



PUBLIC DISCLOSURE

April 29, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rosedale FS & LA
Charter Number 703758

9616 Belair Rd., Baltimore, MD 21236-1104

Office of the Comptroller of the Currency

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, 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.

INSTITUTION'S CRA RATING: This institution is rated: Outstanding

The Lending Test is rated: Outstanding
The Community Development Test is rated: Outstanding

The major factors that support these ratings include:

- The loan-to-deposit ratio meets the standard for satisfactory performance and is reasonable based on the institution's size, financial condition, and relevant competitive factors.
- A majority of Rosedale's lending activity was originated within its assessment area.
- The overall performance of lending to borrowers of different incomes reflects more than reasonable penetration and exceeds the standard for satisfactory performance.
- The overall performance for the geographic distribution of loans reflects reasonable penetration and exceeds the standard for satisfactory performance.
- Rosedale's community development performance exceeds the standard for satisfactory performance in its responsiveness to the community development needs of its assessment area.

Scope of Examination

We evaluated Rosedale FS & LA (Bank) under the Intermediate Small Bank Examination Procedures, which assesses the Bank's performance under the lending test and the community development (CD) test. The lending test evaluates the Bank's record of meeting the credit needs of its assessment area (AA) through its lending activities. The community development (CD) test evaluates the bank's responsiveness to the CD needs in its AA through CD lending, qualified investments and community development services.

The lending test covers the Bank's performance from January 1, 2012 to December 31, 2013, as this is representative of its lending strategy since the last CRA examination. Based upon the Bank's internally prepared loan report, we determined the Bank's primary loan product is HMDA reportable lending. The evaluation period for the CD test is from February 1, 2011 through March 31, 2014. CD loans, investments, and services submitted by management were verified to ensure that they met the regulatory definition of community development.

In order to evaluate Rosedale's record of originating residential mortgage loans, we analyzed loan data Rosedale collected and reported in accordance with the (HMDA) requirements. In order to ensure the reliability of the HMDA loan data, we performed a data integrity examination during the third quarter of 2013. In conjunction with the data integrity examination, we evaluated the processes employed by Rosedale to ensure the accuracy of collected HMDA data and tested a sample of Rosedale's reported HMDA loans. Specifically, we tested the accuracy of Rosedale's HMDA loan data by comparing it against Rosedale's loan file documentation. The data integrity examination revealed that Rosedale's publicly available HMDA loan data could be relied on for purposes of this CRA evaluation.

Description of Institution

Rosedale is a federally chartered mutual savings institution headquartered in Baltimore County, Maryland. As of December 31, 2013, Rosedale had total assets of \$786.1 million. Rosedale does not have any affiliates or subsidiaries.

Rosedale is a full service community bank offering retail and commercial banking services as well as mobile and text banking and online bill pay. The Bank concentrates its lending in the local community served by the eight branches it operates. The Bank's headquarters is located in the Perry Hall branch. Five branches are located in Baltimore City or County and three branches are located in Harford County. Six branches are located in middle-income census tracts, one located in an upper-income census tract, and one located in a moderate-income census tract. The Bank does not have any branches located in low-income census tracts.

All branches offer office hours of 9:00 AM to 3:00 PM Monday through Thursday with extended hours until 6:00 PM on Fridays. Additionally, seven of the branches offer office and/or drive-thru hours on Saturday. Automated Teller Machines (ATMs) are located at all branches. Rosedale did not open or close any branches during the review period.

| Major Components of Total Assets | | | | |
|---|--------------------------------------|--------------------------|--------------------------------------|--------------------------|
| | As of December 31, 2013 | | As of December 31, 2010 | |
| ASSET TYPE | BALANCE SHEET \$ AMOUNT (000) | % OF TOTAL ASSETS | BALANCE SHEET \$ AMOUNT (000) | % OF TOTAL ASSETS |
| Loans | | | | |
| 1-4 Family Constr. Mortgage | \$2,058 | 0.27% | \$1,005 | 0.14% |
| Nonresidential Constr. Mortgage & Land Development | \$29,118 | 3.78% | \$25,304 | 3.45% |
| 1-4 Family Permanent Mortgage | \$314,126 | 40.76% | \$350,219 | 47.75% |
| Multi-Family Permanent Mortgage | \$10,135 | 1.32% | \$10,164 | 1.39% |
| Non-Farm Nonresidential Permanent Mortgage | \$158,555 | 20.57% | \$117,044 | 15.96% |
| Investments | | | | |
| US Govt. & Agency Securities | \$177,755 | 23.06% | \$145,966 | 19.90% |
| Interest-Bearing Bank Balances | \$27,906 | 3.62% | \$56,484 | 7.70% |
| Non-Interest Cash and Due From Banks | \$2,184 | 0.28% | \$1,814 | 0.25% |
| Mortgage Backed Sec. Guar. By US Govt. Agencies | \$48,886 | 6.34% | \$14,156 | 1.93% |
| Total Assets | \$786,097 | 100.00% | \$733,506 | 100.00% |

