

**PUBLIC DISCLOSURE**

January 12, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Virginia Commerce Bank

05510168

5350 Lee Highway

Arlington, Virginia 22207

**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 Virginia Commerce Bank, Arlington, Virginia prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of January 12, 1998. 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 meets expectations for satisfactory performance. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. Furthermore, the institution's lending to low- and moderate-income residents and the geographic distribution of lending appear reasonable given the institution's size and area demographics.

## **DESCRIPTION OF INSTITUTION**

Virginia Commerce Bank is headquartered in Arlington, Virginia and operates seven offices in the northern Virginia area. As of September 30, 1997, the bank had total assets of \$152 million, of which \$93 million (61%) 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 September 30, 1997, was comprised of 81% real estate secured (consumer and business), 16% commercial, and 3% consumer. Based on the number of loans extended during the previous six months, commercial and consumer unsecured loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

## **DESCRIPTION OF ASSESSMENT AREA**

Virginia Commerce Bank's assessment area is comprised of Arlington, Fairfax, and Prince William Counties, Virginia, including the Cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park, Virginia. The area is included in the Washington, D.C. Metropolitan Statistical Area (MSA). According to the 1990 census data, the assessment area has a population of approximately 1.4 million and contains 358 census tracts. Of these geographies, 63 are considered low-income, 38 are moderate-income, 143 are middle-income, and 114 are upper-income. However, only two of the low-income census tracts are populated. The 1997 median-family income for the Washington MSA is \$70,300.

The local economy is growing and offers a variety of employment opportunities including the expanding computer technology industry, the Federal government, light manufacturing, telecommunications, and the service industries. Major employers include MCI Telecommunications Corp.; US Air Group, Inc.; and Columbia Arlington Hospital. As of November 1997, area unemployment rates ranged from a low of 1.5% in Fairfax City to a high of 2.6% in Alexandria City. The jobless rate for the Commonwealth is 3.4%.

A government official was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that to support the growing number of small businesses within the community, additional financing options would be needed.

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

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

The bank's level of lending is responsive to area loan demand. During the five-quarter period ending September 1997, the quarterly average loan-to-deposit ratio for all banks located in metropolitan areas of Virginia and of similar asset size to Virginia Commerce Bank ranged from 74% to 76%. The institution's average loan-to-deposit ratio for the previous five quarters is 71% and meets expectations for satisfactory performance.

**LENDING IN ASSESSMENT AREA**

To determine the institution's volume of lending within the assessment area, 55 of a total of 77 business loans and 51 of a total of 69 consumer unsecured loans were 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>	90	16	106
<b>Percentage of Total Loans</b>	85%	15%	100%
<b>Total Amount of Loans (000's)</b>	\$3,454	\$1,250	\$4,704
<b>Percentage of Total Amount</b>	73%	27%	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 42 business loans and the 48 consumer unsecured loans extended within the assessment area was conducted to analyze borrower income characteristics. The following charts illustrate the distribution of sampled loans to businesses of different sizes and to borrowers of varying income levels.

Distribution of Loans by Size of Business

	<b>Revenues <math>\leq</math> \$ 1 Million</b>	<b>Revenues <math>&gt;</math> \$ 1 Million</b>	<b>Total</b>
<b>Total Number of Loans</b>	28	14	42
<b>Percentage of Total Loans</b>	67%	33%	100%
<b>Total Amount of Loans (000's)</b>	\$2,489	\$899	\$3,388
<b>Percentage of Total Amount</b>	73%	27%	100%

The percentage (67%) of loans provided to 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

Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	11	10	11	16	48
<b>Percentage of Total Loans</b>	23%	21%	23%	33%	100%
<b>Total Amount of Loans (000's)</b>	\$7	\$8	\$23	\$30	\$68
<b>Percentage of Total Loans</b>	10%	12%	34%	44%	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

	Low Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Percent of Population</b>	12%	16%	25%	47%	100%

The bank's level of lending to low- and moderate-income borrowers for consumer unsecured loans (44%) exceeds the proportion (28%) of such families in the community.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among census tracts within the institution's assessment area. As mentioned previously, only two low-income census tracts are populated. The following charts depict the geographic distribution of the sampled business and consumer unsecured loans extended to residents of the assessment area.

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

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	0	4	17	21	42
<b>Percentage of Total Loans</b>	0%	10%	40%	50%	100%

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Amount of Loans (000's)</b>	\$0	\$275	\$937	\$2,175	\$3,387
<b>Percentage of Total Loans</b>	0%	8%	28%	64%	100%

Consumer Unsecured Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	0	7	20	20	48
<b>Percentage of Total Loans</b>	0%	14%	42%	44%	100%
<b>Total Amount of Loans (000's)</b>	\$0	\$10	\$33	\$25	\$68
<b>Percentage of Total Loans</b>	0%	14%	49%	37%	100%

Ten percent of the business loans and 14% of the consumer unsecured loans were extended in moderate-income census tracts. This compares favorably to the 13% of assessment area population residing in moderate-income census tracts. Although none of the sampled loans were made in low-income geographies, less than 1% of the assessment area population resides in these areas. The geographic distribution of the sampled loans is considered reasonable.

**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. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.