

PUBLIC DISCLOSURE

September 16, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The George Mason Bank

05510932

11185 Main Street

Fairfax, Virginia 22030

**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 The George Mason Bank, Fairfax, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of September 16, 1996. The agency evaluates performance in the assessment area as delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. 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.

George Mason Bank primarily serves its assessment area through direct lending. A majority of the bank's loans were originated within this area. The distribution of lending throughout the assessment area is considered adequate, with loans originated in census tracts of all levels, including moderate-income tracts. Further, loans have been extended to customers of all different income levels and to businesses of varying sizes. Additionally, the institution provides a variety of products and services through various means to meet the needs of local residents. Participation in qualified community development investments, however, has been limited.

The following table indicates the performance level of The George Mason Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>The George Mason Bank</u>		
	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory			X
Low Satisfactory	X		
Needs to Improve		X	
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

The George Mason Bank (GMB) has its main office in Fairfax, Virginia, and 15 branch offices located throughout Northern Virginia. As of June 30, 1996, the bank had \$677 million in assets of which 46.5% were loans. The loan portfolio as of this date was comprised of 78% real estate secured (including consumer and commercial), 15% commercial, and 7% consumer. The bank's previous CRA rating was satisfactory.

George Mason Mortgage Company (GMMC) is a wholly owned subsidiary of The George Mason Bank and operates two of its four offices within the bank's assessment area. The mortgage company extends long-term mortgages, including Government-sponsored loans offered by the Federal Housing Administration (FHA) and the Veterans Administration (VA). In 1995, GMMC originated 1,198 mortgage loans totaling \$213 million within the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses portions of Fairfax, Loudoun, Arlington, and Prince William Counties, Virginia, including the Cities of Falls Church, Fairfax, Vienna, Manassas, and Manassas Park, Virginia. The assessment area is part of the Virginia portion of the Washington, D. C., MSA. The counties within this market range from densely populated urban areas to less populated rural regions. Although the local economy is diverse with a mix of retail, service, and technology-based industries, the area relies heavily on the Federal Government for employment opportunities. This area consists of 221 census tracts, of which 45 (20%) are considered low-income, 21 (10%) moderate-income, 80 (36%) middle-income, and 75 (34%) upper-income. The population and number of owner-occupied units within these census tracts is portrayed in the table below.

Population and Owner-Occupied Units by Income Level of Census Tract

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Population	0	107,543	394,890	358,038	860,471
Percent of Population	0.0%	12.5%	45.9%	41.6%	100.0%
Number of Owner Occupied Units	0	15,452	92,910	99,453	207,815
Percent of Units	0.0%	7.4%	44.7%	47.9%	100.0%

The following chart depicts assessment area families by low-, moderate-, middle, and upper-income levels based on the Metropolitan Statistical Area (MSA) median family income.

Distribution of Assessment Area Families by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Number of Families	24,715	32,764	53,326	108,153	218,958
Percent of Families	11.3%	15.0%	24.3%	49.4%	100%

The per capita income for the region is among the highest in the nation and the unemployment rate remains below that of both the Commonwealth and the nation. The rural localities tend to have less diverse economies and are subject to some seasonal unemployment resulting in typically higher jobless rates. The unemployment rate for the Virginia portion of the Washington, D. C. MSA is 2.8%. The unemployment rate for the Commonwealth of Virginia is 4.8%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The conclusions regarding the lending, investment, and service tests are summarized at the beginning of each section. Supporting information is then each divided into performance characteristics that are described in Appendix A of the regulation.

LENDING TEST

The overall rating of the institution under the Lending Test is Low Satisfactory. The institution, with the support of the mortgage company, offers a significant number of credit products. The geographic distribution of loans was considered adequate and revealed significant lending within assessment area census tracts, and did not exclude moderate-income tracts. The bank's lending to low- and moderate-income individuals was considered good when compared to the assessment area demographics and a local economy that suggests a high level of loan demand. Additionally, community development lending was considered adequate. The institution has demonstrated a responsiveness to the credit needs of the assessment area through some product innovation and flexibility.

Lending Activity

As identified in the CRA Public File, a full range of credit products is offered including residential mortgage, home improvement, small business, commercial, consumer, and community development loans. Additionally, various types of mortgages are available through a subsidiary, George Mason Mortgage Company (GMMC).