As of December 31, 2013, Rosedale reported net loans and leases of \$510.3 million, or 64.92 percent of total assets, Tier 1 Capital of \$180.6 million, and a Tier 1 Leverage Capital ratio of 22.96 percent. One to four family residential real estate loans represent 61.06 percent of the total loan portfolio. Representing 32.79 percent of the loan portfolio are commercial real estate loans, 6.06 percent construction and development loans, and 0.08 percent consumer loans.

There are no legal, financial, or other factors impeding Rosedale’s ability to help meet the credit needs of the communities it serves. Rosedale received a “Satisfactory” rating on its last Performance Evaluation (PE), dated January 31, 2011.

Description of Assessment Area (AA)

Management has defined the entire Baltimore-Towson, MD (#12580) Metropolitan Statistical Area as the AA, which includes Baltimore City and Baltimore County, Harford County, Carroll County, Howard County, Anne Arundel County and Queen Anne’s County. The area includes urban, formerly industrialized, lower income neighborhoods in Baltimore City, and middle- to upper-income suburban communities across six counties surrounding the city. All of the bank’s branches are located in Baltimore City, Baltimore County and Harford County. The following table provides a summary of the demographics of the Bank’s AA.

| ROSEDALE ASSESSMENT AREA – DEMOGRAPHIC INFORMATION¹ | | | | | | |
|--|---------------------------|-----------|-----------|-----------|-----------|-----------|
| 671 CENSUS TRACTS (Excludes ten Census Tracts where Census Tract Income is NA) | | | | | | |
| | CENSUS TRACT INCOME LEVEL | | | | | |
| | | TOTAL | LOW | MODERATE | MIDDLE | UPPER |
| CENSUS TRACTS | # | 671 | 100 | 147 | 227 | 197 |
| POPULATION | # | 2,696,689 | 287,685 | 557,923 | 963,465 | 887,616 |
| BY LOCATION | | 100.00% | 10.67% | 20.69% | 35.73% | 32.91% |
| % OWNER OCCUPIED | | 61.66% | 5.64% | 16.61% | 38.98% | *38.77% |
| % RENTER OCCUPIED | | 29.01% | 20.56% | 31.29% | 30.45% | 17.70% |
| % VACANT | | 9.33% | 32.01% | 26.04% | 25.63% | *16.33% |
| % 1-4 FAMILY UNITS | | 79.08% | 12.09% | 20.21% | 34.62% | 33.08% |
| % MULTIFAMILY UNITS | | 19.67% | 14.31% | 28.48% | 35.90% | *21.29% |
| MEDIAN HOUSING VALUE | | \$296,066 | \$127,484 | \$185,911 | \$290,546 | \$449,434 |
| 2012 WEIGHTED AVERAGE MEDIAN FAMILY INCOME | | | | \$86,982 | | |
| | FAMILY INCOME LEVEL | | | | | |
| | | TOTAL | LOW | MODERATE | MIDDLE | UPPER |
| % FAMILIES | | 100.00% | 21.42% | 17.32% | 20.96% | *40.30% |
| % OF FAMILIES BELOW POVERTY LEVEL | | | | 9.33% | | |

¹ Based on 2010 Census Data.

*Rounding by 0.01%.

Major sectors of employment include law, finance, health, medicine, biosciences, hospitality, retail, entertainment, shipbuilding, maritime, commerce, electronics, telecommunications, information technology, aerospace research, and city and federal government. Baltimore is a center of education, with well-known and prestigious colleges, universities and medical schools, and operates a major east coast port. Major employers include Northrup Grumman; Johns Hopkins University and Johns Hopkins Hospital and Health System; University of Maryland Medical System; U.S. Department of Health and Human Services; Bank of America; Lifebridge Health at Sinai; St. Agnes Healthcare; and Verizon.

