

PUBLIC DISCLOSURE

October 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Fauquier Bank

05512940

P.O. Box 561

Warrenton, Virginia 22186

**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 Fauquier Bank, Warrenton, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 15, 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 Fauquier Bank's average loan-to-deposit is considered reasonable in relation to demand for credit in the community. A majority of consumer loans sampled during the examination were provided to residents of the assessment area. Furthermore, the bank's lending performance to borrowers of different income levels residing within the market appears responsive to community credit needs, particularly low- and moderate-income individuals. The assessment area contains only four populated middle-income block numbering areas (BNAs); therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Fauquier Bank</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	Not applicable.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Fauquier Bank maintains its main office in Warrenton, Virginia, and has four branch offices located in Fauquier County, Virginia. The institution's previous CRA rating was satisfactory. As of June 30, 1996, the bank had \$172 million in assets, of which 62% were loans. Various deposit and loan products are available through the institution including loans for home purchase, residential construction, home improvement, consumer, and commercial purposes. The loan portfolio as of June 30, 1996, was 69% real estate secured (consumer and business), 19% consumer, and 12% commercial. Based on lending volume, the majority of loans were for consumer purposes.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses Fauquier County, Virginia, which is included within the Washington, D. C. Metropolitan Statistical Area. The bank's community consists of nine BNAs, of which four are populated. All four populated BNAs are considered middle-income.

Fauquier County has a population of 48,741 with 68% of its residents living in owner-occupied dwellings. The region is in transition from a primarily rural area to a suburban community with the majority of local residents commuting to the Washington, D. C. metropolitan area for employment. Local employment opportunities are available in the agricultural, manufacturing, service, and tourism industries. Currently, the unemployment rate for Fauquier County is 2.6% and is lower than the 4.3% average rate for the Commonwealth. A local government official contacted during the examination indicated that there was a shortage of affordable housing options in Fauquier County. As a result, the Fauquier County Government has recently zoned certain areas in the City of Warrenton for affordable housing projects.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters is 66%. Considering the institution's financial capacity, size, and current local economic conditions, this ratio meets industry expectations. The average loan-to-deposit ratio for banks headquartered in metropolitan areas of Virginia and of similar asset size to The Fauquier Bank is 72%.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of consumer loans extended during the previous six months was reviewed. This sample consisted of 114 consumer purpose loans (57 motor vehicle secured and 57 unsecured loans). The distribution is represented in the following chart.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	76	38	114
Percentage of Total Loans	67%	33%	100%
Total Amount of Loans (000's)	\$538	\$325	\$863
Percentage of Total Amount	62%	38%	100%

As illustrated above, a majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area. In addition, the bank conducted an analysis of all 1995 Home Mortgage Disclosure Act (HMDA) reportable loans. This analysis revealed that 88% (70 of 80 loans) of all mortgage-related loans were extended to residents of Fauquier County.

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

A review of files for the 76 sampled consumer loans within the assessment area was conducted to analyze borrower income characteristics. The following chart illustrates the distribution of consumer loans extended in the assessment area by borrower income level.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	44	16	9	7	76
Percentage of Total Loans	58%	21%	12%	9%	100%
Total Amount of Loans (000's)	\$219	\$131	\$122	\$67	\$539
Percentage of Total Amount	41%	24%	23%	12%	100%

As a means of comparison, the chart below depicts the percentage of families residing in Fauquier County according to income level.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percent of Families	18%	21%	29%	32%	100%

When compared to the county distribution of families by income, the bank's volume of lending to low- and moderate-income individuals (79%) significantly exceeded the percentage of low- and moderate-income families residing within the assessment area (39%). A review of the 1995 HMDA data further revealed that 56% of all mortgage loans originated within the assessment area were provided to low- and moderate-income individuals.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously mentioned, the assessment area is comprised of four populated middle-income BNAs. Therefore, 100% of the loans extended within the assessment area were in these geographies.

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 Equal Credit Opportunity Act's Regulation B were noted. 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 Fauquier Bank

City, ST: Warrenton, Virginia

Exam Date: October 15, 1996

Number of HMDA LAR records: 99

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		29		13		21	
White Denials	0		1		2		0	
Minority Approvals	0		3		2		5	
Minority Denials	0		0		0		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) _____

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