



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

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

PUBLIC DISCLOSURE

October 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Marshall National Bank and Trust Company
Charter Number 10253
8372 West Main Street
Marshall, Virginia 20115**

**Office of the Comptroller of the Currency
1025 Connecticut Avenue, N.W. - Suite 708
Washington, D.C. 20036**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Marshall National Bank and Trust Company** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 4, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

OVERALL PERFORMANCE

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY".

The primary factors supporting the bank's overall rating include:

- # The loan to deposit ratio of 76% is reasonable;
- # A majority of loans representing 83% of the number and 87% of the dollars of loans are originated within the assessment areas; and,
- # A good record of lending to borrowers of different incomes and businesses of different sizes.

DESCRIPTION OF INSTITUTION

Marshall National Bank and Trust Company (MNB) is a wholly owned subsidiary of Mercantile Bankshares Corporation, a multi-bank holding company, headquartered in Baltimore, Maryland. As of June 30, 1999, the bank's total assets were \$84 million, gross loans were \$57 million, and total deposits were \$75 million. Lending activities are centered in residential real estate and commercial real estate loans, comprising 69% of gross loans. The bank offers a full range of loan products and deposit services, with emphasis on residential mortgage loans.

MNB is located in Fauquier County, Virginia. The bank serves the community from its main banking office in Marshall and one branch location in Warrenton, the Fauquier County seat. Both locations are full service, including drive-up service, offer Saturday hours, and proprietary 24-hour ATMs. Customer service is further enhanced by 24-hour telephone banking. There is strong competition from other community banks, regional banks, thrifts, credit unions, and other non-financial institutions which have multi-office locations in the area. MNB has no impediments, legal or otherwise, which would hinder their efforts to help meet the credit needs of the bank's assessment areas.

DESCRIPTION OF ASSESSMENT AREA

MNB has defined its assessment area as Fauquier County, Virginia and certain contiguous census tracts of Prince William, Loudoun, Rappahannock, and Warren counties. With the exception of Rappahannock County, the bank's assessment area is situated within the Washington, D.C.-MD-VA-WV Metropolitan Statistical Area (MSA) 8840. Rappahannock County, VA is not part of an MSA. The assessment area complies with the legal requirements of CRA and does not arbitrarily exclude low- or moderate-income areas. According to 1990 Census Bureau data, the population of the assessment area is 86,751.

Table I indicates the breakdown of census tract area income and family income characteristics for the portion of the assessment area situated within the MSA. For MSA 8840, the 1990 Census Bureau and the 1998 Housing and Urban Development Agency (HUD) median family income levels are *\$51,265 and **\$72,300, respectively.

Table I

MSA ASSESSMENT AREA CHARACTERISTICS				
	*Number of		**Number of	
Low Income	0	0%	3,778	17%
Moderate Income	1	7%	4,203	19%
Middle Income	9	60%	5,983	27%
Upper Income	2	13%	7,964	37%
Not Applicable	3	20%	N/A	N/A
TOTAL	15	100%	15,964	100%

Table II indicates the breakdown of census tract income and family income characteristics for the portion (Rappahannock County, VA) of the assessment area not located within MSA 8840. For Rappahannock County, the 1990 Census Bureau and the 1998 Housing and Urban Development Agency (HUD) median family income levels are *\$30,781 and **\$35,900, respectively.

Table II

NON-MSA ASSESSMENT AREA CHARACTERISTICS				
	*Number of		**Number of	
Low Income	0	0%	285	15%
Moderate Income	0	0%	225	12%
Middle Income	1	50%	381	19%
Upper Income	1	50%	1,060	54%
TOTAL	2	100%	1,951	100%

Area economic conditions are considered good and unemployment is at low levels. The major employment sectors existing within the assessment area are retail trade and service industries. Area major employers include the Fauquier Hospital and the Trinity Plastics Corporation. Management has identified residential mortgages and small business loans as the primary credit needs within the bank's assessment area. Similar credit needs were highlighted by respective community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

MNB's loan to deposit ratio is reasonable and commensurate with its size, competition, available resources, lending activities, as well as the demographics of the assessment area. The loan to deposit ratio averaged 76% over the last 12 quarters from 9/30/96 through 6/30/99, inclusive. This compares favorably to the 72% average loan-to-deposit ratio for similarly situated banks within the assessment area during the same time period. As of June 30, 1999 Marshall National Bank's loan-to-deposit ratio is 75%.

Lending in Assessment Area

The majority of the bank's lending activity is within its assessment area. We relied on 1998/1999 year-to-date residential loan originations subject to the Home Mortgage Disclosure Act (HMDA). Based on our analysis, 83% of the number and 87% of the dollar volume of loans are originated within the assessment area. On the following page, Table III illustrates total HMDA reportable loan originations relative to the assessment area.

Table III

Loan Type	HMDA Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
1999	32	3,627	29	91%	3,445	95%
1998	52	5,635	41	79%	4,624	82%
Total	84	9,262	70	83%	8,069	87%

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

MNB has a good record of lending to borrowers of different incomes. We relied on 1998/1999 year-to-date residential loan originations subject to the Home Mortgage Disclosure Act (HMDA). As illustrated in Table IV, 35% of the number and 15% of the dollar volume of loans sampled were extended to low- or moderate-income borrowers. This distribution is reasonable in relation to the significant concentration of upper income families residing within the bank’s assessment area. In addition, MNB has a good record of lending to businesses of different sizes. Based on commercial loans originated between 1997 and 1999, 81% of the number of loans sampled were to small businesses representing 67% of the dollars of loans. Small businesses are defined as those with gross annual revenues of one million dollars or less.

Table IV

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS								
1998 HUD Median Family Income *\$72,300 /**\$35,900	#	%	\$ (000s)				%	
	Low	10	15%	426				6%
Moderate	14	20%	749				9%	
Middle	19	27%	1,407				17%	
Upper	24	34%	5,331				66%	
Not applicable	3	4%	156				2%	
TOTAL	70	100%	8,069				100%	
LENDING TO BUSINESSES OF DIFFERENT SIZES (COMBINED)								
Revenue Ranges	\$1 Million or less				Greater than \$1 Million			
	#	%	\$(000s)	%	#	%	\$(000s)	%

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS								
Business Loan Sample	30	81%	3,874	67%	7	19%	1,897	33%

MNB is a consortium participant lender in community development initiatives within the bank's assessment area. Through the Federal Home Loan Bank of Atlanta, MNB secured a \$67,000 line of credit with the proceeds utilized towards the construction of affordable housing for moderate income citizens of Fauquier County. In addition, the bank extended a \$100,000 loan to fund the construction of low- and moderate-income housing. These community development loans helped to construct 18 single family residences.

Geographic Distribution of Loans

The geographic distribution of loans does not yield meaningful conclusions. Within the bank's assessment area, there is only one designated moderate-income census tract situated in Warren County, VA. There are no low-income census tract designations within the assessment area. Based on 1998/1999 residential mortgage loan originations, the bank is actively lending in this moderate income area. However, to date, the activity is nominal.

Response to Complaints

No complaints were received since the prior examination.

Compliance with Antidiscrimination Laws

No substantive violations involving illegal discrimination or discouragement were noted during the concurrent Fair Lending examination.