Numerous affordable housing and economic development community groups operate in Baltimore City. These include the Baltimore Development Corporation, Coppin Heights Community Development Corporation (CDC), Development Corporation of NW Baltimore, Economic Alliance of Greater Baltimore, and numerous neighborhood CDCs. These organizations promote, support, execute, and manage economic and community development programs, and neighborhood renovation and revitalization projects throughout the city. The city supports activities of these organizations, and engages in and coordinates related municipal programs through the Department of Housing & Community Development.

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio (LTDR)

Rosedale's LTDR meets the standards for satisfactory performance. Rosedale's LTDR was prepared using the information from eight quarterly OCC Uniform Bank Performance Reports derived from Call Report data filed by the bank from March 31, 2012 through December 31, 2013. Based on this information, the examiner calculated the average ratio of 78.58% for the review period. The bank's LTDR increased during the review period from a low of 75.3% at June 30, 2012 of the review period to a high of 84.43% at the end of the review period. On average Rosedale's LTDR remained consistent relative to its peer group of thrift institutions between \$300 million and \$1.0 billion in total assets in or near its assessment area, with an average LTDR of 84.52%.

Lending in Assessment Area

Rosedale's record of lending within its AA exceeds the standards for satisfactory performance. The following table compares the number and dollar volume of Rosedale's HMDA-reportable loans made inside and outside its assessment area from January 1, 2012 to December 31, 2013.

| HMDA-REPORTABLE LENDING ASSESSMENT AREA CONCENTRATION | | | | |
|---|--------------|----------------|------------------|---------------|
| | No. of Loans | No. % of Total | \$ Amt. of Loans | \$ % of Total |
| | | | (000) | |
| Inside A.A. | 442 | 95.88% | \$113,446 | 94.70% |
| Outside A.A. | 19 | 4.12% | \$6,354 | 5.30% |
| TOTAL | 461 | 100.00% | \$119,800 | 100.00% |

The vast majority of the bank's HMDA-reportable loans during the review period were secured by properties within Rosedale's AA. The Bank originated 442 loans or 95.88% of its total number of HMDA reportable loans within the AA. .

Lending to Borrowers of Different Incomes

Lending to Borrowers of Different Incomes

Rosedale's distribution of lending to borrowers of low and moderate incomes exceeds the standards for satisfactory performance. Although the bank does not offer governmentally insured lending programs (i.e. FHA, VA), Rosedale offers flexible loan products to qualifying LMI borrowers in response to community development objectives. The examiner analyzed the bank's assessment area HMDA-reportable loan originations (and purchases) to borrowers of different income levels. Family incomes were stratified as a percent of the updated median family income (MFI) for the Baltimore-Towson MSA. The table below compares Rosedale's performance to the peer group and the distribution of families by income level.

| Rosedale January 1, 2012- December 31, 2013 HMDA Lending Assessment Area | | | | | Demographic Benchmarks | Peer Lending Benchmark |
|---|------------------------|----------------|-----------------|----------------|---------------------------|---------------------------------|
| Income Level of Borrower | Number | No. Pct. | Dollar (000) | \$ Percent | Percent Families | 2012 Aggr. HMDA ² |
| Low = <50% | 38 | 10.64% | \$4,015 | 4.97% | 21.42% | 4.91% |
| Moderate = 50-79% | 84 | 23.53% | \$11,819 | 14.64% | 17.32% | 14.63% |
| Middle = 80-119% | 71 | 19.89% | \$12,629 | 15.65% | 20.96% | 23.17% |
| Upper = > 120% | 164 | 45.94% | \$52,252 | 64.74% | 39.22% | 57.29% |
| Total | 357³ | 100.00% | \$80,715 | 100.00% | 100.00% | 100.00% |

The above table shows that Rosedale's lending to low-income families was below the percentage of low-income families residing in the assessment area. However, when considering that 9.33% of the households within the assessment area are below the poverty level and may find it difficult to qualify for a home loan, the lending level to low-income borrowers is acceptable. The percentage of Rosedale's lending to low-income borrowers was significantly higher than the peer lending benchmark. The bank's lending to moderate-income borrowers was significantly more than the demographic

² Aggregate data includes HMDA-reportable conventional mortgage loans made within the assessment area by federally regulated lenders. 2012 aggregate data used is the most recent available.

