



Office of the  
Comptroller of the Currency  
Washington, DC 20219

# INTERMEDIATE SMALL BANK

## PUBLIC DISCLOSURE

July 8, 2019

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Arundel Federal Savings Bank

Charter Number 702349

655 Crain Highway, Glen Burnie, Maryland 21061

Office of the Comptroller of the Currency

400 7th Street S.W., Washington, DC 20219

**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.

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## Overall CRA Rating

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

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

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

The major factors that support this rating are:

- The quarterly average loan-to-deposit ratio (LTD) is reasonable given the institution's size, branch presence, financial condition, and the needs of its assessment area (AA).
- The distribution of bank loans originated and purchased across geographies of different income levels reflects reasonable distribution.
- The distribution of bank loans originated and purchased to individuals of different income levels, including low- and moderate-income individuals, reflects reasonable penetration.
- There were no CRA-related complaints received since the previous evaluation.
- The bank demonstrates adequate responsiveness to community development needs within its AA.

### Loan-to-Deposit Ratio

Arundel Federal Savings Bank (AFSB, bank or institution)'s LTD ratio is reasonable given the institution's size, branch presence, financial condition, and the needs of its AA. The LTD ratio meets the standards for satisfactory performance. Based on the bank's Call Report data, AFSB maintained a quarterly average LTD ratio of 85.5 percent over the twelve- quarters since the previous CRA evaluation. The bank's LTD ratio ranged from a quarterly low of 73.0 percent as of June 30, 2016 to a quarterly high of 93.2 percent as of September 30, 2018. The LTD ratio is calculated on a bank-wide basis.

The bank's quarterly average LTD ratio was compared with that of two similarly situated institutions in the Metropolitan Statistical Area (MSA). The quarterly average LTD ratio of the peer group was 85.5 percent. The peer group's average quarterly LTD ratio ranged from a low of 81.9 percent to a high of 89.2 percent over the same time period.

Due to the limited number of similarly situated institutions within the bank's MSA, statewide data was also considered. The bank's average LTD ratio was compared to five institutions in the State of Maryland with asset sizes ranging from \$429.0 million to \$466.1 million. The bank's average LTD ratio compared with the five state banks is slightly above the low average LTD ratio at 85.3 percent and below the average LTD ratio of 93.5 percent for those same institutions.

## Lending in Assessment Area

A majority of the bank's loans are outside its AA, and does not meet the standards for satisfactory performance.

The bank originated and purchased 46.4 percent of its total loans inside the bank's AA, during the evaluation period. In 2016, the bank originated or purchased 43.7 percent of mortgage loans inside its AA, down from 53.1 percent in 2015. As indicated in the table below, the bank had reasonable performance in 2017 as a majority of mortgage loans were originated and purchased within the bank's AA. Nevertheless, total loan originations and purchases within the bank's AA declined again from 50.5 percent in 2017, to 44.8 percent in 2018. Management stated that the bank's advertisements through Bankrate.com contributed to the declining percentage of AA lending and the bank is no longer subscribed to the Bankrate.com services. Mid-year 2018, management developed marketing strategies to increase the number of loans originated and purchased within the bank's AA. The 2018 marketing strategy included a geographically targeted marketing and calling programs. This marketing strategy would likely increase lending inside the bank's AA.

The table below demonstrates the bank's lending inside and outside its AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
<b>Home Mortgage</b>										
2016	83	43.7	107	56.3	190	22,190	42.4	30,102	57.6	52,292
2017	92	50.5	90	49.5	182	26,469	49.4	27,142	50.6	53,611
2018	69	44.8	85	55.2	154	20,022	42.1	27,567	57.9	47,589
<b>Total</b>	<b>244</b>	<b>46.4</b>	<b>282</b>	<b>53.6</b>	<b>526</b>	<b>68,681</b>	<b>44.8</b>	<b>84,811</b>	<b>55.2</b>	<b>153,492</b>

Source: 01/01/2016-12/31/2018 Bank Data

## Description of Institution

AFSB is a single state federally chartered mutual savings bank headquartered in Glen Burnie, Maryland. The bank has one wholly owned operating subsidiary, Arundel Service Corporation of Maryland. This subsidiary was formed to operate an insurance agency but had no activity during the evaluation period and therefore was not considered in this evaluation.

