

PUBLIC DISCLOSURE

April 8, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commerce Bank of Virginia

05512349

P. O. Box 29569

Richmond, Virginia 23242

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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 Community Reinvestment Act (CRA) performance of Commerce Bank of Virginia, Richmond, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 8, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio appears reasonable in relation to demand for credit in the assessment area. A majority of loans sampled during the examination were within the assessment area. None of the sampled loans were extended in low-income tracts and few in moderate-income tracts. Remaining loans were distributed between middle- and upper-income tracts and a large portion of these loans were made to low- and moderate-income borrowers. The penetration of loans throughout the market is satisfactory in relation to the institution's branch locations and business strategy.

The following table indicates the performance level of Commerce Bank of Virginia with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Commerce Bank of Virginia</u> 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Headquartered in Richmond, Virginia, Commerce Bank of Virginia operates five offices serving Hanover, Goochland, and Henrico Counties, and the City of Richmond, Virginia. As of December 31, 1995, the bank had \$72.9 million in assets, of which 58% were loans. Various loan products available through the institution include credit for commercial, residential mortgage, consumer, and community development purposes. Approximately 30% of the portfolio is comprised of loans to both businesses and consumers that are secured by one-to four-family properties; the remainder of the portfolio consists of commercial (56%) and consumer (14%) loans.

DESCRIPTION OF ASSESSMENT AREA

The assessment area consists of 35 census tracts and incorporates all of Goochland and Hanover Counties as well as the following census tracts in Henrico County and the City of Richmond:

<u>Henrico</u>	<u>Richmond</u>
2001.01	204
2001.13	205
2001.14	302 to 306
2001.15	403
2001.16	412
	601
	607.98

All bank offices are located within the Richmond-Petersburg Metropolitan Statistical Area (MSA). The population for the assessment area is 128,916 of which 22.9% are minorities. In addition, 23% of the market population resides in low- and moderate-income census tracts. The local economy is well diversified with a mixture of manufacturing, service, and Government employment opportunities. Some of the major industries in the area include metal fabrication, tobacco processing, pharmaceuticals, food products, chemicals, banking, and insurance. The current unemployment rates for Hanover, Goochland, and Henrico Counties are 2.0%, 3.0%, and 2.8%, respectively. This compares to a jobless rate of 4.6% for the City of Richmond. Information obtained from recent contact with a public official involved in local economic development was used to assist in evaluating the bank's CRA performance. The official noted that the area economy is strong and that local financial institutions are actively involved in a variety of projects promoting economic growth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

A well diversified economy with low unemployment suggests demand for credit is strong. The bank's average loan-to-deposit ratio of 69% for the previous four quarters is considered reasonable in relation to the institution's financial capacity and size.

LENDING IN ASSESSMENT AREA

A sample of 98 consumer loans was reviewed to determine the volume of lending within the assessment area. The distribution is illustrated in the table below:

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	68	30	98
Percentage of Total Loans	69%	31%	100%
Total Amount of Loans (000's)	\$602	\$322	\$924
Percentage of Total Amount	65%	35%	100%

A majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area indicating responsiveness to local credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

Information about applicant income was gathered for the sampled loans located in the assessment area. The following chart depicts the bank's lending to borrowers of different income levels.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	10	19	15	24	68
Percentage of Total Loans	15%	28%	22%	35%	100%
Total Amount of Loans (000's)	\$102	\$155	\$175	\$170	\$602
Percentage of Total Amount	17%	26%	29%	28%	100%

The review of loans suggests that the bank has been successful in lending to borrowers of all income levels. A significant portion of the consumer loans

(43%) were extended to low- and moderate-income applicants. This compares favorably to the 31% of the families within the assessment area considered low- and moderate-income.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the assessment area. The following table depicts the geographic distribution of lending by tract income level.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	0	7	28	33	68
Percentage of Total Loans	0%	10%	41%	49%	100%
Total Amount of Loans (000's)	\$0	\$72	\$223	\$307	\$602
Percentage of Total Amount	0%	12%	37%	51%	100%

The bank's percentage of lending in low- and moderate-income tracts (10%) is lower than the proportion of the population residing in such tracts (nearly 12% of the population resides in each category of tracts). The low-income tracts are all near a limited service facility designed primarily to serve corporate customers in the downtown Richmond business district. The 41% of loan volume in middle-income tracts did substantially exceed the percentage of population in these tracts (30%).

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. A violation involving the technical aspects of the Home Mortgage Disclosure Act's Regulation C was noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit practices.

Regression Program Usage Report

(This form should be filled out for each examination conducted involving a HMDA reporter.)

Institution Name: Commerce Bank of Virginia

City, ST: Richmond, Virginia

Exam Date: April 8, 1996

Number of HMDA LAR records: 69

Year(s) of data considered: 1995

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	1995	Year	1995	Year	1995	Year	1995	Year
White Approvals	0	0	15	0	5	0	21	0
White Denials	0	0	4	0	1	0	1	0
Minority Approvals	0	0	2	0	0	0	2	0
Minority Denials	0	0	0	0	0	0	1	0

Was Step 1 of regression program run? N

if "N", why not? Insufficient number of minority denials

What grouping(s) of data (i.e, loan type, location, year(s), etc.) were used?

MIN Pr > Chi Square Value

- (1) _____
- (2) _____
- (3) _____
- (4) _____
- (5) _____
- (6) _____

- _____
- _____
- _____
- _____
- _____
- _____

Results from Regression Step 2

(Fill this page out for each grouping on which step 2 was run.)

Standard Variables which were not needed for Step 2:

_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Judgmental Variables which were collected for Step 2:

_____	Cash Available for Closing	_____	Special Loan Program
_____	Refi from Same Lender	_____	Cash Out vs No Cash Out
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Value of MIN Pr > Chi-Square: _____

Number of Minority Rejections: _____

Number of "Dominant Pairs": _____

Explain which files pair analysis used: _____

What additional factors explained away pairs? _____

Were pairs of loan files given to bank for explanation? Y N

Examiner hours spent specifically on regression: _____