³ Excludes 85 loans where no income was reported.

and peer lending benchmarks. Overall, Rosedale's lending to LMI borrowers represented 34.17% of assessment area lending, which is slightly below the demographic benchmark of 38.74% but much higher than the peer lending benchmark of 19.54%.

Flexible Lending Programs

Rosedale offers a first-time homebuyer program targeting low-and moderate-income borrowers within the bank's assessment area. For calendar year 2014, the board allocated up to \$4.0 million for the program. All applicants are required to complete an authorized first-time homebuyer counseling session and provide a certificate of completion prior to submitting a loan contract and application. The bank partners with the Federal Home Loan Bank of Atlanta Affordable Housing Set-Aside Program (FLHB AHP Set-Aside Program) that offers products that provide closing cost and down payment grants, when available, to qualifying applicants. During the review period, Rosedale originated 18 loans under the program totaling \$1,967,000.

Geographic Distribution

Rosedale's record of lending to borrowers of different geographies exceeds the standards for satisfactory performance. The examiner analyzed Rosedale's dispersion of HMDA-reportable loans within census tracts of different income levels. The following table compares Rosedale's HMDA-reportable lending by geographic-income category within the assessment area to the percentage of owner-occupied housing units (O.O.H.U.) that are located within each of these categories and to peer lending within the assessment area.

| Rosedale January 1, 2012- December 31, 2013 HMDA Lending Assessment Area | | | | | Demographic Benchmarks | Peer Lending Benchmark |
|---|------------|----------------|------------------|----------------|----------------------------------|---------------------------|
| Income Level of Census Tract | Number | No. Pct. | Dollar (000) | \$ Percent | Percent O.O.H.U. ⁴ | 2012 Aggr. HMDA |
| Low = <50% | 5 | 1.13% | \$348 | 0.31% | 5.64% | 1.16% |
| Moderate = 50-79% | 73 | 16.52% | \$13,524 | 11.92% | 16.61% | 5.31% |
| Middle = 80-119% | 202 | 45.70% | \$41,960 | 36.99% | 38.98% | 32.99% |
| Upper = > 120% | 162 | 36.65% | \$57,614 | 50.78% | 38.77% | 60.54% |
| Total | 442 | 100.00% | \$113,446 | 100.00% | 100.00% | 100.00% |

The above table shows that Rosedale's lending in low-income census tracts was somewhat below the demographic benchmark, but compares favorably to the peer lending benchmark. The bank's lending within the assessment area moderate-income census tracts was slightly below the demographic benchmark and well above the peer

⁴ Owner Occupied Housing Units. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner occupied housing units in the assessment area. Based on 2010 U.S. Census.

lending benchmark. Overall, Rosedale's lending within LMI census tracts represented 17.65% of assessment area lending, which is below the demographic benchmark of 22.25% but much higher than the peer lending benchmark of 6.47%.

Responses to Complaints

During the review period, the institution received no known written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

COMMUNITY DEVELOPMENT TEST

Rosedale's performance under the community development test is "Outstanding."

The Bank's community development performance exceeds the standards for satisfactory performance in its responsiveness to the community development needs of its AA. The examiner considered community development activities submitted by the bank from February 1, 2011 through March 31, 2014.

Number and Amount of Community Development Loans

The Bank originated 12 new community development loans totaling \$10.136 million during the review period. Rosedale also extended additional funds on an existing \$1 million revolving line of credit with St. Ambrose Housing Aid Center and an existing \$300,000 revolving line of credit with the Baltimore County Small Business Loan Fund. The Bank's overall community development loan commitments total \$11.436 million.

The Bank continues its relationship with St. Ambrose Housing Aid Center. St. Ambrose Housing Aid Center was founded in 1968 and its mission is to "create and maintain equal housing opportunities for low- and moderate-income people, primarily in Baltimore City."

The Bank renewed its commitment during the review period to a \$300,000 line of credit to the Baltimore County Small Business Loan Fund, which is currently 2.1583 percent of the total fund amount of \$13,900,000. Collaborating with leading financial institutions, Baltimore County uses the Small Business Loan fund to provide real estate and fixed-asset loans to small businesses within the county. The target small business has annual revenues of \$1.0 million or less.