As of December 31, 2018, the bank had total assets of \$435.0 million, total deposits of \$363.0 million, and Tier 1 Capital of \$65.3 million. Net loans and leases totaled \$337.9 million, representing approximately 78.0 percent of total assets and 93.1 percent of total deposits. Real estate loans represented approximately 99.9 percent of the bank's loan portfolio.

There are no financial or legal impediments to hinder AFSB's ability to help meet the credit needs of the communities it services. The bank received an overall rating of "Satisfactory" at the previous Intermediate Small Bank (ISB) CRA Performance Evaluation dated June 20, 2016.

## **Scope of the Evaluation**

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

AFSB was evaluated using ISB examination procedures, which includes a Lending Test and a Community Development (CD) test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The Lending test considers the bank's performance based on an analysis of its LTD Ratio, Lending in AA, Borrower Distribution, Geographic Distribution, and Response to CRA Complaints. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD lending, qualified investments, and community development services.

The evaluation period for the Lending Test covers the bank's performance from January 1, 2016 through December 31, 2018. The evaluation period for the CD test is from June 20, 2016 through December 31, 2018. Based on the volume of originations and purchases, residential mortgages are the bank's primary loan product. This evaluation considered the bank's Home Mortgage Disclosure Act (HMDA) reportable loans (home purchase, home refinance, and home improvement) for the evaluation period. Due to the 2015 census changes effective 2017, the bank's lending performance for 2016 was evaluated separately, and 2017 and 2018 were combined. Analysis of data related to calendar year 2016 is based on the 2006-2010 American Community Survey (ACS) (For purposes of CRA, the ACS replaced the decennial census). An analysis of data related to calendar year 2017 and 2018 are based on the 2011-2015 ACS.

The bank's loan data collected and reported during the evaluation period was analyzed to ensure its reliability, according to HMDA requirements. The bank's 2016, 2017, and 2018 HMDA data were deemed reliable. The activities presented for community development consideration by the bank during the evaluation period were also reviewed for the purpose of determining whether the activities met the regulatory definition of community development and considered if qualified.

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

AFSB has one AA in the State of Maryland, and a full-scope review was performed for the AA. The AA comprises all of Anne Arundel County and four census tracts in Baltimore City. Both Anne Arundel County and Baltimore City are part of the Baltimore-Columbia-Towson, MD Metropolitan Statistical Area (MSA) 12580.

In each state where the bank has an office, one or more of AAs within that state is selected for a full-scope review. For purposes of this evaluation, bank delineated assessment areas located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. The bank has one

AA that was evaluated as a full-scope review. If applicable, refer to the “Scope” section under each State Rating for details regarding how full-scope AAs were selected. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

### **Ratings**

The bank’s CRA rating is the state rating since it has domestic branches in only one state and is based on a full-scope review.

### **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 any 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 Community Development Test is rated:** Satisfactory

The major factors that support this rating include:

- The distribution of bank loans originated and purchased across geographies of different income levels reflects reasonable distribution.
- The distribution of bank loans originated and purchased to individuals of different income levels, including low- and moderate-income individuals, reflects reasonable penetration.
- The bank demonstrates adequate responsiveness to community development needs within its AA.

## **Description of Institution's Operations in Maryland**

As of the evaluation date, AFSB operates six full-service banking offices, all in the State of Maryland. Based on 2011-2015 ACS U.S. Census data, one banking office is located in a low-income census tract (Brooklyn), two are located in middle-income census tracts (Glen Burnie and Pasadena), and three are located in upper-income census tracts (Annapolis, Gambrills, and Severna Park). Banking office hours of operation are generally Monday – Thursday, 9:00 AM – 3:00 PM, Friday 9:00 AM – 6:00 PM and Saturday, 9:00 AM – 12:00 PM. The Brooklyn Branch office is the only location that closes at 3:00 PM on Fridays, and is not open on Saturdays. The Brooklyn Branch office hours differ because of the high crime rate in the area and the low volume of customers that visit the branch after 3:00 PM on Fridays or Saturdays. All other locations close at 6:00 PM on Friday and three banking offices are open on Saturday from 9:00 AM – 12:00 PM (Glen Burnie, Pasadena and Severna Park). All offer drive-thru, ATMs, and some night drop capabilities. Since the previous performance evaluation, the bank has not opened or closed any banking offices.

