
Comptroller of the Currency
Administrator of National Banks

Northeastern District
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New York, New York 10036

Public Disclosure

October 31, 1996

Community Reinvestment Act Performance Evaluation

**The Bank of Delmar, N.A.
Charter Number: 23037**

**2727 N. Salisbury Boulevard
Salisbury, Maryland 21801**

Office of the Comptroller of the Currency

**Four Greenwood Square, Suite 120
3325 Street Road
Bensalem, Pennsylvania 19020**

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 **The Bank of Delmar, N.A.** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 31, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

This rating is supported by the following facts:

- The loan to deposit ratio is reasonable at 67%
- High percentage of lending in the assessment areas
- Good distribution of credit to borrowers of different income levels
- A good record of lending to small businesses

The following table indicates the performance level of **The Bank of Delmar, N.A.** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	The Bank of Delmar, N.A. Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
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		X	
Response to complaints	No complaints received since the prior examination		

Description of Institution

The Bank of Delmar, N.A. (BDNA) is a wholly owned subsidiary of Delmar Bancorp, a single bank holding company with headquarters in Seaford, DE. BDNA has six banking offices, five of which are in Maryland. The remaining banking office is located in Seaford, DE. Primary competitors are community-sized banks and savings associations located in the trade area, and regional bank branches. As of September 30, 1996, the bank reported total assets of \$101.3 million. The loan portfolio primarily consists of 1 - 4 family residential real estate mortgages (40% of total loans) and loans for commercial purposes (37%). BDNA does not have any financial or legal impediments hindering its ability to help meet the credit needs of its assessment areas.

In February 1996 BDNA converted from a state charter to a national charter. Shortly afterwards, the company opened their Seaford, DE office and moved their headquarters to that location. For that reason, there is limited banking activity in Delaware for the period covered by this evaluation. We have incorporated this fact into our analysis of BDNA's CRA performance.

DESCRIPTION OF ASSESSMENT AREAS

Maryland Assessment Area

The bank has designated all of Wicomico County as their assessment area. Bank management defined this area based upon the location of the Maryland branch offices. The assessment area contains sixteen census tracts/block numbering areas (BNA's), 6% of which

are low-income geographies, 13% are moderate-income, 62% are middle-income, and 19% are upper-income. The population of the assessment area is 74,000. Median family income for the assessment area is \$33,449. Median housing value for the area is \$69,450, and the median age of the housing stock is 30 years. Major employers in the area are the Peninsula Regional Medical Center, Perdue Farms, and Salisbury State University. Management identified loans for first time home buyers and rental property lending as primary credit needs of the area.

Delaware Assessment Area

The bank has designated the southwest portion of Sussex County as the Delaware assessment area. This assessment area is based upon the location of the one Delaware branch. The assessment area encompasses five block numbering areas, all of which are middle-income tracts. The population of the area is 41,000 with a median family income of \$30,958. Median housing value is \$64,200, and the median age of the housing stock is 28 years. Major employers of the area include Perdue Farms and the Dupont Corporation. Identified credit needs are loans to first time home buyers and poultry farm financing.

The assessment areas comply with CRA regulations and do not arbitrarily exclude low- and moderate-income areas. Neither of the assessment areas is in a Metropolitan Statistical Area. Therefore, the bank does not report home loans under the Home Mortgage Disclosure Act (HMDA). We used bank reports throughout this analysis, and verified their accuracy through sample testing. Management agreed that our sample results are representative of the residential mortgage and commercial loan portfolios.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

BDNA's loan to deposit (LTD) ratio averaged 67% for the period covered in this evaluation. We analyzed LTD ratios for eight community banks with headquarters or branch presence in Sussex or Wicomico counties. BDNA's ratio was lower than the average LTD ratio of 77% for these institutions. The LTD ratio is also slightly below their national peer group average of 68%. The bank does not originate fixed-rate mortgage loans, which impacts the LTD ratio. However, they do refer all fixed-rate mortgage applications to a non-affiliated mortgage originator

Credit Extended Inside the Assessment Area

We focused our analysis on the BDNA's primary product lines: 1 - 4 family residential loans and commercial loans. To analyze this information properly, we reviewed a sample of both product lines.

