

**PUBLIC DISCLOSURE**

July 14, 1997

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of McKenney

05511670

P.O. Box 370

McKenney, Virginia 23872

**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 Bank of McKenney, McKenney, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of July 14, 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 appears reasonable given its financial capacity and demand for credit in the area. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. The institution's lending to low- and moderate-income borrowers significantly exceeds the proportion of such families residing in the assessment area. Furthermore, the penetration of loans throughout moderate- and middle-income geographies exceeds expectations for a satisfactory performance. There are no low- or upper-income geographies within the bank's local community.

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	No complaints have been received since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

Bank of McKenney is headquartered in McKenney, Virginia, with two branch offices located in Dinwiddie County. As of March 31, 1997, the bank had total assets of \$43 million, of which \$28 million (66%) were loans. Various deposit and loan products are available through the institution including residential mortgage, consumer, business, and agricultural loans. The loan portfolio as of March 31, 1997, was comprised of 70% real estate secured (consumer and business), 14% commercial, and 16% consumer. Based on the number of loans extended during the previous six months, consumer unsecured loans were identified as the principal credit product offered by the bank. The institution's previous CRA rating was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area is located in the south-central portion of Virginia and includes all of Dinwiddie County, as well as census tract 8701 in Sussex County, block numbering area (BNA) 9901 in Nottoway County, and BNA 9901 in Brunswick County. Dinwiddie County is located in the Richmond-Petersburg Metropolitan Statistical Area (MSA). According to the 1990 census data, the assessment area has a population of 33,825 and contains three moderate-income census tracts, as well as six middle-income geographies. There are no low- or upper-income geographies within the assessment area.

The local economy is supported primarily by agriculture and manufacturing. While the community is predominantly rural, it is located in close proximity to major highways such as Interstates 85 and 95 which provide access to other employment opportunities in the Cities of Richmond and Petersburg. The median-family incomes for the Richmond MSA and nonmetropolitan areas within the Commonwealth of Virginia are \$49,300 and \$33,600, respectively. Recent unemployment rates for Dinwiddie, Sussex, Nottoway, and Brunswick counties are 7.1%, 6.2%, 8.3% and 7.1%, respectively. The jobless rate for the Commonwealth of Virginia is 4.2%

A local government official was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that credit needs of the community are being met by local financial institutions.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LOAN-TO-DEPOSIT RATIO**

The average loan-to-deposit ratio for the previous five quarters is 71% and is considered reasonable given the institution's financial capacity, size, and location. The bank's level of lending is responsive to area loan demand. The average loan-to-deposit ratio for a six quarter period ending March 1997 for institutions located in metropolitan areas of Virginia and of similar asset size to Bank of McKenney ranged from 68% to 72%; for nonmetropolitan portions of the Commonwealth this ratio ranged from 65% to 70%.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, a sample of 101 consumer unsecured loans extended during the previous six months was reviewed. The lending distribution is represented in the following table.

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>	87	14	101
<b>Percentage of Total Loans</b>	86%	14%	100%
<b>Total Amount of Loans (000's)</b>	\$340	\$46	\$386
<b>Percentage of Total Amount</b>	88%	12%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

A review of the 87 consumer unsecured loans extended within the assessment area was conducted to analyze borrower income characteristics. The following chart illustrates the distribution of sampled loans by borrower income level.

Distribution of Loans by Income Level of Borrower

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	48	17	9	13	87
<b>Percentage of Total Loans</b>	55%	20%	10%	15%	100%
<b>Total Amount of Loans (000's)</b>	\$121	\$62	\$69	\$88	\$340
<b>Percentage of Total Loans</b>	36%	18%	20%	26%	100%

For purposes of comparison, the chart below depicts the distribution of families residing in the assessment area according to low-, moderate-, middle-, and upper-income levels.

Percentage of Families in Assessment Area by Income Level

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper Income</b>	<b>Total</b>
<b>Percent of Population</b>	27%	20%	25%	28%	100%



When compared to the distribution of area families, the percentage of loans extended to low- and moderate-income borrowers (75%) substantially exceeds the proportion (47%) of such families in the community. Furthermore, a majority of the dollar amounts of loans extended (54%) were to these borrowers.

A review of 60 mortgage loans reported on the bank's 1996 Home Mortgage Disclosure Act's (HMDA) Loan Application Register was also conducted. This analysis included all loans extended within the MSA portion of the assessment area (Dinwiddie County). The HMDA data indicated that 40% of home purchase, home refinance, and home improvement loans were extended to low- and moderate-income borrowers in Dinwiddie County. This level of mortgage lending closely corresponds to the proportion of low- and moderate-income families (49%) residing in this market.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among census tracts and BNAs within the institution's assessment area. As mentioned previously, no low- or upper-income geographies are included within the local community. The following chart depicts the geographic distribution of consumer unsecured loans extended to market residents.

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

	Moderate-Income	Middle- Income	Total
<b>Total Number of Loans</b>	49	38	87
<b>Percentage of Total Loans</b>	56%	44%	100%
<b>Total Amount of Loans (000's)</b>	\$162	\$178	\$340
<b>Percentage of Total Loans</b>	48%	52%	100%

In the bank's assessment area, 33% of the population resides in moderate-income geographies. Accordingly, the percentage of sampled loans extended within moderate income areas (56%) exceeds expectations for a satisfactory performance.

**COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.