AFSB offers a standard variety of traditional deposit and loan products. The bank's deposit products include checking, savings, Negotiable Orders of Withdrawals accounts, Money Market Accounts, Certificates of Deposits, and Individual Retirement Accounts. AFSB is primarily a residential mortgage lender. The bank also makes commercial real estate loans and a small number of consumer and personal loans. The bank's services include telephone, online and mobile banking. The bank's website, [www.arundelfederal.com](http://www.arundelfederal.com), provides a listing and description of products and services.

There is a high level of competition in the bank's AA for mortgage loans and banking services. According to 2017 Peer Mortgage Data, 467 HMDA reporting lenders reported originating one or more mortgage loans in the bank's AA. AFSB ranked 59<sup>th</sup> with a loan market share of 0.39 percent by number of loans. The top five HMDA reporting lenders had a combined market share of 23.7 percent by the number of loans, with the leading lender having a market share of 9.2 percent. Among the leading lenders in the AA were Wells Fargo Bank, NA, and Navy Federal Credit Union.

According to the June 30, 2018 Federal Deposit Insurance Corporation Deposit Market Share Report, the bank's deposit market share in the Baltimore-Towson, MD MSA was 0.5 percent, ranking AFSB 19<sup>th</sup> out of 51 institutions. There are over 650 banking offices in the MSA. The top three competitors within the MSA are Bank of America, NA (29.4 percent market share), Manufacturers and Traders Trust Company (19.2 percent market share), and PNC Bank, NA (10.6 percent market share).

In assessing the bank's performance in its AA, we contacted a non-profit organization whose purpose is to create affordable housing opportunities and improve the lives of low-income individuals through community development. The contact indicated a need for affordable housing in the AA, noting existing housing prices remain high and vacancy rates for less expensive housing remains low. Home prices in Ann Arundel County have steadily increased during the evaluation period but incomes for some residents have not kept pace; and federal funding is not sufficient to meet the demand for affordable housing. The contact also noted that while household incomes are generally increasing through the county there are still some communities that have significant poverty rates, including Brooklyn Park (27.0 percent), Curtis Bay (16.0 percent), Deale (10.0 percent), West (9.0 percent), and Glen Burnie East (7.0 percent). Both Brooklyn Park and Curtis Bay border Baltimore City. The contact also indicated that most area financial institutions appear generally supportive of the local community. A number of banks are lending partners for first time homebuyers through the Maryland Mortgage Program including SunTrust, BB&T, M&T, Severn Bank, Columbia Bank, and Wells Fargo. Arundel Federal Savings Bank appears to support several community and non-profit initiatives.

The following tables provide demographic data of the AA:

#### **AFSB AA**

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>2016 AA: 2006-2010 ACS data</b>						
<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)	108	2.8	15.7	34.3	44.4	2.8
Population by Geography	569,906	2.6	13.6	36.5	46.3	0.9
Housing Units by Geography	223,868	2.8	13.5	37.8	46.0	0.0
Owner-Occupied Units by Geography	152,122	1.1	8.4	37.3	53.1	0.0
Occupied Rental Units by Geography	56,226	5.8	27.2	39.1	27.9	0.0

Vacant Units by Geography	15,520	8.4	13.6	36.8	41.1	0.0
Businesses by Geography	40,091	1.2	7.4	36.7	54.2	0.5
Farms by Geography	899	0.9	8.5	30.9	59.6	0.1
Family Distribution by Income Level	144,468	15.8	15.8	20.5	47.9	0.0
Household Distribution by Income Level	208,348	16.7	13.8	17.6	52.0	0.0
Median Family Income MSA - 12580 Baltimore-Columbia-Towson, MD MSA		\$87,788	Median Housing Value			\$340,413
			Median Gross Rent			\$1,469
			Families Below Poverty Level			4.4%
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census and 2018 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>2017-2018 AA: 2011-2015 ACS Census data</b>						
<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)	109	2.8	15.6	33.9	44.0	3.7
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AFSB has one AA defined as all census tracts in Anne Arundel County, and four census tracts in Baltimore City, all in the State of Maryland. Both Anne Arundel County and Baltimore City are part of the Baltimore-Columbia-Towson, MD MSA 12580.