Our analysis of 1 - 4 family residential mortgages shows that the majority of these loans are originated within the two assessment areas. Our sample size included all loans originated during the second quarter of 1996 and consisted of 23 originations for \$1,018,000. This sample represents 27% of the total number of residential mortgage originations from October 1, 1995 through September 30, 1996 (1 full year). For the Maryland assessment area, they

originated 92% of both the number and dollar amount of mortgage loans within the assessment area. For the Delaware assessment area, 89% of the number and 94% of the dollar amount of mortgage loans were originated within the assessment area. The table below illustrates the results of our sample.

Percentage of Residential Mortgage Lending Within Assessment Areas		
	Maryland AA	Delaware AA
Sample size - number of loans	14	9
Sample size - dollar volume	\$656 thousand	\$362 thousand
Number of loans within AA	92%	89%
Dollar volume within AA	92%	94%

Our analysis of commercial loans shows that the bank originates a majority of these loans within the two assessment areas. We reviewed all commercial loan originations and commitments for the second quarter of 1996. During that period, the bank had originations or commitments to 88 commercial relationships. For purposes of all commercial loan analyses in this evaluation, we classified multiple loans to one borrower as a single commercial relationship. For the Maryland assessment area, 92% of the number and 91% of the dollar volume were to businesses located within the assessment area. In the Delaware assessment area, 82% of the number and 75% of the dollar volume were to businesses within the assessment area. The table below summarizes the results of the sample.

Percentage of Commercial Relationships Lending Within Assessment Areas		
	Maryland AA	Delaware AA
Sample size - number of loans	60	28
Sample size - dollar volume	\$3.59 million	\$1.18 million
Number of loans within AA	92%	82%
Dollar volume within AA	91%	75%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of residential mortgage loans to borrowers of different sizes is reasonable. Within the Maryland assessment area, 23% of the number of the home loans in our sample were made to moderate-income borrowers. These loans represent 26% of the dollar volume of the sample. An additional 8% of our sample was originated to low-income borrowers. Within the Delaware assessment area, 38% of the number and 42% of the dollar volume of

home loans in our sample were made to moderate-income borrowers. The table below summarizes the findings from our sample.

Distribution of Home Loan Sample by Borrower Income		
	Maryland AA	Delaware AA
Sample Size - number of loans	14	9
Sample Size - dollar volume	\$656 thousand	\$362 thousand
% to Moderate-income Households (number of loans)	23%	38%
% to Moderate-income Households (dollar volume)	26%	42%
% to Low-income Households (number of loans)	8%	0
% to Low-income Households (dollar volume)	2%	0

The distribution of commercial loans to borrowers of different sizes is also reasonable. Our conclusion is based upon an analysis of original loan amounts as a proxy for business revenues. We analyzed all commercial relationships originated from October 1, 1995 through September 30, 1996 and found that a substantial majority of the relationships had original amounts of less than \$100,000. The bank did not originate any commercial relationship originations during this period greater than \$1 million. Again, we classified multiple loans to one borrower as a single commercial relationship and used each relationship's aggregate borrowing over the last year in this analysis. The table below reflects the distribution of commercial loans during this period.

Distribution of Commercial Relationships by Loan Amounts 10/1/95 - 9/30/96		
	Maryland AA	Delaware AA
Total Relationship Loans	190	87
Original amounts less than \$100,000	86%	92%
Original amounts \$100,000 - \$249,999	7%	7%
Original amounts \$250,000 - \$500,00	5%	1%
Original amounts above \$500,000	1%	0%

Geographic Distribution of Credit

The geographic distribution of credit for residential mortgage loans is reasonable. Within the Maryland assessment area, 8% of the number and 6% of the dollar volume of home loans in our sample were to households in moderate-income census tracts/BNA's. This compares well with the relative population of the two moderate-income tracts as these geographies contain 9% of the total households in the assessment area. Our sample did not show any loans to borrowers in the one low-income census tract/BNA. This geography contains 1% of total assessment area households.