The bank's average loan-to-deposit ratio for the previous five quarters was 58.3%. The average loan-to-deposit ratio for financial institutions with assets greater than \$250 million and located within a Virginia MSA is 69.7%. Since June 30, 1995, total loans and deposits have significantly increased. Specifically, total loans have increased by 24.3% and total deposits have

increased by 19.5% during this period.

The following chart depicts the bank's lending activity since the previous evaluation by number, amount, and percentage:

George Mason Bank Loan Originations 4/1/95 to 8/31/96				
Description	Number	Percent	Amount (000's)	Percent
Automobile Secured	1,704	62.6%	\$28,254	11.9%
Consumer Real Estate	66	2.4%	\$61,896	26.1%
Home Equity Lines	328	12.1%	\$29,584	12.5%
Other Consumer	191	7.0%	\$3,080	1.3%
Commercial	434	15.9%	\$114,463	48.2%
Total	2,723	100.0%	\$237,277	100%

As illustrated above, the majority of loan originations (84%) was for consumer purposes. Automobile secured instalment loans and home equity lines accounted for 75% of all originations and are the bank's primary lending focus in terms of number of loans extended. Commercial lending accounts for the bulk of the dollar volume of lending, however. Included in the commercial loan figures are Small Business Administration (SBA) loans. SBA loans provide additional lending options to small businesses. Since the previous evaluation, six SBA loans for \$455,000 have been extended.

While the institution does offer residential real estate loans, the majority of consumer mortgage lending is provided by the bank's subsidiary mortgage company, GMMC. The following table portrays the mortgage company's lending activity within the assessment area.

George Mason Mortgage Company Loan Originations Made in Assessment Area 4/1/95 to 8/31/96				
Description	Number	%	Amount (000's)	%
Conventional	834	69.6%	\$163,407	76.6%
FHA	232	19.4%	\$28,279	13.3%
VA	132	11.0%	\$21,582	10.1%
Total	1,198	100.0%	\$213,268	100%

Since the previous evaluation, 30.4% of GMMC's lending within the assessment area consisted of FHA and VA loans. These loan programs generally have some combination of lower or flexible down payment requirements, more flexible debt ratios, and/or low interest rates.

With the support of the mortgage company, the bank offers a variety of loan products that benefit low- and moderate-income individuals and small businesses. Further, the volume and growth of lending suggest that the

institution's lending activity is responsive to assessment area credit needs.
Assessment Area Concentration

The institution's volume of lending from September 1, 1995 to August 31, 1996, is represented in the following tables by number and dollar amounts.

Comparison by Number of Loans Extended Inside and Outside of the Assessment Area

Description	Inside	Percent	Outside	Percent
Small Business/Farm Loans	109	80.7%	26	19.3%
Auto Loans/Home Equity Lines	728	55.5%	584	44.5%

Of total loans made during this period, 1,015 loans (60.7%) were extended to residents of the assessment area, while 657 (39.3%) were made outside of the assessment area.

Comparison by Loan Amounts Extended Inside and Outside of the Assessment Area

Description	Inside	Percent	Outside	Percent
Small Business / Farm Loan Amounts (000's)	\$14,220	84.1%	\$2,695	15.9%
Auto Loan / Home Equity Line Amounts (000's)	\$19,267	56.1%	\$15,094	43.9%
Total Loan Amounts (000's)	\$103,823	73.9%	\$36,674	26.1%

As depicted above, the majority of loans by number and dollar amounts has been provided to area residents. The percentage of loans made in the assessment area is considered adequate.

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the tables below. The tables represent the institution's lending within the assessment area according to income level of census tract.

Distribution of Small Business & Farm Loans by Income Level of Census Tract

	Low- and Moderate Income	Middle- and Upper Income	Total
Small Business/Farm Loans	3	106	109
Percentage of Loans	2.8%	97.2%	100%
Small Business/Farm Loan Amounts (000's)	\$100	\$14,120	\$14,220
Percentage of Amounts	0.7%	99.3%	100%

Distribution of Auto Loans & Home Equity Lines by Income Level of Census Tract

	Low- and Moderate Income	Middle- and Upper Income	Total
Auto Loans/Home Equity Lines	44	684	728
Percentage of Loans	6.0%	94.0%	100%
Auto Loan/Home Equity Line Amounts (000's)	\$729	\$18,538	19,267
Percentage of Amounts	3.8%	96.2%	100%

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

	Low- and Moderate Income	Middle- and Upper Income	Total
Total Loans	52	963	1,015
Percentage of Total Loans	5.1%	94.9%	100%
Total Loan Amounts (000's)	\$5,123	\$98,700	\$103,823
Percentage of Total Amounts	4.9%	95.1%	100%

A review of the 1995 Home Mortgage Disclosure Act (HMDA) data was conducted during the examination to determine the geographic distribution of mortgage loans for the bank and mortgage company within the assessment area. The following table represents the combined 1995 mortgage lending of the bank and GMMC within the assessment area by income level of census tract.

