

**PUBLIC DISCLOSURE**

April 21, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Virginia Community Bank

05511579

P.O. Box 888

Louisa, Virginia 23093

**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 Virginia Community Bank, Louisa, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 21, 1997. 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 Outstanding.

The bank's loan-to-deposit ratio is considered more than reasonable given its financial capacity and location. A majority of loans sampled during the examination were provided to residents of the assessment areas. The institution's lending to borrowers of different incomes and businesses of different sizes within its assessment areas exceeds standards for satisfactory performance. Furthermore, while there are no low-income areas within the local communities, 66% of the sampled loans were extended to persons and/or businesses residing in moderate-income geographies. Investments and services were also considered in the performance rating. The bank has invested in a fund that finances low-income housing projects throughout Virginia. The institution also has provided loans and made donations to local community development organizations.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Virginia Community 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	X		
Response to Complaints	No complaints have been received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Virginia Community Bank has six offices. The bank's main office is located in Louisa, Virginia, and the remaining branches are located in Louisa (2), Orange (1), and Culpeper (1) Counties, and the City of Fredericksburg (1), Virginia. As of March 31, 1997, the bank had \$82 million in assets of which 69% were loans. Various deposit and loan products are available through the institution including loans for home purchase, residential construction, home improvement, agriculture, consumer, and commercial purposes. The loan portfolio as of March 31, 1997, was comprised of the following: 53% real estate secured (consumer and business), 35% commercial, and 11% consumer. Based on the number of loans extended during the previous year, business and unsecured consumer loans were identified as the principal credit products offered. The institution's previous CRA rating was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank delineates two independent assessment areas. The first assessment area encompasses Culpeper and Spotsylvania Counties, and the City of Fredericksburg. This assessment area is located in the northern Virginia portion of the Washington, D. C. Metropolitan Statistical Area (MSA). According to the 1990 census data, this area has a population of 104,221 and contains 23 census tracts and/or block numbering areas (BNAs) of various income levels. Eight geographies are low-income, 12 are moderate-income, and three are middle-income. There are no upper-income areas in the assessment area, and the eight low-income geographies are not populated. As of February 1997, the unemployment rates for Culpeper County, Spotsylvania County, and the City of Fredericksburg, Virginia, are 4.3%, 3.9%, and 4.6%, respectively. These rates compare favorably to the Commonwealth's rate of 4.4%. The local economy is primarily dependent on service and tourism industries. Many local residents also commute to either Washington, D. C. or Richmond where various Government, military, and research employment opportunities are available. The area's close proximity to the urban communities of northern Virginia has facilitated steady population growth and increased development of housing and light manufacturing businesses. The 1996 median family income for areas within the MSA is \$68,300.

The second assessment area consists of Louisa and Orange Counties, Virginia. This area has a population of 41,746 and is primarily rural. The market includes eight BNAs, seven of which are middle-income and one that is upper-income. There are no low- or moderate-income BNAs within this assessment area. Employment opportunities are provided by several local manufacturing firms and by lumber and agricultural businesses. Lake Anna State Park and its surrounding recreational area also afford jobs in tourism. The property adjoining the lake has contributed to the overall economy through vacation or second home investments. Current statistics indicate jobless rates of 8.5% for Louisa County and 5.3% for Orange County. The 1996 nonmetropolitan median-family income for Virginia is \$33,600.

A representative from a local economic development corporation was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that with the increased industrial activity in northern Virginia and the ongoing support of area financial institutions, the local business community will continue to grow and prosper.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The average loan-to-deposit ratio for the previous six quarters is 73% and is considered highly responsive to area loan demand. Considering the institution's financial capacity, size, and current economic conditions, this ratio exceeds expectations for satisfactory performance. The average loan-to-deposit ratios for banks headquartered in nonmetropolitan and metropolitan areas of Virginia and of similar asset size to Virginia Community Bank are 67% and 70%, respectively.

**LENDING IN ASSESSMENT AREA**

A sample of 91 unsecured consumer loans and 50 business loans extended during the previous year was reviewed to determine the institution's volume of lending within the assessment areas. As illustrated by the chart below, a majority of the number and dollar amounts of the sampled loans were provided to residents and businesses of the assessment areas.

Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	120	21	141
<b>Percentage of Total Loans</b>	85%	15%	100%
<b>Total Amount of Loans (000s)</b>	\$3,635	\$1,226	\$4,861
<b>Percentage of Total Amount</b>	75%	25%	100%

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

The following charts illustrate the distribution of unsecured consumer loans originated within the assessment areas by income level of borrower. The data are provided separately for each of the bank's assessment areas.

Distribution of Loans by Income Level of Borrower - MSA

Unsecured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	25	8	1	0	34
<b>Percentage of Total Loans</b>	74%	23%	3%	0%	100%
<b>Total Amount of Loans (000s)</b>	\$87	\$36	\$5	\$0	\$128
<b>Percentage of Total Loans</b>	68%	28%	4%	0%	100%

The volume of lending to low- and moderate-income residents (97%) substantially exceeds the proportion of low-income (26%) and moderate-income (27%) families in the metropolitan assessment area.

