



## **PUBLIC DISCLOSURE**

**January 6, 2020**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**VCC Bank**

**Richmond, Virginia**

**Federal Reserve Bank of Richmond  
Richmond, Virginia**

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.

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3626858

7814 Carousel Lane

Richmond, Virginia 23294

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

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## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

### **INSTITUTION'S CRA RATING: This institution is rated: OUTSTANDING.**

VCC Bank (VCCB) has been designated as a limited purpose bank with respect to the Community Reinvestment Act (CRA) because the bank only extends loans that have a community development purpose. Given its limited purpose designation, VCCB is evaluated under the Community Development Test to determine its performance with the CRA. The following major factors support the institution's rating:

- During the evaluation period, the bank originated a high level of community development loans. Many of these development loans are complex or innovative transactions that are not routinely provided by other similarly-sized financial institutions.
- The bank provided a high level of community development services by supporting organizations engaged in providing community development activities.
- Relative to its current financial resources, the bank maintains an adequate level of qualified investments.
- The bank demonstrates excellent responsiveness to credit and community development needs in its assessment areas.
- Because the bank adequately addressed the needs of its assessment areas during the evaluation period, qualified community development activities benefiting areas outside of the bank's assessment areas were also considered during the evaluation period.

### **SCOPE OF EXAMINATION**

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). All qualified community development loans and services originated and provided by VCCB since its prior CRA evaluation, dated October 6, 2014, were considered during this evaluation. All qualified investments made since the prior evaluation, and those outstanding as of this evaluation, regardless of when made, were also considered. All bank lending since its prior evaluation was considered in this evaluation, and loan sampling was not utilized.

Bank management has delineated two assessment areas, which are described in greater detail in subsequent sections of the evaluation. Given the concentration of bank lending, deposits, and branches in these assessment areas, both assessment areas were evaluated using the FFIEC's full-scope review procedures. Because the bank adequately addressed the needs of its assessment areas, community development activities that took place outside of its assessment areas were also considered in this evaluation.

### **DESCRIPTION OF INSTITUTION**

VCCB is a certified Community Development Financial Institution (CDFI) that is headquartered in Richmond, Virginia. VCCB is a wholly owned subsidiary of Virginia Community Capital, a nonprofit CDFI, also headquartered in Richmond, Virginia. The bank operates two offices located in the cities of Richmond and Christiansburg, Virginia, and one loan production office located in Norfolk, Virginia, which is not located within either of the bank's assessment areas. The bank's previous CRA rating, dated October 6, 2014, was Outstanding.

The bank offers deposit accounts targeted to socially conscious institutions, including other banks, and individuals and generally limits its lending activities to those that facilitate community development throughout the Commonwealth of Virginia. As of September 30, 2019, the bank held total assets of \$214.2 million, of which 76.8% were net loans and 8.3% were securities. Since June 30, 2014, VCCB's assets, loans, and deposits increased by 175.1%, 195.3%, and 167.7%, respectively.

No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas or fulfilling its stated mission of offering innovative, flexible financial products designed to support affordable housing and community development ventures, increase jobs, and build sustainable communities.

VCCB serves two assessment areas located in metropolitan statistical areas (MSAs) in Virginia. The bank is headquartered in the Richmond, VA MSA and operates an additional branch office in the Blacksburg-Christiansburg-Radford, VA MSA assessment area. The following table details the composition of the bank's assessment areas.

Assessment Area Name	City/County	State	Census Tracts Included
Richmond, VA MSA	Amelia	VA	All
	Caroline (2015-2018)	VA	All
	Charles City	VA	All
	Chesterfield	VA	All
	Colonial Heights	VA	All
	Dinwiddie	VA	All
	Goochland	VA	All
	Hanover	VA	All
	Henrico	VA	All
	Hopewell	VA	All
	King and Queen (2019 only)	VA	All
	King William	VA	All
	New Kent	VA	All
	Petersburg	VA	All
	Powhatan	VA	All
	Prince George	VA	All
	Richmond	VA	All
Sussex	VA	All	
Blacksburg-Christiansburg-Radford, VA MSA	Giles	VA	All
	Montgomery	VA	All
	Pulaski	VA	All
	Radford	VA	All
	Floyd (2015-2018)	VA	All

Since its prior CRA evaluation, VCCB relocated its headquarters from Christiansburg, VA, to Richmond, VA, and effectively relocated both its branches by simultaneously closing offices and opening new ones. This activity did not affect or alter either of the bank's assessment areas.