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

	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of HMDA Loans	34	484	575	1,093
Percentage of Total HMDA Loans	3.1%	44.3%	52.6%	100.0%

The bank and mortgage company's combined level of lending in moderate-income tracts (3.1%) is lower than the market aggregate (6.9%). A further review of the combined 1995 HMDA data revealed that the bank and mortgage company had a 4.0% market share of all HMDA reportable loans originated within the assessment area. On a combined basis the bank and GMMC had a larger market share of loans originated to residents of middle- and upper-income tracts

(4.2%) than to residents of moderate-income census tracts (1.8%).

As previously mentioned, there are no populated low-income census tracts within the assessment area. When compared to the population residing within moderate-income tracts (12.5%), the bank and mortgage company's penetration in these tracts is low. The high cost of housing may limit the supply of affordable housing and only 7.4% of owner-occupied units are in such tracts. This would account, in part, for the lower levels of mortgage and home-equity line lending. Further, the demand for small business loans within tracts of any particular income level is difficult to measure; population can only serve as an inexact proxy for demand.

The map in the Appendix depicts the bank's branch locations in relation to the income level of census tracts in the assessment area. Further, the branches opened since 1993 are segregated from those opened before 1994. Most of the branches situated in or near moderate-income tracts have been opened recently. This may also account, in part, for the somewhat low lending levels in such tracts. The institution's percentage of lending to residents and businesses of low- and moderate-income census tracts is low compared to the assessment area demographics and, for mortgage lending, the market aggregate. Nonetheless, given local economic conditions and the size and location of the institution, loan distribution is considered reasonable.

Borrower's Profile

The following chart illustrates the distribution of automobile secured loans and home equity lines extended in the assessment area by the borrower's income level from

July 15, 1996 to August 31, 1996.

Distribution of Loans by Income Level of Borrower

	Low- and Moderate-Income	Upper- and Middle-Income	Total
Total Number of Auto Loans/ Home Equity Lines	29	122	151
Percentage of Total Auto Loans/ Home Equity Lines	19.2%	80.8%	100.0%
Total Amount of Auto Loans/ Home Equity Lines (000's)	\$426	\$2,312	\$2,738
Percentage of Total Amount	15.6%	84.4%	100.0%

The bank's percentage of automobile and home equity lending to low- and moderate-income individuals (19.2%) is reasonably comparable to the percentage of low- and moderate-income families residing in the assessment area (26.3%).

The following table represents the number of commercial loans within the assessment area according to the revenue size of the business and loan amount.

Distribution of Commercial Loan Amounts by Size of Business

Loan Amount (000s)	Total Revenues ≤ \$ 1 million	Total Revenues > \$ 1 million	Total Loans
\$0 - \$100	35	43	78
\$100 - \$250	6	12	18
> \$250	3	10	13
Total	44	65	109

As illustrated above, 44 of the 109 (40.4%) commercial extensions in the assessment area were provided to small businesses, those with total revenues under \$1 million.

The following chart depicts the combined market HMDA data for 1995 by borrower's income level.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of HMDA Loans	49	232	347	446	1,074
Percentage of Total HMDA Loans	4.6%	21.6%	32.3%	41.5%	100.0%

George Mason Bank's and GMMC's combined HMDA lending to low- and moderate-income borrowers (26.2%) exceeded the market aggregate (24.4%) and equals the percentage of low- and moderate-income individuals residing in the assessment area.

Given the product lines offered by the institution, the distribution of loans to borrowers of different income levels and to businesses of different sizes appears reasonable.

Community Development Loans

The bank has originated the following community development loans since the previous evaluation:

A refinance loan on a 63-unit apartment complex located in a moderate-income census tract in Arlington, Virginia. Rents range from \$470 to \$905.

A loan to purchase a 37-unit apartment project located in a middle-income tract in Arlington, Virginia. Twenty-eight of the units are designated Section 8 housing with Arlington County supplementing rental payments.

A construction loan to build a 12-unit condominium building in a moderate-income census tract in Fairfax County, Virginia. All the units have been purchased by the Fairfax County Redevelopment and Housing Authority to be used as housing for low- and moderate-income families.

