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Comptroller of the Currency  
Administrator of National Banks

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**SMALL BANK**

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

## **PUBLIC DISCLOSURE**

March 15, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Union National Bank  
Charter Number 1596**

**117 East Main Street  
Westminster, Maryland 21157**

**Office of the Comptroller of the Currency  
1025 Connecticut Avenue, NW - 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 CRA performance of **Union National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 15, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

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

- # The loan-to-deposit ratio is reasonable, averaging 73 percent for the period under review. This compares favorably to 74 percent for similarly situated financial institutions within the assessment area.
- # A majority of all loans are in the bank's assessment area, representing 81 percent of the number and 69 percent of the dollar amount of 1997 and 1998 originations.
- # The distribution of loans to borrowers of different income levels and to business of different revenue sizes is good.

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

<b>SMALL INSTITUTION ASSESSMENT CRITERIA</b>	<b>UNION NATIONAL BANK</b>		
	<b>PERFORMANCE LEVELS</b>		
	<b>Exceeds Standards For Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	Performance of this analysis was not meaningful.		
Response to complaints	No complaints were received since the prior examination.		

## DESCRIPTION OF INSTITUTION

Union National Bank (Union) is a locally-owned commercial bank headquartered in Westminster, Maryland. As of December 31, 1998, total assets were \$268 million, gross loans were \$164 million, and total deposits \$227 million. The bank was evaluated using the small bank assessment criteria, since the bank's asset size has just recently grown to exceed the \$250 million dollar limit for small banks. Lending activities are centered in commercial real estate and residential real estate loans, comprising 65 percent of gross loans. The bank offers a full range of deposit services and loan products, including home equity loans and credit cards.

Union serves the community from nine office locations situated in Carroll, Baltimore, and Howard counties. In general, branch locations are full service, include drive-up service, offer Saturday hours, and proprietary 24-hour ATMs. Additional offsite ATMs are located at several retail outlets throughout the assessment area. The newest branch located in Mount Airy, Maryland, opened in January 1998. Executive, administrative, and loan operations offices are located in separate buildings near the main office location. There is strong competition from other community banks, regional banks, thrifts, credit unions and other non-financial institutions which have many offices in the area. Union has no impediments, legal or otherwise, which would hinder its ability to help meet the credit needs of the bank's assessment area.

## DESCRIPTION OF ASSESSMENT AREA

Union has defined its assessment area as Carroll County (total of 25 census tracts), eight census tracts of Baltimore County, and two census tracts of Howard County. The assessment area lies within the Washington-Baltimore Metropolitan Statistical Area (MSA) 0720. The assessment area complies with CRA and does not arbitrarily exclude low- or moderate-income census tracts. According to 1990 Census Bureau data, the population of the assessment area is 173 thousand.

Of the 35 census tracts that comprise the assessment area, there are none designated as low- or moderate-income. There are 19 middle income census tracts and 16 upper income census tracts. The 1990 Census Bureau and the 1998 Housing and Urban Development (HUD) MSA median family incomes are \$42,206 and \$55,600, respectively. Although there are no low- or moderate-income census tracts, low- and moderate-income families reside within the assessment area.

*Below, Table I reflects the breakdown of family income characteristics within the bank's assessment area.*

Table I

FAMILY INCOME DELINEATION WITHIN CENSUS TRACT CATEGORIES
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FAMILY INCOME DELINEATION WITHIN CENSUS TRACT CATEGORIES								
Total Families 47,763	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families	
	Count	%	Count	%	Count	%	Count	%
Middle Income Tracts	3,575	7%	4,918	10%	7,657	16%	10,296	22%
Upper Income Tracts	1,427	3%	2,333	5%	5,045	11%	12,512	26%
TOTAL	5,002	10%	7,251	15%	12,702	27%	22,808	48%

\*\$55,600 = family median income  
 \$42,206 = census tract median income

Within recent years, the assessment area has migrated from a rural community to a bedroom community due to the attractiveness of affordable housing. The local economy is stable. Major employers include Random House, Miranda Manufacturing, local governments and school systems, and the health care sector. Management and the Board have identified the primary credit need within the bank's assessment area as affordable housing and small business venture capital. Based on the results of a discussion with a local government representative, the bank's lending strategy is in line with the credit needs of the local area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-To-Deposit Ratio

Union'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 73 percent over the last ten quarters. This compares favorably to the 74 percent average loan-to-deposit ratio for similarly situated banks within the assessment area during the same time period. As of December 31, 1998, Union National Bank's loan-to-deposit ratio is 71 percent.

### Lending in Assessment Area

The majority the bank's lending activity is within its assessment area. We relied on 1997/1998 residential loan originations subject to the Home Mortgage Disclosure Act (HMDA). We also tested and relied on bank generated reports for consumer and commercial business loans originated during 1997/1998. Based on our analysis, 81 percent of the number and 69 percent of the dollar volume of

loans are originated within the assessment area. *Tables II (a)-(c) reflect total loans originated relative to the assessment area.*

**Table II (a)**

Loan Type	HMDA Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
1998	200	14,625	177	89%	12,744	87%
1997	98	5,439	91	93%	4,810	88%
<b>Total</b>	298	20,064	268	90%	17,554	87%

**Table II (b)**

1997/1998 Business and Consumer Loan Originations						
	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
Business	303	52,082	189	62%	29,080	56%
Consumer	1,307	19,945	1,084	83%	16,829	84%
<b>Total</b>	1,610	72,027	1,273	79%	45,909	64%

**Table II (c)**

Total 1997/1998 Combined HMDA/ Business / Consumer Loan Originations						
	Total Loan Originations		Within the Assessment Area			
	#	\$(000s)	#	%	\$(000s)	%
<b>Combined Total</b>	1,908	92,091	1,541	81%	63,463	69%

Union National Bank participates in several indirect residential loan programs that provide credit to the community. These programs generally involve the bank arranging for the extension of residential loans with outside (nonbank) creditors. In addition to the 1998 HMDA-related residential loans of \$14.6 million, the bank also facilitated \$8.3 million in residential mortgage loans under these indirect loan programs.

In addition, the bank sponsors and participates in home buying seminars, provides credit counseling

services, etc.

### **Lending To Borrowers of Different Incomes and Businesses of Different Sizes**

The distribution of loans to borrowers of different income levels and business of different revenue sizes is good. Our review included combined 1997/1998 HMDA-related residential loan originations and a sample of 35 business loans originated within the last 24 months. Based on our review, residential loans to low- and moderate-income borrowers were 32% of loan originations, which is good compared with assessment area demographics. Also, the majority of the number of business loans sampled are to small businesses. Small businesses are defined as those with annual gross revenues no greater than one million dollars. *Refer to Table III for details.*

Table III

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS								
Applicant Income as a Percentage of HUD Median Family Income	#		%		\$ (000s)		%	
	Low	32		11%		1,035		5%
Moderate	63		21%		4,035		20%	
Middle	94		32%		5,521		28%	
Upper	108		36%		9,471		47%	
Income Not Available	1		0%		2		0%	
TOTAL	298		100%		20,064		100%	
LENDING TO BUSINESSES OF DIFFERENT SIZES								
Revenue Ranges	<\$100M		\$100M-\$500M		\$501M-\$1MM		>\$1MM	
	#	%	#	%	#	%	#	%
Business Loan Sample	5	14%	10	29%	5	14%	15	43%

### **Geographic Distribution of Lending**

We did not perform this analysis because there are no low- or moderate-income census tracts within the assessment area. Therefore, the analysis would not be meaningful.

### **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.