The Bank has maintained a relationship with Habitat for Humanity of the Chesapeake, and extended a \$1.8 million loan to them in 2011 to fund the purchase of 30 single family townhouse lots (\$900,000) in Baltimore City and to provide construction funds

(\$900,000 revolving) for the townhouse units. The census tract for the area is low-income. Habitat's goal is to "build decent houses for affordable homeownership throughout Anne Arundel County and the Baltimore metropolitan region."

The Bank originated a land loan for \$550,000 and a revolving construction line of credit for \$1.5 million to Camden Associates to complete a subdivision in a low-income census tract area in Baltimore City. The property is located in the Baltimore, MD Empowerment Zone.

The Bank originated a loan to Red Leaf Pennsylvania for \$1.680 million to provide financing for the acquisition and rehabilitation of a closed grocery store located in a low-income census tract area in Baltimore City. The borrower was able to sign a multi-year lease with Save-a-Lot to reopen the grocery store. The business primarily serves low-income customers and is an anchor business that employs LMI residents.

The Bank originated a \$200,000 real estate loan to Nehemiah House, Inc. to finance a homeless shelter for men. The purpose of Nehemiah House, Inc. is two-fold. First, to provide temporary shelter, food, clothing, and physical care for homeless men. Second, to provide a program that will help men eliminate their homeless situation by making them responsible to themselves and their families while becoming useful members of the community and society.

Lastly, the Bank originated seven multi-family loans totaling \$4.406 million that are located in LMI census tracts and that primarily serve LMI residents.

Number and Amount of Qualified Investments

Throughout the review period, the Bank donated \$392,449 toward community development through community organizations within the AA and renewed a \$250,000 Certificate of Deposit at Harbor Bank (minority owned bank that lends to LMI borrowers). Overall, the Bank made 45 community development investments and contributions totaling \$642,449.

Organizations receiving contributions include:

- HARBEL Housing Partnership, which supports local community organizations that work to improve communities with respect to housing and housing services;
- Habitat for Humanity, of the Chesapeake and Susquehanna, which provides affordable housing to LMI individuals and families;
- St. Ambrose Housing Aid, which provides housing opportunities for LMI people, primarily in Baltimore City;
- Nehemiah House, which shelters homeless men in Baltimore County, MD; and,
- The College Bound Foundation, which places College Access Program Specialists in Baltimore City's public high schools; advising programs assist students with college selection, filling out financial aid forms, and other college preparatory activities.

Additionally, the Bank has invested in financial literacy efforts in its AA by collaborating with Ever-Fi, which is a leading education technology company focused on teaching, assessing, badging, and certifying students in critical skills. The Bank receives CRA credit for this initiative because a number of the schools selected for the program serve LMI students.

Contributions were made to community groups such as Big Brothers Big Sisters of the Greater Chesapeake, City Neighbors School, Marian House, Mason Dixon Community Services, and many other community development groups; all of which aim to provide antipoverty programs and services to LMI individuals, families, and communities within the Bank's AA. The Bank also made community development donations to various food pantries throughout the AA.

Extent to Which the Bank Provides Community Development Services

Efforts included continual and committed participation in, and funding of, community development organizations and providing technical expertise in assisting community organizations to achieve their objectives. Rosedale is a charter member and active partner of the Harbel Housing Partnership. The Partnership's goal is to provide comprehensive homeownership education and counseling and to ensure that the homebuyers who participate in the program become successful, long-term residents within the local community. The Partnership provides pre-purchase homebuyer workshops, credit, and budget counseling. During the review period, Rosedale employees served in leadership positions on the Advisory Board (President, Vice-President) and have participated in homebuyer counseling seminars.

The Borrower Income Section of the Lending Test describes Rosedale's First Time Homebuyer program, which resulted in HMDA-reportable loan originations to LMI borrowers. Additionally, the Bank participated in the Federal Home Loan Bank of Atlanta (FHLBA) Affordable Housing Set-Aside Program, which offers products that provide matching funds for down payment and closing costs for eligible homebuyers.

During the review period, the Bank began offering a new suite of checking products, which includes a Free Checking Account. The goal of the product is to encourage new customers to choose Rosedale as their primary financial institution and to serve the needs of the community including LMI individuals with low cost financial products and services.

Responsiveness to Community Development Needs

Rosedale's activities demonstrate a strong responsiveness to community development needs, through active involvement in community development programs throughout the AA.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c) or 12 C.F.R. 195.28(c), in determining a national bank's or Federal savings association's CRA rating respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or Federal savings association, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or Federal savings association's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.