Nonetheless, the composition of the bank's assessment areas changed during the evaluation period. These changes occurred as counties were added to and removed from MSA definitions determined by the Office of Management and Budget (OMB).

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE**

When considering its two assessment areas, the Richmond, VA MSA assessment area is larger geographically and by population. Additionally, on a relative basis, there are more community development opportunities within the Richmond, VA MSA assessment area compared to the Blacksburg-Christiansburg-Radford, VA MSA assessment area. Consequently, VCCB's performance in the Richmond, VA MSA is given more weight when considering the bank's overall performance rating. In addition, bank community development activities that occurred outside of the bank's assessment areas, all of which took place within the Commonwealth of Virginia or a broader regional area that includes Virginia, were also considered when determining the bank's overall level of performance.

### *Community Development Loans*

During the evaluation period, the bank originated 455 community development loans totaling \$317.3 million. Of these loans, 444 (97.6%) totaling \$304 million (95.8%) were originated within Virginia and 174 (38.2%) totaling \$94.1 million (29.7%) were within the bank's assessment areas. This represents a high level of community development lending and many of these loans are innovative or complex. In addition, the bank utilizes several government loan programs such as Low Income Housing Tax Credits, Historic Tax Credits, the Small Business Administration (SBA), and the United States Department of Agriculture in an effort to be highly responsive to community credit needs. Additional information regarding VCCB's lending activity is provided in subsequent sections of this evaluation.

### *Investments*

As of September 30, 2019, VCCB reported \$214.2 million in total assets and \$17.7 million in total investment securities. As of the evaluation's date, VCCB held approximately \$3.9 million in qualified community development investments. This is an adequate level of qualified investments. The bank has made qualified investments in markets across the Commonwealth of Virginia, both inside and outside of the bank's assessment areas.

VCCB made and holds the following qualified investments that benefit both of its assessment areas along with the larger statewide area.

- Virginia Housing Development Authority (VHDA) bonds totaling \$750,000. The VHDA promotes affordable housing by financing single-family and multi-family mortgages for low- and moderate-income individuals throughout the Commonwealth of Virginia.
- An equity investment in the Housing Equity Fund of Virginia totaling \$500,000. A part of the Virginia Community Development Corporation, the Housing Equity Fund finances low- and moderate-income housing projects across the Commonwealth of Virginia.
- An equity investment in a fund issued by Farragut Capital Partners totaling \$250,000. The fund is a Small Business Investment Company (SBIC) licensed by the SBA that invests only in small businesses in a regional area that includes the Commonwealth of Virginia.

Additional information about VCCB's qualified investments is provided in subsequent sections of the evaluation.

*Services*

VCCB and its employees provided a high level of community development services during the evaluation period. Staff members of the bank spent 8,825 hours supporting organizations and projects that provide community development services or promote economic development. All of the organizations supported provide services with the Commonwealth of Virginia. Of the total combined hours, 43.1% (3,799) specifically benefited the bank's assessment areas. Additional information about the bank's community development services is included in subsequent sections of this evaluation.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN RICHMOND, VA MSA

The assessment area includes all of the Richmond, VA MSA, which consists of 13 counties and four independent cities. VCCB operates one full-service office within the assessment area. According to the 2015 American Community Survey (ACS) data, the assessment area has a population of 1,246,215 and a median housing value of \$212,962. The owner-occupancy rate of the Richmond, VA MSA equals 59.9% and approximates the overall rate (59.2%) within the commonwealth. Similarly, the percentage of families living below the poverty level in the assessment area (8.8%) also approximates the commonwealth's percentage (8.2%). The median family income within the MSA equaled \$81,600 during 2019. The following table provides pertinent demographic data for the assessment area.