The Delaware assessment area does not contain any low- or moderate-income BNA's. Therefore, an analysis of the geographic distribution of credit would not provide any meaningful data for this assessment area.

Compliance with Antidiscrimination Laws

Our fair lending exam did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations. In addition, we found no evidence of discriminatory or other illegal credit practices.

State Ratings

CRA Rating for Maryland: Satisfactory

Small Institution Assessment Criteria	The Bank of Delmar, N.A. - Maryland Assessment Area Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints received since the prior examination		

Description of Institution's Operations in Maryland

BDNA operates five full service banking offices in Maryland. All bank products and services are available within the state. Management has designated Wicomico County as their Maryland assessment area. The assessment area contains 16 census tracts/BNA's and has a

population of 74,339. Six percent of the geographies are low-income, 13% are moderate-income, 62% are middle-income, and 19% are upper-income.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of residential mortgage loans to borrowers of different incomes is reasonable. We analyzed a sample of home loans originated within the Maryland assessment area. This sample includes all home loans originated during the second quarter of 1996. Twenty three percent of the home loans in our sample were made to moderate-income borrowers. These loans represent 28% of the total dollar volume of loans in our sample. An additional 8% of the home loans in our sample were made to low-income borrowers, representing 2% of the dollar volume.

The distribution of commercial loans to borrowers of different revenues is reasonable. We reviewed all commercial loan originations made from October 1, 1995 through September 30, 1996 and used loan size as a proxy for business revenues. Our analysis of 190 commercial loan relationships originated during this period found that 86% of the number of originations were in amounts of less than \$100,000. Twelve percent were in amounts of 100,000 to 500,000. One percent of commercial loans were in amounts greater than \$500,000.

Geographic Distribution of Credit

The geographic distribution of credit of residential mortgage loans within the assessment area is reasonable. From our loan sample, 8% of the number and 7% of the dollar volume of loan originations were to households in moderate-income census tract/BNA's. Our sample did not contain any loan originations within the low-income census tract/BNA.

CRA Rating for Delaware: Satisfactory

Small Institution Assessment Criteria	The Bank of Delmar, N.A. - Delaware Assessment Area Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	

Response to complaints	No complaints received since the prior examination
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Description of Institution's Operations in Delaware

BDNA operates one full service banking office in Delaware. The branch was opened in 1996. All bank products and services are available within the state. Management has designated the southwest portion of Sussex County as the Delaware assessment area. The assessment area contains 5 BNA's and has a population of 70,882. All of the BNA's are middle-income tracts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of residential mortgage loans to borrowers of different incomes is reasonable. We analyzed a sample of residential mortgage loans originated within the Delaware assessment area. This sample includes all mortgage loans originated during the second quarter of 1996. Thirty eight percent of the loans in our sample were made to moderate-income borrowers. These loans represent 44% of the total dollar volume of loans in our sample. Our sample did not show any loan originations to low-income households.

The distribution of commercial loans to borrowers of different revenues is reasonable. We reviewed all commercial loan originations made from October 1, 1995 through September 30, 1996 and used loan size as a proxy for business revenues. Our analysis of 87 commercial loan relationships originated during this period found that 92% of the number of originations were in amounts of less than \$100 thousand. Eight percent were in amounts of \$100 thousand to \$500 thousand. No commercial loans were in amounts greater than \$500 thousand.

Geographic Distribution of Credit

The Delaware assessment area contains no low- or moderate-income BNA's. Therefore, an analysis of the geographic distribution of credit would not provide any meaningful data.