middle-income, 23.3 percent are upper-income, and 2.3 percent have not been assigned an income classification. There are no distressed, underserved, or designated disaster areas within the AA.

The 2016, 2017 and 2018 FFIEC estimated median family income levels were used to analyze home mortgage loans under the Borrower Distribution analysis. The following table presents the low-, moderate, middle- and upper-income median family income categories for each year.

<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Baltimore-Columbia-Towson, MD MSA Median Family Income (12580)</b>				
2016 (\$86,700)	<\$43,350	\$43,350 to <\$69,360	\$69,360 to <\$104,040	≥\$104,040
2017 (\$91,100)	<\$45,550	\$45,550 to <\$72,880	\$72,880 to <\$109,320	≥\$109,320
2018 (\$94,900)	<\$47,450	\$47,450 to <\$75,920	\$75,920 to <\$113,880	≥\$113,880

*Source FFIEC*

According to Moody's Analytics, the outlook for Baltimore-Columbia-Towson is solid. Key drivers such as healthcare and business/professional services will generate steady job and income growth, and housing will lend more support. Weak population gains and relatively high business costs cap upside potential in the long term, and employment growth will track the U.S. average. The major employers in this AA are Fort George G. Meade, Johns Hopkins University, Aberdeen Proving Ground, University of Maryland Medical System, and Johns Hopkins Health System.

As part of the evaluation process, we obtained information on the credit needs of the AA from two contacts conducted for recent CRA performance evaluations of other banks located within the AA. The first contact was with the executive director of a local non-profit organization that serves low- and moderate-income individuals and families in Harford County, Maryland. The organization supports and encourages individuals and families on their path to self-sufficiency through various programs and services. According to the contact, there are several county residents who are food insecure and are struggling financially to meet day-to-day living expenses. Support for food pantries and other programs to help alleviate food insecurity is a continued need.

The second contact was with a representative of a community development corporation that focuses on commercial real estate projects to revitalize Baltimore City. In addition to its revitalization efforts, the organization offers financial counseling, first time homeownership counseling, foreclosure prevention counseling, and all other aspects of buying a home. According to this contact, Baltimore struggles with high poverty, declining population, crime, blight, and school performance issues. Specific neighborhoods have high rates of unemployment, blighted properties, and low educational attainment. Access to transportation is an issue in the high poverty neighborhoods. There are a number of needs in the area including more jobs for city residents that offer sustaining wages and benefits; improved access to education, access to capital for women and minority-owned businesses looking to grow and expand; improvements to infrastructure and services in poorer neighborhoods to make them more appealing and attract private investment; increased workforce development resources (particularly for formerly incarcerated citizens), financial support for neighborhood non-profit organizations, and elimination of blighted properties to help spur neighborhood revitalization. The opportunities for local financial institutions include participation in community-development related projects and initiatives such as strategic revitalization investments. Financial institutions could provide additional support for projects receiving funding under a revitalization initiative.

## **Scope of Evaluation in State of Maryland**

The bank operates only in the State of Maryland. As of the evaluation date, Madison operates three full-service banking offices, all in the State of Maryland.

Based on both the number and dollar volume of loan origination data supplied by the bank, the primary loan product was home mortgage loans. This evaluation considered all home mortgage loans reported on the bank's 2016, 2017, and 2018 HMDA LAR.

We completed two separate analyses of the bank's lending performance due to changes in the bank's AA as well as changes from the American Community Survey (ACS), which occurred in 2015. The lending performance for 2016 was evaluated separately, while performance for 2017 and 2018 was assessed on a combined basis. For the purposes of this review, lending in 2016 was analyzed based on income designations from the 2006-2010 ACS (2010 U.S. Census) data. Loans made in calendar years 2017 and 2018 were analyzed based on income designations from the 2011-2015 ACS (2015 ACS) data. Peer data

was taken from 2016 and 2018 aggregate HMDA information for HMDA reporting financial institutions that reported lending activity within the AA. We placed greater weight on the bank's lending performance in 2017-2018 than 2016 as this represents most of the evaluation period and is reflective of Madison's current performance.

## **LENDING TEST**

The bank's performance under the Lending Test in the State of Maryland is rated **Satisfactory**.

Based on full-scope review, the bank's lending performance in the State of Maryland is **reasonable**.

Only loans inside the AA were included in the analysis of geographic and borrower distribution.

### **Distribution of Loans by Income Level of the Geography**

The bank exhibits poor geographic distribution of home mortgage loans in the AA and does not meet the standard for satisfactory performance.

#### *Home Mortgage Loans*

Refer to Table O in the state of Maryland section of appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

#### 2016

In 2016, the bank did not originate or purchase any home mortgage loans in low-income census tracts. However, opportunities for home mortgage lending in low-income census tracts were limited. According to the 2010 Census data, only 2.4 percent of the total owner-occupied housing units (OOHUs) in the AA were located in low-income census tracts and peer data shows only 2.2 percent of loans in these census tracts. The percentage of home mortgage loans in moderate-income census tracts was significantly below the percentage of OOHU in these census tracts, as well as the aggregate lending data percentages. While 17.6 percent of the AA's OOHU areas were located within the bank's moderate-income census tracts., only 3.2 percent of mortgage loans were extended in moderate-income census tracts. The aggregate originated 16.3 percent home mortgage loans in moderate-income census tracts.