### Assessment Area Demographics

<b>Richmond, VA MSA</b>								
<i>(Based on 2015 ACS Data and 2018 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	36	12.2	22,538	7.4	7,648	33.9	64,391	21.1
Moderate	70	23.7	59,348	19.5	8,198	13.8	54,743	18.0
Middle	105	35.6	125,036	41.0	8,522	6.8	61,391	20.1
Upper	78	26.5	97,225	31.9	2,296	2.4	124,204	40.8
NA	6	2.0	582	0.2	136	23.4		
<b>Total</b>	<b>295</b>	<b>100.0</b>	<b>304,729</b>	<b>100.0</b>	<b>26,800</b>	<b>8.8</b>	<b>304,729</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	13,457	4.4	41,312	8.8	14,057	34.0	109,149	23.3
Moderate	52,207	16.9	103,189	22.0	17,098	16.6	78,467	16.7
Middle	133,892	43.4	184,241	39.3	16,207	8.8	85,437	18.3
Upper	108,163	35.1	138,568	29.6	7,066	5.1	195,595	41.7
NA	522	0.2	1,338	0.3	443	33.1		
<b>Total</b>	<b>308,241</b>	<b>100.0</b>	<b>468,648</b>	<b>100.0</b>	<b>54,871</b>	<b>11.7</b>	<b>468,648</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	3,620	5.8	3,195	5.6	397	8.6	28	4.3
Moderate	12,890	20.6	11,568	20.2	1,126	24.3	196	30.2
Middle	23,123	37.0	21,325	37.2	1,603	34.6	195	30.1
Upper	22,624	36.1	20,927	36.6	1,473	31.7	224	34.6
NA	291	0.5	247	0.4	39	0.8	5	0.8
<b>Total</b>	<b>62,548</b>	<b>100.0</b>	<b>57,262</b>	<b>100.0</b>	<b>4,638</b>	<b>100.0</b>	<b>648</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>91.5</b>		<b>7.5</b>		<b>1.0</b>

\*NA-Tracts without household or family income as applicable



The assessment area is located in central Virginia, and the local economy benefits from a diverse mixture of local industries. With the City of Richmond serving as the capital of the Commonwealth of Virginia, many resident are employed by the state. Local and federal government also employ many area residents. Several major medical facilities including Bon Secours, HCA and VCU health systems, and Southside Regional Medical Center are also large area employers. Given its location and access to major thoroughfares along the east coast, the assessment area also attracts distribution centers. Other major employers in the area include Anthem, Amazon, Capital One Bank, DuPont, Phillip Morris, Wal-Mart stores, UPS, and academic institutions such as the University of Richmond and Virginia Commonwealth University.

Recent and historical unemployment rates since the previous evaluation are included in the following table. As indicated below, area unemployment rates have declined in all portions of the assessment area since November 2014.

Geographic Area	November 2014	November 2015	November 2016	November 2017	November 2018	November 2019
Amelia County	4.9%	3.9%	4%	3.5%	2.8%	2.6%
Caroline County	5.7%	4.5%	4.2%	3.8%	2.8%	N/A
Charles City County	5.9%	5%	4.3%	4.5%	3.2%	2.7%
Chesterfield County	4.7%	3.8%	3.7%	3.3%	2.5%	2.4%
City of Colonial Heights	5.3%	4.2%	4.3%	3.5%	2.9%	2.9%
Dinwiddie County	6%	4.6%	4.5%	3.9%	3.1%	2.8%
Goochland County	4.4%	3.5%	3.7%	3%	2.5%	2.4%
Hanover County	4.2%	3.4%	3.4%	3%	2.3%	2.1%
Henrico County	4.7%	3.8%	3.8%	3.3%	2.5%	2.5%
City of Hopewell	8.6%	6.6%	6.3%	5.4%	3.9%	3.8%
King and Queen County	N/A	N/A	N/A	N/A	N/A	2.3%
King William County	4.8%	3.7%	3.7%	3.1%	2.6%	2.3%
New Kent County	4.1%	3.3%	3.3%	2.9%	2.3%	2.1%
City of Petersburg	9.9%	8.1%	7.3%	6.6%	5%	4.9%
Powhatan County	4.2%	3.4%	3.4%	3.1%	2.3%	2.3%
Prince George County	5.9%	4.8%	4.6%	4%	3%	3%
City of Richmond	5.6%	4.6%	4.4%	3.9%	2.9%	2.9%
Sussex County	7.4%	6.5%	6.1%	5.4%	3.7%	4%
Richmond, VA MSA	5.1%	4.1%	4%	3.5%	2.7%	2.6%
Commonwealth of Virginia	4.8%	3.9%	3.9%	3.3%	2.5%	2.4%

Based on recent MSA definitions published by the OMB, Caroline County was removed and King and Queen County was added to the Richmond, VA MSA. Consequently, VCCB's assessment area was adjusted to reflect these changes in 2019 based on the effective date of the OMB's changes.