Based on the 2011-2015 ACS Census data, the AA consists of 109 census tracts of which, three (2.8 percent) are designated as low-income, 17 (15.6 percent) are designated as moderate-income, 37 (33.9 percent) are designated as middle-income, 48 (44.0 percent) are designated as upper-income, and four (3.7 percent) have not been assigned an income classification.

The bank's current AA is the same as the previous evaluation. The 2011-2015 ACS census adjusted the income designation of in Anne Arundel County when compared to the 2006-2010 ACS data. With the ACS Census change, the number of moderate-income tracts increased by six, middle-income tracts decreased by five and upper-income tracts decreased by one. A majority of the bank's income tracts is middle- and upper-income tracts and limits the bank's ability to lend in lower- and moderate-income tracts within the AA. The AA meets the requirements of the CRA, and does not arbitrarily exclude low- or moderate-income areas.

Since the previous evaluation, income designation of tracts in Anne Arundel County changed in 2017 as a result of the 2011-2015 ACS census. The number of moderate-income tracts increased by six, middle-income tracts decreased by five and upper-income tracts decreased by one. The income designation for the four tracts located in Baltimore City are three low-income tracts and one without an income classification and did not change from the previous evaluation.

According to the February 2019 Moody's Analytics report, using prior year's data, Baltimore-Columbia-Towson's (BAL) economy is performing well. Job growth, led by healthcare, professional/business services, and transportation/warehousing, is accelerating following a mid-2018 slump. The uptick warrants some skepticism, as it is not yet corroborated by the more comprehensive count from the Quarterly Census of Employment and Wages. Still, the pace of job growth combined with a dip in the labor force has sent the jobless rate to a cycle low below 4.0 percent. The result has been accelerating wage growth as employers vie for workers. Average hourly earnings growth has gained an edge over the state and U.S. rates. Progress in the housing market is uneven. Multifamily starts are running well ahead of a year earlier, compensating for some weakness in single-family construction. House price gains have decelerated, according to the Case-Shiller index, and prices remain 9.0 percent below their pre-crash peak.

The Moody's Analytics report also notes increasing growth in the areas of cybersecurity, established and well-funded medical research centers, and strong transportation and distribution industries. The weaknesses for the area are above-average living and business costs, few public transportation links with Washington DC, and below-average population growth.

The near-term outlook for Baltimore-Columbia-Towson according to Moody's Analytics is positive but tenuous. Healthcare and business/professional services will propel steady gains in employment and output. However, gathering recessionary headwinds will weigh on the rest of the economy, and longer-term, weak population and labor force growth coupled with relatively high business costs will keep BAL from being among the fastest growth metro areas.

Lastly, the Moody Analytics report that housing prices in the AA have gone up over U.S. prices. Homeowner/percent houses for sale vacancy rates are around 50.0 percent while rental/percent inventory for rent is around 85.0 percent. The top five employers in the area are Fort George G. Meade, Johns Hopkins University, Aberdeen Proving Ground, University of Maryland Medical System, and Johns Hopkins Health System. (Each of the top five employers offer some type of financial service). All households by income percent categories are less than 15.0 percent of the U.S. compared with the greatest household income percentage in the \$20,000 to \$39,999 range.

According to the Bureau of Labor Statistics, the unemployment rate in January 2016 was 5.0 percent and in December 2018 was 3.5 percent statewide. In January 2016, the unemployment rate was 4.1 percent for Anne Arundel County and 7.3 percent for Baltimore City. In December 2018, unemployment rate was 2.8 percent for Anne Arundel County and 5.0 percent for Baltimore City. The unemployment rate trended downwards.