Distribution of Loans by Income Level of Borrower - NonMSA

Unsecured Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	30	13	5	3	51
<b>Percentage of Total Loans</b>	59%	25%	10%	6%	100%
<b>Total Amount of Loans (000s)</b>	\$108	\$57	\$15	\$9	\$189
<b>Percentage of Total Loans</b>	57%	30%	8%	5%	100%

The percentage of loans to low- and moderate-income residents (75%) within the nonmetropolitan assessment area is also substantially greater than the representation of such families (14% low-income and 16% moderate-income) within the market. Furthermore, a majority of the dollar amounts of loans extended in both assessment areas (96% and 80%) were to low- and moderate-income borrowers.

The following chart depicts the distribution of the sampled business loans extended within both assessment areas to businesses of different sizes.

Distribution of Loans by Size of Business

	Revenues ≤ \$1 Million	Revenues > \$1 Million	Total
<b>Total Number of Loans</b>	29	6	35
<b>Percentage of Total Loans</b>	83%	17%	100%
<b>Total Amount of Loans (000s)</b>	\$2,310	\$1,008	\$3,318
<b>Percentage of Total Amount</b>	70%	30%	100%

The loans extended to businesses with gross revenues of \$1 million or less demonstrate the bank's willingness to meet the small business credit needs within both assessment areas. In the MSA assessment area, 16 of 21 (76%) loans were to small businesses. Given the demographics of the assessment areas, the distribution of lending reflects excellent penetration among borrowers of different income levels and to businesses of different sizes.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among moderate- and middle-income census tracts and BNAs within the institution's assessment areas. The following charts illustrate the distribution of the sampled unsecured consumer and business loans made in the metropolitan assessment area according to income level of the geographies. As previously mentioned, the metropolitan assessment area contains twelve moderate-income and three middle-income geographies. There are no populated low-income and no upper-income areas within this local community.

Distribution of Loans in Assessment Area by Income Level of Census Tract/BNA - MSA

Consumer Unsecured

	Moderate- Income	Middle- Income	Total
<b>Total Number of Loans</b>	32	2	34
<b>Percentage of Total Loans</b>	94%	6%	100%
<b>Total Amount of Loans (000s)</b>	\$121	\$7	\$128
<b>Percentage of Total Loans</b>	95%	5%	100%

Distribution of Loans in Assessment Area by Income Level of Census Tract/BNA - MSA

Small Business

	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	18	3	21
<b>Percentage of Total Loans</b>	86%	14%	100%
<b>Total Amount of Loans (000s)</b>	\$1,348	\$620	\$1,968
<b>Percentage of Total Loans</b>	68%	32%	100%

Within the metropolitan assessment area, 61% of the population reside in moderate-income areas and 39% reside in middle-income areas. Fifty (90%) of the sampled loans were extended to residents or businesses in moderate-income census tracts/BNAs. As mentioned previously, the nonmetropolitan assessment area is comprised of seven middle-income and one upper-income census tracts/BNAs. Within this market, 92% and 88%, of the sampled unsecured consumer and business loans were originated in the middle-income geographies. Seventy-three percent of the population reside in such areas.

Within both the metropolitan and nonmetropolitan assessment areas, the geographic distribution of the sampled consumer and business loans is more than reasonable given the local population residing in geographies of varying income levels.

**INVESTMENTS AND SERVICES**

The institution has invested \$75,000 in the Community Bankers' Bank Community Development Fund-II, L.L.C. The L.L.C. is a Virginia limited liability company formed for the sole purpose of providing community banks and community bank holding companies with an investment vehicle through which to pool funds and invest collectively. The development fund was established to assist in the financing of low-income housing projects throughout the Commonwealth of Virginia and in some cases, creates tax credits for its investors.

Virginia Community Bank continues its relationship with the Rappahannock Area Bankers Association (RABA). The bank maintains an ongoing commitment of \$10,000 to RABA's loan pool fund. During 1996, funds (\$6,500) from the loan pool assisted in the construction or rehabilitation of three townhouse projects which directly benefited low- and moderate-income residents of Fredericksburg. These projects were completed in conjunction with the Central Virginia Housing Authority. Furthermore, a donation to a local nonprofit housing organization totaled \$1,000 to assist in a water/sewer project for residents of the assessment area.

As a financial service provided to the community, the bank cashes Government checks free of charge. Currently, four of the six branches have Automated Teller Machines (ATMs), one branch is located in a moderate-income BNA, and all branches maintain Saturday hours.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

The bank is in compliance with the substantive provisions of the fair housing and lending laws and regulations. Violations were identified involving the technical aspects of the Home Mortgage Disclosure Act's Regulation C and the Equal Credit Opportunity Act's Regulation B. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.