A local economic development official was contacted recently to discuss local economic conditions and community credit needs. The contact indicated there has been increased focus on redevelopment of historic downtown areas within the market, as residents continue to support locally owned businesses. The area also continues to attract businesses in the advanced manufacturing, logistics and distribution, and retail industries, creating employment opportunities for area residents. According to the individual, local financial institutions are actively involved in the community, and financing has become more readily available to small businesses. While local credit needs are currently being met, he noted opportunities for entrepreneurship training and access to startup capital.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

Discussions with the individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the assessment area. Given its size, financial condition, and business strategy, the bank faces no constraints in extending community development loans, purchasing community development investments, or participating in community development services.

*Community Development Loans*

During the evaluation period, VCCB originated 163 qualified community development loans totaling approximately \$85.8 million within the Richmond, VA MSA assessment area. The bank's lending supported a broad range of qualified community development activities that include affordable housing, small business development, and job creation that primarily benefited low- and moderate-income residents, the stabilization and revitalization of low- and moderate-income census tracts, and community and social services targeted to low- and moderate-income individuals. The following table summarizes the bank's community development lending by loan purpose.

Loan Purpose	#	\$ (000s)
Affordable Housing	66	\$39,056
Economic and Small Business Development	90	\$45,218
Community Services	7	\$1,478
Total	163	\$85,752

During the evaluation period, VCCB originated a high level of community development loans that benefited the Richmond, VA MSA assessment area. Several of these loans were complex and involved tax credits, participation with other financial institutions, and subsidies or grants from governmental entities. The bank's use of different government loan programs and participation with other financial institutions to fund loans demonstrate an excellent level of responsiveness to area credit needs.

*Investments*

The bank's qualified investments within this assessment area are limited to those already discussed that benefit the statewide area including this assessment area. The bank's level of qualified investments is considered adequately responsive to area community development needs given the bank's capacity and availability of opportunities within this assessment area.

*Community Development Services*

During the evaluation period, VCCB provided a high level of support to organizations that provide community development services in this assessment area. The organizations supported serve a broad range of community development purposes including the provision of affordable housing, social services, small business development, and the redevelopment of low- and moderate-income census tracts. The following table summarizes VCCB's efforts by type of service.

Service Type	# of Hours
Affordable Housing	730
Economic and Small Business Development	2,092
Community Services	516
Total	3,338

The following is an illustrative list of organizations that VCCB supported during the evaluation period.

- Activation Capital
- Alleghany Foundation
- Better Housing Coalition
- Cameron Foundation
- Capital Area Partnership Uplifting People
- Caritas
- Center For Rural Entrepreneurship
- Chesterfield Economic Authority
- Community Builders
- Community Development Bankers Association
- Connect Capital
- Department of Housing and Community Development
- Foothills Housing
- Habitat for Humanity
- Healing Place
- Henrico Economic Development Authority
- HOME
- Hopewell Downtown Partnership
- Hopewell Redevelopment and Housing Authority
- Housing Families First
- Jefferson Davis Corridor Small Business Loan Program
- Lighthouse Labs
- Local Initiatives Support Corporation (LISC)
- Maggie Walker Community Land Trust
- Property Assessed Clean Energy (PACE)
- Richmond Affordable Housing Trust Fund
- Richmond Community Land Trust
- Richmond Redevelopment Housing Authority
- RVA B Corp Community
- United Way Education Action Council
- VCU Center for Urban and Regional Analysis

- Virginia Impact Investing Forum
- Virginia Multifamily Housing Energy Efficiency Coalition
- Virginia Supportive Housing

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN BLACKSBURG-CHRISTIANSBURG-RADFORD, VA MSA ASSESSMENT AREA**

This assessment area includes all of Giles, Montgomery, and Pulaski counties and the City of Radford, Virginia. The assessment area includes the entire Blacksburg-Christiansburg-Radford, VA MSA, and the bank operates one full-service branch office within the assessment area. According to the 2015 ACS data, the assessment area has a population of 180,482 and a median housing value of \$162,533. The owner-occupancy rate for the MSA equals 53.5%, which is less than the overall rate in Virginia (59.2%). The percentage of assessment area families living below the poverty level (8.9%) slightly exceeds the percentage of such families in the commonwealth (8.2%). The median family income within the assessment area equaled \$65,700 during 2019. The following table provides pertinent demographic data for the assessment area.