Below, Table B shows the median family income in the AA during the review period.

<b>Table B – Median Family Income Ranges</b>				
<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
<i>Source FFIEC</i>				

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MARYLAND**

### **LENDING TEST**

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

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

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

The bank exhibits reasonable geographic distribution of home mortgage loans in the AA. There were no conspicuous gaps in the bank's lending pattern within the AA.

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

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

Our analysis took into consideration the limited opportunities to lend in low-income tracts given the relatively low level of owner-occupied housing in these tracts, the significant market competition in the AA, as well as high crime rates in the low-income tracts that discourages home buyers in the AA.

In 2016, the bank did not originate or purchase any home mortgage loans in low-income tracts. Demographics reflect limited lending opportunities as aggregate lending data is very low at 0.5 percent in the low-income tracts. Only 1.3 percent of the owner-occupied units are located in low-income tracts based on 2016 demographics. The percentage of home mortgage loans in moderate-income tracts was comparable to the percentage of owner-occupied units in these tracts, as well as the aggregate lending data percentages. The bank originated 4.8 percent of its home mortgage loans in moderate-income tracts, compared to the aggregate of 4.7 percent.

For 2017-2018, the bank's lending was similar to the aggregate in low-income tracts. Only 1.1 percent of the owner-occupied units are located in low-income tracts. The percentage of home mortgage loans originated in moderate-income tracts was below both the percentage of owner-occupied units and the aggregate lending data. The bank originated 6.2 percent of home mortgage loans in moderate-income tracts, while 8.4 percent of the AA's owner-occupied units were located within the bank's moderate-income tracts. The aggregate originated 9.0 percent home mortgage loans in moderate-income tracts.

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

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

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

In our analysis, we considered the lack of affordability for low- and moderate-income (LMI) families to purchase a home in the AA. The 2018 HUD updated median family income for the MSA is \$87,788. Based on the 2010 U.S. Census and 2015 ACS data, the median family housing value is \$340,413. Low-income families earn less than 50.0 percent of the median family income or less than \$43,894 annually, gravely impacting their ability to afford homes in the area. Moderate-income families earn between 50-80 percent less than the median family income ranging between \$43,894 and \$70,230. Therefore, LMI borrowers would have difficulty qualifying for home mortgage loans. Additionally, 4.4 percent of families in the AA are below the poverty level. Refer to Table P in appendix D for facts and data used to evaluate the bank's borrower distribution for home mortgage loan originations and purchases.

For 2016, the bank originated or purchased 6.0 percent of its home mortgage loans to low-income borrowers. While the bank's percentage of lending to low-income borrowers is below the percentage of low-income families, the percentage exceeded the aggregate percentage of 3.8 percent. The percent of home mortgage loans made to moderate-income borrowers exceeded both the percent of aggregate lending and the percent of moderate-income families in the AA. AFSB originated 16.9 percent of home mortgage loans to low-income borrowers. Aggregate percentages of loans to low-income borrowers equaled 13.9 percent.

For 2017-2018, the percent of home mortgage loans made to low-income borrowers was higher than the percent of aggregate lending data, but was significantly below the percent of low-income families in the AA. The bank originated 6.8 percent of home mortgage loans to low-income borrowers compared to 15.8 percent of low-income families residing in the AA. The aggregate data shows that 5.2 percent of home mortgage loans in the AA were made to low-income borrowers. The percentage of mortgage lending to moderate-income borrowers was higher than both the assessment area demographics and the average of all HMDA-reporting lenders. The bank originated 17.4 percent of home mortgage loans to moderate-income borrowers compared to 15.8 percent of moderate-income families residing in the AA. The aggregate data shows that 16.8 percent of home mortgage loans in the AA were made to moderate-income borrowers.

### **Responses to Complaints**

AFSB did not receive any complaints regarding its performance in helping to meet the credit needs of the bank's AA during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the State of Maryland, is rated Satisfactory.

Based on a full-scope review, the bank exhibits adequate responsiveness to community development needs in the MSA through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities in the bank's AA.

The majority of AFSB's community development activities targets affordable housing, which is a primary need of the AA as identified through communications with a community contact.