A loan to purchase a 21-unit housing complex located in a middle-income area in Arlington, Virginia.

Community development lending totaled \$4.2 million from June 30, 1995 through September 11, 1996. This level of community development lending is considered adequate for this institution.

Responsiveness to Credit Needs and Product Innovation

George Mason Bank is the only financial institution to continue to participate in Fairfax County's Home Pride Loan Program. This program facilitates the rehabilitation of homes in Fairfax City, Virginia. The underwriting guidelines are flexible, allowing an 85% loan-to-value ratio and the elimination of certain fees. Three of these loans were originated in 1996.

As previously mentioned, the bank is an active automobile-secured instalment lender. The 101% Auto Loan Program allows for a 101% loan-to-value ratio and was introduced by the bank to serve potential customers who could not afford to make the traditional 15-20% down payment on an automobile purchase. The bank has also introduced a fixed-rate home equity loan product in response to customer requests. Since September 1, 1996, seven fixed-rate home equity loans have been extended totaling \$255,734.

George Mason Bank continues to support SBA 8(a) Government contracting, a program designed to channel Government dollars to small minority-owned businesses. Under this program, the SBA serves as an intermediary between minority-owned businesses and companies (including Federal agencies) that want their work handled by such businesses. The bank has developed 13 relationships with 8(a) Government contracting firms. As a result, \$9.6 million in loans and/or lines of credit have been extended to these firms.

The institution, with the support of the mortgage company, offers various flexible and innovative credit products that serve all assessment area residents, including low- and moderate-income individuals and small businesses.

INVESTMENT TEST

The institution's participation in qualified community development investments is limited to donations made to local housing and revitalization organizations. The bank's investment portfolio does contain municipal securities; however, none qualify as community development investments. Therefore, the institution's level of qualified investments is considered inadequate.

Investment and Grant Activity

The bank has not invested in any qualified community development investments since the previous evaluation. Qualified grant activity consisted of three donations totaling \$3,500 made to local housing and revitalization organizations.

Responsiveness to Community Development Needs

The institution is not involved with any qualified community development investments that would be considered to be responsive to community development needs.

Community Development Initiatives

The institution has not initiated or participated in any community development programs since the previous evaluation.

SERVICE TEST

The overall rating of the institution under the Service Test is High Satisfactory. Delivery systems, branch locations, and the hours of operation are considered readily accessible and convenient to all portions of the assessment area. The bank's participation in community development services is considered adequate.

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Twenty-one Automated Teller Machines (ATM) are available to local residents and provide 24-hour nationwide network access. The ATMs are located at all branch locations, with an additional five off-site locations. Telephone banking is also available and provides customers with 24-hour accessibility. The bank received 14,952 calls through this service in August of 1996.

Branch Locations and Hours of Operation

Branch locations and business hours are tailored to the convenience and needs of the assessment area. George Mason Bank's 16 offices are accessible to all segments of the assessment area including moderate-income census tracts. Since the previous evaluation, three branches have been opened, one located in a moderate-income census tract. No branches have been closed since the previous evaluation, and a branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991. Hours of operation are considered convenient with some branches opening at 8:00 a.m. and closing at 8:00 p.m. on certain days. Furthermore, all branches offer Saturday hours, and 11 branches offer Sunday hours.

Community Development Services

George Mason Bank sponsors educational seminars to support local small businesses. These seminars provide small business owners with valuable information for operating a successful business.

The bank also provides technical assistance to community development organizations. Specifically, a real estate loan officer serves on the Resource Committee of the Wesley Housing Foundation, a non-profit affordable housing organization, and the CRA officer serves on the loan committee of the Northern Virginia Community Development Corporation.

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. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

Regression Program Usage Report

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

Institution Name: The George Mason Bank

City, ST: Fairfax, Virginia

Exam Date: September 16, 1996

Number of HMDA LAR records: 2,521

Year(s) of data considered: 1995

	FHA, VA, & FmHA HOME Purchase		Conventional Home Purchase		Refinancings		Home Improvement	
	Bank	Mtg	Bank	Mtg	Bank	Mtg	Bank	Mtg
White Approvals	0	738	4	906	0	251	10	0
White Denials	0	25	0	64	0	15	6	0
Minority Approvals	0	236	0	158	0	50	0	0
Minority Denials	0	26	0	26	0	5	1	0

Was Step 1 of regression program run? N

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

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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) _____ _____