#### 2017-2018

In 2017-2018, the bank did not originate or purchase any home mortgage loans in low-income census tracts. The aggregate originated 4.3 percent home mortgage loans in low-income census tracts, while 6.2 percent of the AA's OOHUs were located within the bank's low-income census tracts. The percentage of home mortgage loans originated in moderate-income census tracts was below both the percentage of OOHUs and the aggregate lending data. The bank originated 10.5 percent of home mortgage loans in moderate-income census tracts, while 21.4 percent of the AA's OOHUs were located within the bank's moderate-income census tracts. The aggregate originated 19.5 percent home mortgage loans in moderate-income census tracts.

## **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

In our analysis, we took into consideration the lack of affordability for a low- or moderate-income (LMI) family to purchase a home, given the cost of housing compared to median family income and the level of households below the poverty level. We also considered the significant market competition from local lenders, large national banks, and mortgage companies.

### ***Home Mortgage Loans***

Refer to Table P in the state of Maryland section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

#### **2016**

In 2016, the bank did not originate any home mortgage loans to low-income borrowers, demonstrating poor performance. The percentage of home mortgage lending to moderate-income borrowers was lower than both the aggregate lenders and the percentage of moderate-income families in the AA. Madison originated 12.9 percent of its mortgage loans to moderate-income borrowers compared to aggregate performance at 18.2 percent. According to the 2006- 2010 ACS data, 19.4 percent and 18.8 percent of the families in the AA are low- and moderate-incomes, respectively. Based on the 2006-2010 ACS Census data, the median cost of housing was \$286,506. The 2016 FFIEC updated median family income was \$86,700, which means a low-income family earned less than \$43,350. Additionally, moderate-income families earned at least \$43,350, but less than \$69,360. Approximately 5.0 percent of families and 7.3 percent of households in the AA are below poverty level and would have difficulty qualifying for home financing.

#### **2017-2018**

In 2017-2018, the bank's home mortgage lending to low-income borrowers increased to 9.3 percent, showing a positive trend. This level of activity was comparable to aggregate performance of 9.9 percent. Both the bank's and aggregate lender's performance were below the percentage of low-income families in the AA at 24.8 percent. The percent of home mortgage loans made to moderate-income borrowers was somewhat below both the percent of aggregate lending data and the percent of moderate-income families in the AA. The bank originated 16.3 percent of its home mortgage loans to moderate-income borrowers compared to 18.2 percent of the moderate-income families in the AA. Aggregate lending data indicates 20.3 percent of loans were made to moderate-income borrowers in the AA.

According to the 2011-2015 ACS Census data, the median cost of housing was \$250,088. The 2018 FFIEC updated median family income is \$94,900, which means a low-income family earned less than \$47,450. Additionally, moderate-income families earned at least \$47,450, but less than \$75,920. Therefore, LMI borrowers would have difficulty qualifying for home mortgage loans. Approximately 8.6 percent of families and 11.7 percent of households in the AA are below poverty level and would have difficulty qualifying for home financing.

**Flexible Lending Products**

During the evaluation period, Madison participated in three special lending programs that target LMI persons and/or LMI communities.

**St. Ambrose Housing Aid Center Inc. (SAHAC):** The mission of SAHAC is to create and maintain equal housing opportunities for low- and moderate-income people, primarily in Baltimore City, and to encourage and support strong and diverse neighborhoods. The organization acquires and renovates affordable housing located primarily in the Northwood area of Baltimore City for resale to families and individuals with limited financial resources. The bank continues its ongoing relationship with SAHAC. During the evaluation period, the bank renewed a \$1.0 million revolving line of credit to this organization to fund costs associated with the acquisition and renovation of affordable housing for resale to families and individuals with limited resources.

**Baltimore Healthy Neighborhoods Initiative (HNI):** Healthy Neighborhoods is a partnership created to provide market-strengthening activities through property acquisitions and renovations to certain neighborhoods in Baltimore suffering from disinvestment. Madison continues to participate in a loan pool organized by Baltimore Healthy Neighborhoods Initiative. The bank has committed \$1.0 million to Healthy Neighborhoods Loan Pool I. As of December 31, 2018, the loan pool included 74 loans totaling \$11.2 million. Madison's participation amount totaled \$285,049.

**Federal Home Loan Bank (FHLB) First-Time Home Buyer and Community Partner Grant Programs:** During the evaluation period, the bank participated in the FHLB of Atlanta's First-Time Home Buyer and Community Partner Grant Programs. Both programs provide grants to assist borrowers earning no more than 80 percent of the county AMI or the state median family income for the area, adjusted for family size as published annually by the Department of Housing and Urban Development (HUD), whichever is higher. The First-time Homebuyer Product provides up to \$5,000 in down-payment, closing-cost, and principal reduction assistance to eligible first-time homebuyers. The Community Partners Product provides up to \$7,500 in down-payment, closing-cost, and principal reduction assistance for first-time or non-first-time homebuyers who are currently employed or retired law enforcement officers, educators, firefighters, health care workers, and other first responders. During the evaluation period, the bank originated two (2) loans under these programs, resulting in \$12,500 in grants to the borrowers.