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

AFSB demonstrated adequate responsiveness to community development needs of the AA through community development loans.

In 2017, AFSB funded two participation loans totaling \$500,000 to a non-profit organization, structured exclusively for the development and creation of affordable housing for low-income persons in Anne Arundel County, MD. The funds were used to purchase and renovate residential group homes for low-income persons with disabilities in the AA. The individuals occupying the group homes receive rental assistance from the state. These loans support affordable housing initiatives in the assessment area. The bank did not make any CD loans in 2016 or 2018.

## Number and Amount of Qualified Investments

The Qualified Investment Table, shown below, sets forth the information and data used to evaluate the bank's level of qualified CD investments. These tables include all CD investments, including prior period investments that remain outstanding as of the evaluation date.

Qualified Investments										
AFSB AA	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
- Investments	3	1,030	2	1,297	5	38.5	2,327	99.6	0	\$0
- Donations	N/A	N/A	8	10	8	61.5	10	0.4	N/A	N/A
<b>Totals</b>	<b>3</b>	<b>1,030</b>	<b>10</b>	<b>1,307</b>	<b>13</b>	<b>100.00</b>	<b>2,337</b>	<b>100.00</b>	<b>0</b>	<b>0</b>

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

During the evaluation period, the bank's qualified investments, including securities, grants, and donations totaled \$2.3 million.

### *CD Investments*

Qualified equity investments include two new investments totaling approximately \$1.3 million and three prior period investments with a total current book value of approximately \$1.0 million.

A notable example of the bank's CD investment is the purchase of two Maryland Community Development Administration Residential revenue bonds through the Maryland Department of Housing and Community Development totaling approximately \$1.3 million. The purpose of the bonds is to fund the purchase of affordable housing properties and finance affordable housing projects within the state, including the Bank's AA.

### *CD Grants and Donations*

AFSB made eleven (11) qualified donations totaling approximately \$9,550 to eight community development organizations within the bank's AA. The recipients of these donations promote community development projects, programs involving affordable housing and supportive services to low- and moderate-income individuals and families.

Listed below are some of the organizations that received contributions:

- Chesapeake Center for Youth Development (CCYD) – The CCYD provides on the job training for inner-city youth, assist with providing internships and jobs to students at alternative schools, and provides after school programs for inner-city youth.

- Partners in Care – Partners in Care provides services to LMI older adults to allow them to remain in their houses.
- Arundel House of Hope – The Arundel House of Hope is a non-profit organization that provides emergency transitional and other supportive housing for the homeless in Anne Arundel County, Maryland.

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

During the evaluation period, AFSB employees provided eighty-seven (87) hours of financial expertise to seven (7) community development-related organizations that operate within the bank's AA. Below are some notable examples of the bank's community development services and employee involvement:

- The bank's CRA Officer serves as a Board member of a non-profit organization that provides basic home necessities for LMI families and individuals. The CRA Officer provides his financial expertise to the organization through reviewing monthly financial reports and the annual budget. He also contributes to the strategic plan development and management.
- The bank's Chief Operating Officer serves on the Executive Committee and serves as Treasurer of a non-profit, multi-disciplinary arts facility located in Anne Arundel. The organization offers affordable and free arts programs to people of all ages and income levels, and provides arts education classes and workshops for at-risk youth in the greater Brooklyn Park region.
- Various bank employees provided financial education presentations for a non-profit organization located in Curtis Bay, Maryland. This included financial wellness, improving credit scores, first time homebuyer information, and the mortgage application process. The organization provides focused life-development and mentoring programs to women who have experienced trauma, trafficking, generational poverty, addiction, crime, and abuse.

