

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 Bank of McKenney, McKenney, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of January 16, 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 at least meets the expectations for satisfactory performance for each of the assessment criteria. No complaints have been reported concerning the institution's performance in meeting community credit needs.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BANK OF MCKENNEY</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	Not Applicable	Not Applicable	Not Applicable

DESCRIPTION OF INSTITUTION

As of December 31, 1995, Bank of McKenney had total assets of \$36.5 million. The majority of these assets (60%) consist of loans. The bank's primary lending focus is consumer credit. Nearly 53% of its portfolio is composed of either loans secured by one-to four-family residential properties, mostly for consumer purposes, or other consumer credit including single payment, instalment, and student loans. Commercial and agricultural financing comprise the remaining 47% of the total portfolio. A new full service branch has been opened since the previous evaluation, bringing the total number of branches to three. Since July 1994, deposits have grown \$6.7 million (26%), outpacing loan growth of \$3.8 million (21%).

DESCRIPTION OF ASSESSMENT AREA

The assessment area is composed primarily of Dinwiddie County. The bank also includes census tract 8701 of Sussex County; block numbering area 9901 in Brunswick County; and block numbering area 9901 in Nottoway County, Virginia. Dinwiddie County, located just south of the City of Petersburg, Virginia, has a population of 21,000. The local economy is supported primarily by the agricultural industries in the southern portion of the county and various small manufacturing facilities and distribution centers in the northern portion of the county. Dinwiddie County is located within the Richmond Metropolitan Statistical Area. The county's proximity to the metropolitan areas of the Cities of Petersburg and Richmond provides residents access to additional employment opportunities. The current unemployment rate for Dinwiddie County is 4.4%, slightly above the Commonwealth's rate of 4.2%. A community contact was performed during the examination to assist in evaluating the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio of 68% for the previous six quarters is considered reasonable given the institution's size, financial condition, and location.

LENDING IN ASSESSMENT AREA

A sample of 73 unsecured consumer loans was reviewed to determine the distribution of lending within the institution's assessment area. As illustrated below, a majority of the number and dollar amounts of the sampled loans have been provided to residents of this area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

	Loans Originated Inside Assessment Area	Loans Originated Outside Assessment Area
Total Number of Loans	62	11
Percentage of Total Loans	85%	15%
Total Amount of Loans (000s)	\$167	\$42
Percentage of Total Amount	80%	20%

In addition, a review of the institution's mortgage lending activity during 1995 was conducted. A sample of 43 such loans indicated a majority of these credit extensions

(81%) were made to residents within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart indicates that a majority of unsecured consumer loans sampled within the assessment area was extended to low- and moderate-income borrowers. The volume of this lending to low- and moderate-income residents substantially exceeds the proportion of such residents in the assessment area.

Distribution of Loans in Assessment Area by Income Level of Borrower

	Low Income	Moderate Income	Middle Income	Upper Income	Total
Total Number of Loans	42	10	6	4	62
Percentage of Total Loans	68%	16%	10%	6%	100%
Total Amount of Loans (000s)	\$85	\$23	\$42	\$17	\$167
Percentage of Total Amount	51%	14%	25%	10%	100%

Furthermore, as illustrated by the following chart, the bank's mortgage lending during 1995 demonstrates that real estate credit is available to applicants of all income levels.

Distribution of Mortgage Loans in Assessment Area by Income Level of Borrower

	Low Income	Moderate Income	Middle Income	Upper Income	Total
Total Number of Loans	7	14	4	10	35
Percentage of Total Loans	20%	40%	11%	29%	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's assessment area consists only of moderate- and middle-income areas. As shown by the following chart, the majority of the sampled unsecured consumer loans has been extended in moderate-income areas. The bank's percentage of lending in such areas is slightly higher than the proportion of the population within these areas.

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

	Low Income	Moderate Income	Middle Income	Upper Income	Total
Total Number of Loans	NA	40	22	NA	62
Percentage of Total Loans	NA	65%	35%	NA	100%
Total Amount of Loans (000s)	NA	\$108	\$59	NA	\$167
Percentage of Total Loans	NA	65%	35%	NA	100%

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. Technical violations of the Home Mortgage Disclosure Act's Regulation C and the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.