**Assessment Area Demographics**

<b>Blacksburg-Christiansburg-Radford, VA MSA</b> <i>(Based on 2015 ACS Data and 2018 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,320	18.1
Moderate	1	2.8	682	1.7	201	29.5	7,533	18.6
Middle	25	69.4	31,591	78.2	2,954	9.4	8,893	22.0
Upper	6	16.7	7,875	19.5	397	5.0	16,646	41.3
NA	4	11.1	244	0.6	57	23.4		
<b>Total</b>	<b>36</b>	<b>100.0</b>	<b>40,392</b>	<b>100.0</b>	<b>3,609</b>	<b>8.9</b>	<b>40,392</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	18,418	26.8
Moderate	414	1.0	2,379	3.5	1,479	62.2	9,170	13.3
Middle	33,557	79.4	51,162	74.4	8,756	17.1	12,536	18.2
Upper	8,074	19.1	14,050	20.4	2,705	19.3	28,672	41.7
NA	230	0.5	1,205	1.7	783	65.0		
<b>Total</b>	<b>42,275</b>	<b>100.0</b>	<b>68,796</b>	<b>100.0</b>	<b>13,723</b>	<b>19.9</b>	<b>68,796</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	80	1.3	73	1.3	5	1.1	2	2.3
Middle	4,763	76.4	4,286	75.5	403	85.2	74	86.0
Upper	1,270	20.4	1,210	21.3	52	11.0	8	9.3
NA	123	1.9	108	1.9	13	2.7	2	2.4
<b>Total</b>	<b>6,236</b>	<b>100.0</b>	<b>5,677</b>	<b>100.0</b>	<b>473</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.0</b>		<b>7.6</b>		<b>1.4</b>

\*NA-Tracts without household or family income as applicable

The local economy is based upon a number of academic facilities as well as manufacturing, agriculture, service, and retail industries. Major area employers include Virginia Polytechnic Institute and State University, Radford University, Wal Mart stores, HCA Virginia Health System, BAE Systems (ammunition production), Celanese Acetate (chemical manufacturing), and area school systems.

As indicated in the following table, area unemployment rates have declined during the recent five-year period. Based on recent MSA definitions published by the OMB, Floyd County was removed from the Blacksburg-Christiansburg-Radford, VA MSA. Consequently, VCCB’s assessment area was adjusted to reflect this change in 2019 based on the effective date of the OMB’s changes.

Geographic Area	November 2014	November 2015	November 2016	November 2017	November 2018	November 2019
Floyd County	4.2%	3.6%	3.8%	2.9%	2.2%	N/A
Giles County	5.6%	4.5%	5.1%	3.8%	2.7%	2.8%
Montgomery County	4.4%	3.7%	3.8%	3.4%	2.6%	2.4%
Pulaski County	5.4%	4.4%	5.3%	3.8%	2.8%	2.8%
City of Radford	5.7%	4.7%	4.8%	4.4%	3.3%	3%
Blacksburg-Christiansburg-Radford, VA MSA	4.8%	4%	4.3%	3.5%	2.7%	2.6%
Commonwealth of Virginia	4.8%	3.9%	3.9%	3.3%	2.5%	2.4%

An economic development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that local small businesses are a significant portion of the local economy, and that small businesses and potential entrepreneurs would benefit from additional financial education resources. The contact indicated local financial institutions reasonably meet the credit needs of the local community.

**CONCLUSIONS WITH RESPECT TO THE COMMUNITY DEVELOPMENT TEST IN THE BLACKSBURG-CHRISTIANSBURG-RADFORD, VA MSA ASSESSMENT AREA**

Discussions with the individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the assessment area. While opportunities are reasonably available, there are fewer community development opportunities within the Blacksburg-Christiansburg-Radford, VA MSA than in the Richmond, VA MSA because of its smaller overall size and less developed community development infrastructure. Given VCCB’s size, financial condition, and business strategy, it faces no constraints in extending community development loans, purchasing community development investments, or participating in community development services within the assessment area.

