

PUBLIC DISCLOSURE

July 28, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Prosperity Bank and Trust Company

05512657

5803 Rolling Road

Springfield, Virginia 22152

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

NOTE: 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 CRA performance of Prosperity Bank & Trust Company, Springfield, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of July 28, 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 Satisfactory.

The bank's loan-to-deposit ratio appears reasonable given its financial capacity, location, and demand for credit in the area. A majority of loans sampled during the examination were extended to borrowers or businesses within the assessment area. The institution's lending to borrowers of various income levels and to businesses of different sizes meets the standards for satisfactory performance. Additionally, the geographic distribution of loans inside the assessment area appears reasonable given local demographics.

The following table indicates the performance level of Prosperity Bank & Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Prosperity Bank & Trust Company</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

Prosperity Bank & Trust Company operates two offices in Fairfax County, with the main office located in Springfield, Virginia. As of March 31, 1997, the institution had total assets of \$48 million, of which 56% were loans. Management has focused its lending efforts primarily on meeting the credit needs of local businesses. However, a variety of credit and deposit products is offered including loans for construction, home improvement, commercial, and consumer purposes. The loan portfolio as of March 31, 1997, was comprised of the following: 49% real estate secured (consumer and business), 37% commercial, and 14% consumer. Based on the number of loans recently extended, commercial and motor vehicle loans were identified as the bank's primary loan products. The previous CRA rating for Prosperity Bank & Trust Company was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of the City of Fairfax and all of Fairfax County, Virginia. This area is included in the Virginia portion of the Washington, D. C. Metropolitan Statistical Area (MSA) and contains 203 census tracts, of which 172 are populated. Of the populated geographies, one is low-income, 12 are moderate-income, 75 are middle-income, and 84 are upper-income. According to the 1990 census, the market area has a population of 838,206.

The following table provides assessment area demographics by the income level of families and the percentage of local residents living in census tracts of varying incomes. As illustrated by the chart below, a majority of families within the market (77%) are middle- and upper-income and 92% of the population resides in middle- and upper-income census tracts.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	10%	13%	24%	53%	100%
Percentage of Population Residing in Census Tracts by Income Level	<1%	7%	43%	49%	100%

The local economy is diverse with a mix of wholesale/retail, service, and technology-based industries. The area, however, continues to rely heavily on the Federal Government, tourism, and the military for employment opportunities. The per capita income for this region is among the highest in the nation, as evidenced by the 1996 median family income for the MSA of \$68,300. Recent unemployment rates for the market area are 2.1% for the City of Fairfax and 2.7% for Fairfax County. The current jobless rates for the Virginia portion of the Washington, D. C. MSA and the Commonwealth of Virginia are 2.9% and 4.7%, respectively.

A community contact was recently made with a representative from a local housing organization to further assist in evaluating the bank's CRA performance. The contact stated that additional funding from Government programs to assist in developing multifamily housing would benefit the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's level of lending is considered responsive to the area's loan demand. The average loan-to-deposit ratio for the previous six quarters for banks headquartered in metropolitan areas of Virginia and of similar asset size to Prosperity Bank & Trust Company ranges from 68% to 72%. The average loan-to-deposit ratio for the previous five quarters for Prosperity Bank & Trust is 63% and is considered reasonable given the institution's size, location, financial capacity, and current economic conditions.

LENDING IN ASSESSMENT AREA

Comparison of Credit Extended Inside and Outside of Assessment Area

A review of 137 loans (76 business and 61 consumer motor vehicle) extended during the previous 12 months was conducted to determine the volume of lending within the bank's assessment area. The lending distribution is represented in the following table.

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	92	45	137
Percentage of Total Loans	67%	33%	100%
Total Amount of Loans (000s)	\$3,696	\$1,589	\$5,285
Percentage of Total Amount	70%	30%	100%

As illustrated above, a majority of the number and dollar amounts of the sampled loans were provided to borrowers and businesses of the assessment area. This distribution is considered reasonable.

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

The following charts illustrate the distribution of the sampled business and consumer loans extended within the assessment area to businesses of different sizes and to borrowers of different incomes.

Distribution of Loans by Size of Business

	Revenues ≤ \$1 Million	Revenues > \$1 Million	Total
Total Number of Loans	30	25	55
Percentage of Total Loans	55%	45%	100%
Total Amount of Loans (000s)	\$1,791	\$1,483	\$3,274
Percentage of Total Amount	55%	45%	100%

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

Distribution of Loans by Income Level of Borrower

Motor Vehicle

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	13	8	9	7	37
Percentage of Total Loans	35%	22%	24%	19%	100%
Total Amount of Loans (000s)	\$120	\$80	\$86	\$136	\$422
Percentage of Total Loans	29%	19%	20%	32%	100%

The portion of motor vehicle loans extended to low- and moderate-income applicants (57%) substantially exceeds the 23% of the families within the assessment area considered low- and moderate-income. Middle- and upper-income families comprise 24% and 53% of the local community, respectively. Collectively, the review of sampled loans suggests that the bank has been successful in lending to small businesses and to borrowers of all income levels.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various census tracts within the institution's assessment area. The following charts depict the geographic distribution of the sampled loans according to the income level of census tract.

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

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	1	39	15	55
Percentage of Total Loans	0%	2%	71%	27%	100%
Total Amount of Loans (000s)	\$0	\$25	\$2,073	\$1,176	\$3,274
Percentage of Total Loans	0%	1%	63%	36%	100%

Motor Vehicle

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	2	21	14	37
Percentage of Total Loans	0%	5%	57%	38%	100%
Total Amount of Loans (000s)	\$0	\$14	\$205	\$203	\$422
Percentage of Total Loans	0%	3%	49%	48%	100%

Although none of the sampled loans were extended within low-income census tracts, only one of the 172 populated tracts in the assessment area is considered low-income. Furthermore, less than 1% of the population of the assessment area resides in low-income tracts; 7% of the population resides in moderate-income tracts. Overall, the geographic distribution of lending to businesses and consumers is considered reasonable given the bank's business strategy and the population residing within the census tracts of various income levels.

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.