## Appendix A: Scope of Examination

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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 MSA(s) and non-MSA(s) 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>	
Bank Products Reviewed:	Residential Mortgages (Home purchase, home refinance, home improvement) Community development loans, qualified investments, community development services	
List of Assessment Areas and Type of Examination		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>MSA</b>		
Baltimore-Columbia-Towson	Full-scope	All tracts of Anne Arundel County and four tracts of Baltimore City. All in the state of Maryland.
<b>Name of State</b>		
State of Maryland	Full-scope	

## Appendix B: Summary of MMSA and State Ratings

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<b>RATINGS Arundel Federal Savings Bank</b>			
<b>Overall Bank:</b>	<b>Lending Test Rating*</b>	<b>CD Test Rating</b>	<b>Overall Bank/State/Multistate Rating</b>
Satisfactory	Satisfactory	Satisfactory	Satisfactory
<b>State of Maryland</b>			
Satisfactory	Satisfactory	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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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 secured either 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 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

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### 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.

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																<b>2016</b>		
<b>Total Home Mortgage Loans</b>			<b>Low-Income Tracts</b>			<b>Moderate-Income Tracts</b>			<b>Middle-Income Tracts</b>			<b>Upper-Income Tracts</b>			<b>Not Available-Income Tracts</b>			
Assessment Area	#	\$	% of Total	% 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
Baltimore-Columbia-Towson	83	22,190	100.0	1.3	0.0	0.5	4.7	4.8	4.7	39.4	28.9	40.3	54.6	66.3	54.5	0.0	0.0	0.0
<b>Total</b>	<b>83</b>	<b>22,190</b>	<b>100.0</b>	<b>1.3</b>	<b>0.0</b>	<b>0.5</b>	<b>4.7</b>	<b>4.8</b>	<b>4.7</b>	<b>39.4</b>	<b>28.9</b>	<b>40.3</b>	<b>54.6</b>	<b>66.3</b>	<b>54.5</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>2017-2018</b>		
<b>Total Home Mortgage Loans</b>			<b>Low-Income Tracts</b>			<b>Moderate-Income Tracts</b>			<b>Middle-Income Tracts</b>			<b>Upper-Income Tracts</b>			<b>Not Available-Income Tracts</b>			
Assessment Area	#	\$	% of Total	% 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
Baltimore-Columbia-Towson	161	46,491	100.0	1.1	0.6	0.6	8.4	6.2	9.0	37.3	34.2	40.4	53.1	59.0	50.0	0.0	0.0	0.0
<b>Total</b>	<b>161</b>	<b>46,491</b>	<b>100.0</b>	<b>1.1</b>	<b>0.6</b>	<b>0.6</b>	<b>8.4</b>	<b>6.2</b>	<b>9.0</b>	<b>37.3</b>	<b>34.2</b>	<b>40.4</b>	<b>53.1</b>	<b>59.0</b>	<b>50.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																	<b>2016</b>		
Total Home Mortgage Loans			Low-Income Borrowers			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
Assessment Area	#	\$	% of Total	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	
Arundel FSB AA	83	22,190	100.0	14.5	6.0	3.8	15.8	16.9	13.9	21.0	19.3	19.1	48.7	55.4	35.8	0.0	2.4	27.4	
<b>Total</b>	<b>83</b>	<b>22,190</b>	<b>100.0</b>	<b>14.5</b>	<b>6.0</b>	<b>3.8</b>	<b>15.8</b>	<b>16.9</b>	<b>13.9</b>	<b>21.0</b>	<b>19.3</b>	<b>19.1</b>	<b>48.7</b>	<b>55.4</b>	<b>35.8</b>	<b>0.0</b>	<b>2.4</b>	<b>27.4</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 P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																	<b>2017-2018</b>		
Total Home Mortgage Loans			Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
Assessment Area	#	\$	% of Total	% 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	
Arundel FSB AA	161	46,491	100.0	15.8	6.8	5.2	15.8	17.4	16.8	20.5	18.6	21.5	47.9	53.4	36.1	0.0	3.7	20.4	
<b>Total</b>	<b>161</b>	<b>46,491</b>	<b>100.0</b>	<b>15.8</b>	<b>6.8</b>	<b>5.2</b>	<b>15.8</b>	<b>17.4</b>	<b>16.8</b>	<b>20.5</b>	<b>18.6</b>	<b>21.5</b>	<b>47.9</b>	<b>53.4</b>	<b>36.1</b>	<b>0.0</b>	<b>3.7</b>	<b>20.4</b>	

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