Given the bank's performance context considerations, its willingness to make use of flexible lending products, and increasing trend in 2016-2017, the bank's home mortgage lending penetration to individuals of different income levels is reasonable.

**Responses to Complaints**

Madison has not received any complaints about its performance in helping to meet AA credit needs during this evaluation period.

**COMMUNITY DEVELOPMENT ACTIVITIES (OPTIONAL)**

The bank's qualified investments consist of a nominal level of donations. During the evaluation period, Madison provided five (5) charitable contributions totaling \$3,156 to organizations that offer community services to LMI individuals within the bank's AA.

Involvement in community organizations by management was minimal. During the evaluation period, only one employee provided financial literacy training to LMI students at various elementary schools in the bank's AA. Students learned about basic money management through fun activities. A majority of students attending these schools qualify for free or reduced-price meals under the National School Lunch Program. Students from families with incomes at or below 130 percent of the federal poverty level are eligible for free meals.

## Appendix A: Scope of Examination

---

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	<b>01/01/2016 to 12/31/2018</b>	
<b>Bank Products Reviewed:</b>	Home mortgage loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not applicable	Not applicable	Not applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>MSA</b>		
Baltimore-Columbia-Towson MD MSA	Full-scope	<i>All census tracts in Baltimore, Harford, and Anne Arundel Counties, and the City of Baltimore, Maryland.</i>
<b>Name of State</b>		
State of Maryland	Full-scope	

## Appendix B: Summary of MMSA and State Ratings

---

<b>RATINGS</b>	<b>Madison Bank of Maryland</b>
<b>Overall Bank:</b>	<b>Lending Test Rating</b>
Satisfactory	Satisfactory
<b>State of Maryland</b>	
Satisfactory	Satisfactory



## Appendix C: Definitions and Common Abbreviations

---

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. 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. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, 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.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder’ and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

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

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

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

---

### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.
- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size)

throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households in those geographies.
- Table V. Assessment Area Distribution of Consumer Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of households by income level in each MMSA/assessment area.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2016</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Madison 2016 AA	31	6,829	100.0	39,621	2.4	0.0	2.2	17.6	3.2	16.3	49.8	54.8	49.6	30.2	41.9	32.0	0.0	0.0	0.0	
<b>Total</b>	<b>31</b>	<b>6,829</b>	<b>100.0</b>	<b>39,621</b>	<b>2.4</b>	<b>0.0</b>	<b>2.2</b>	<b>17.6</b>	<b>3.2</b>	<b>16.3</b>	<b>49.8</b>	<b>54.8</b>	<b>49.6</b>	<b>30.2</b>	<b>41.9</b>	<b>32.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2017-18</b>	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	
Madison 2018 AA	86	27,029	100.0	69,922	6.2	0.0	4.3	21.4	10.5	19.5	39.3	52.3	41.6	33.0	37.2	34.4	0.1	0.0	0.1	
<b>Total</b>	<b>86</b>	<b>27,029</b>	<b>100.0</b>	<b>69,922</b>	<b>6.2</b>	<b>0.0</b>	<b>4.3</b>	<b>21.4</b>	<b>10.5</b>	<b>19.5</b>	<b>39.3</b>	<b>52.3</b>	<b>41.6</b>	<b>33.0</b>	<b>37.2</b>	<b>34.4</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*

**Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2016**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Madison 2016 AA	31	6,829	100.0	39,621	19.4	0.0	7.9	18.8	12.9	18.2	23.3	25.8	18.9	38.6	58.1	28.6	0.0	3.2	26.5
<b>Total</b>	<b>31</b>	<b>6,829</b>	<b>100.0</b>	<b>39,621</b>	<b>19.4</b>	<b>0.0</b>	<b>7.9</b>	<b>18.8</b>	<b>12.9</b>	<b>18.2</b>	<b>23.3</b>	<b>25.8</b>	<b>18.9</b>	<b>38.6</b>	<b>58.1</b>	<b>28.6</b>	<b>0.0</b>	<b>3.2</b>	<b>26.5</b>

*Source: 2010 U.S Census; 01/01/2016 - 12/31/2016 Bank Data, 2016 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*

**Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower 2017-18**

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Madison 2018 AA	86	27,029	100.0	69,922	24.8	9.3	9.9	18.2	16.3	20.3	19.9	15.1	20.2	37.0	53.5	28.9	0.0	5.8	20.7
<b>Total</b>	<b>86</b>	<b>27,029</b>	<b>100.0</b>	<b>69,922</b>	<b>24.8</b>	<b>9.3</b>	<b>9.9</b>	<b>18.2</b>	<b>16.3</b>	<b>20.3</b>	<b>19.9</b>	<b>15.1</b>	<b>20.2</b>	<b>37.0</b>	<b>53.5</b>	<b>28.9</b>	<b>0.0</b>	<b>5.8</b>	<b>20.7</b>

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2018 Bank Data, 2018 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0*