*Community Development Loans*

During the evaluation period, VCCB originated 11 qualified community development loans totaling approximately \$8.4 million within the assessment area. The bank's lending supported a range of qualified community development activities that include affordable housing, small business development, and job creation that primarily benefited low- and moderate-income residents. The following table summarizes the bank's lending by loan purpose.

Loan Purpose	#	\$(000s)
Affordable Housing	8	\$6,938
Economic and Small Business Development	3	\$1,427
Total	11	\$8,365

During the evaluation period, VCCB originated an adequate level of community development loans that benefited the Blacksburg-Christiansburg-Radford, VA MSA assessment area. Some of these loans were complex and involved tax credits, participation with other financial institutions, and subsidies or grants from governmental entities. The bank's use of different government loan programs and participation with other financial institutions to fund loans demonstrate an adequate level of responsiveness to area credit needs.

*Investments*

The bank's qualified investments within this assessment area are limited to those already discussed that benefit the statewide area including this assessment area. The bank's level of qualified investments is considered adequately responsive to area community development needs given the bank's capacity and availability of opportunities within this assessment area.

*Community Development Services*

VCCB provided an adequate level of support to organizations that provide community development services within the assessment area during the evaluation period. The organizations supported serve a broad range of community development purposes including affordable housing, community and social services, and small business development. The following table summarizes VCCB's efforts by type of service.

Service Type	# of Hours
Affordable Housing	66
Economic and Small Business Development	360
Community Services	36
Total	462

The following is an illustrative list of organizations that VCCB supported during the evaluation period.

- Habitat for Humanity
- New River Valley Home Consortium
- Montgomery Regional Economic Development Commission
- Live, Work, Eat, Gather, Inc.
- Montgomery Chamber of Commerce
- My Southwest Virginia Opportunity

- Prices Fork Community Kitchen
- Appalachian Community Capital
- New River Valley Community Foundation
- New River Valley Livability Initiative
- NRV Comprehensive Economic Development Strategy



## OTHER ACTIVITIES

Because VCCB is a limited purpose institution that has adequately addressed the needs of its assessment areas, community development loans, qualified investments, and community development services that benefit areas outside of the institution's assessment areas and the broader statewide or regional areas that includes the institution's assessment areas were also considered. These other activities provide support for the overall “Outstanding” rating.

### SUMMARY OF INSTITUTION'S OTHER COMMUNITY DEVELOPMENT ACTIVITIES

During the evaluation period, VCCB originated 281 loans totaling \$223.1 million that benefit borrowers and markets outside of its assessment areas. The following table summarizes the bank's lending by loan purpose.

Loan Purpose	#	\$ (000s)
Affordable Housing	91	\$94,101
Economic and Small Business Development	183	\$122,845
Community Services	7	\$6,195
Total	281	\$223,141

Given its capacity, VCCB originated a high level of community development loans that benefited areas outside of its assessment areas. Several of these loans were complex and involved tax credits, participation with other financial institutions, and subsidies or grants from governmental entities.

During the evaluation period, VCCB held the following qualified community development investments that benefit areas outside of the bank’s assessment areas.

- Certificates of deposit totaling \$1.1 million issued by CDFI credit unions.
- An \$805,000 bond issued by a regional community services board operating outside of the bank’s assessment areas.
- A \$540,000 equity investment in an affordable housing project in southwest Virginia.

During the evaluation period, VCCB provided a high level of support to community development organizations operating outside of the bank’s assessment areas. The following table provides information about the number of hours and general types of community development services provided.

Service Type	# of Hours
Affordable Housing	918
Economic and Small Business Development	3,881
Community Services	226
Total	5,025

During the review period, VCCB assisted two borrowers in obtaining grants from the Federal Home Loan Bank of Atlanta for affordable housing projects. The grants supported borrowings totaling \$700,000 for the two projects. The grants are structured as forgivable loans, and VCCB also services them for the Federal Home Loan Bank of Atlanta.

## CRA APPENDIX

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - (A) Rates of poverty, unemployment, and population loss; or
  - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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, home equity 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 and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**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 and Community Development Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**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.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated area:** A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan 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) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.