

PUBLIC DISCLOSURE

October 21, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security Bank Corporation

05511695

P. O. Box 3127

Manassas, Virginia 22110

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 Security Bank Corporation, Manassas, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 21, 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 is considered reasonable given its financial capacity and location. Furthermore, the institution's high level of lending within the assessment area, particularly to low- and moderate-income borrowers and businesses with revenues under \$1 million, exceeds standards for satisfactory performance. The geographic distribution of loans meets standards for satisfactory performance given the institution's size, branch location, and area demographics.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Security Bank Corporation</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

Security Bank Corporation operates one office within the Northern Virginia region. As of June 30, 1996, the institution had total assets of \$47 million. Credit extensions comprise 53% of this figure. Commercial and industrial loans, loans for construction and land development, and loans secured by nonfarm nonresidential properties represent 75% of the bank's loan portfolio. Although consumer credit secured by one-to four-family residential properties (closed-end) comprises nearly 15% of total loans, very few of these credits are for consumer purposes as evidenced by the small number of loans reported on the 1995 Loan Application Register (LAR). Based on volume, commercial lending is the institution's primary credit product. However, consumer loans secured by motor vehicles are also routinely provided. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area encompasses Prince William County and the Cities of Manassas and Manassas Park, Virginia and is located within the Washington, D. C., Metropolitan Statistical Area (MSA). Sixty-seven census tracts are included in the assessment area of which 19 are low-income, 11 are moderate-income, 30 are middle-income, and seven are upper-income. Only one of the low-income census tracts, however, is populated. While approximately 18% of the population resides in low- and moderate-income areas, the majority of the population (65%) lives in middle-income neighborhoods. The following table provides assessment area demographics by the income level of families and the percentage of area residents living in census tracts of varying incomes.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	13%	21%	32%	34%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	<1%	17%	65%	17%	100%

The economy of the Washington, D. C., MSA relies heavily on the Federal Government and military installations for employment and business opportunities. The region is diverse and consists of a variety of service, trade, industrial, and tourism industries. According to the 1990 census, the population for the assessment area is 250,377. Unemployment rates for Manassas, Manassas Park, and Prince William County are 3.3%, 8.1%, and 2.7% respectively. The current jobless rate for the Commonwealth of Virginia is 4.2%.

A community contact with a representative from a local government organization was performed during the evaluation to assist in evaluating the bank's CRA performance. This individual indicated that small businesses in the area continue to benefit from local growth in the technology sector, but that future economic development is limited since a large portion of the area has already been developed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters is 60% and is considered reasonable given the bank's financial capacity, size, and current local economic conditions. This level of lending is considered reasonable when compared to similarly situated financial institutions. The average loan-to-deposit ratio for banks headquartered in metropolitan areas of Virginia and of similar size to Security Bank Corporation is 72%.

LENDING IN ASSESSMENT AREA

A sample of 31 consumer loans secured by motor vehicles and 67 small business loans was reviewed to determine the bank's lending within its assessment area. As illustrated by the following charts, a majority of the number and dollar amounts of the loans sampled has been provided to residents of the assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

Small Business Loans

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	55	12	67
Percentage of Total Loans	82%	18%	100%
Total Amount of Loans (000's)	\$3,837	\$981	\$4,818
Percentage of Total Amount	80%	20%	100%

Consumer Loans - Motor Vehicle

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	24	7	31
Percentage of Total Loans	77%	23%	100%
Total Amount of Loans (000's)	\$205	\$53	\$258
Percentage of Total Amount	80%	20%	100%

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

The following charts illustrate the distribution of the sampled loans extended within the assessment area by the income level of the borrower and to businesses of different sizes.

Distribution of Loans by Size of Business

	Revenues ≤ \$ 1 Million	Revenues > \$ 1 Million	Total
Total Number of Loans	36	19	55
Percentage of Total Loans	65%	35%	100%
Total Amount of Loans (000's)	\$2,018	\$1,819	\$3,837
Percentage of Total Amount	53%	47%	100%

The number and amount of loans provided to businesses with gross revenues of \$1 million or less demonstrate the bank's responsiveness to small business credit needs.

Distribution of Loans by Income Level of Borrower

Consumer - Motor Vehicle

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	14	6	3	1	24
Percentage of Total Loans	58%	25%	13%	4%	100%
Total Amount of Loans (000's)	\$98	\$53	\$29	\$25	\$205
Percentage of Total Amount	48%	26%	14%	12%	100%

The volume of consumer loans secured by motor vehicles extended to low- and moderate-income residents (83%) is substantially greater than the representation of such families in the assessment area. As previously mentioned, low- and moderate-income families comprise 13% (low-income) and 21% (moderate-income) of the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files included an analysis of lending activity throughout the community by census tract. The bank's assessment area consists primarily of middle- and upper-income areas. The following charts depict the distribution of the sampled small business loans and consumer loans secured by motor vehicles according to the income level of census tracts.

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

Small Business Lending

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	14	36	4	55
Percentage of Total Loans	2%	25%	66%	7%	100%
Total Amount of Loans (000's)	\$20	\$1,457	\$2,123	\$238	\$3,838
Percentage of Total Amount	1%	38%	55%	6%	100%

Consumer Loans - Motor Vehicle

	Low- Income	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	0	4	14	6	24
Percentage of Total Loans	0%	17%	58%	25%	100%
Total Amount of Loans (000's)	\$0	\$37	\$96	\$71	\$204
Percentage of Total Amount	0%	18%	47%	35%	100%

The geographic distribution of loans for both loan types is reasonable given the local population residing in geographies of various income levels. The percentage of loans made in low- and moderate-income geographies for both small business (27%) and consumer (17%) approximates the percentage of the population (17%) within the assessment area residing in these locations. Although only one loan has been extended in low-income geographies, less than 1% of the population of the assessment area resides in such tracts.

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 technical violation 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 activities.