



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

May 2, 2014

Ms. Jane N. Henderson
President and Chief Executive Officer
Virginia Community Capital, Inc.
100 W. Franklin St., Suite 200
Richmond, Virginia 23220

Dear Ms. Henderson:

This is in response to your letter dated October 9, 2012, and subsequent correspondence, on behalf of Virginia Community Capital, Inc. (“VCC”) and its subsidiary depository organization, Community Capital Bank of Virginia (“Bank”), both of Christiansburg, Virginia, requesting relief from one of several commitments that VCC made to the Board in connection with VCC’s approval to become a bank holding company.

VCC is a non-stock community development financial institution (“CDFI”) operating pursuant to a special state statute to serve the community development needs of the Commonwealth of Virginia. Prior to VCC becoming a bank holding company, three VCC member institutions, which had participated in founding VCC and supported it in organizing and developing a strategic plan for Bank, also held six out of eight directorships on VCC’s board. In connection with its application to the Board for approval to become a bank holding company, VCC reorganized into non-member form and substantially reduced its ties with its former members so that the members would not be considered to exercise a controlling influence over VCC for purposes of the Bank Holding Company Act (“BHC Act”). The director interlocks with VCC were reduced to two (one each for two of the former members), and VCC provided certain commitments to the Board similar to those on which the Board has previously relied in determining that a company did not control another company for purposes of the BHC Act. Among other things, the commitments provided that neither VCC nor Bank would engage in business relationships with VCC’s former members, except for a preexisting lease on real property and limited deposits and loans with Bank (the “business

relationship commitment”).¹ The Federal Reserve Bank of Richmond, acting on authority delegated by the Board, approved VCC’s application to become a bank holding company on September 28, 2007, and relied, in part, on the business relationship commitment in making its decision.

VCC seeks relief from the business relationship commitment so that it may engage in loan and investment transactions with its former members up to legally permissible limits. VCC represents that it has had some difficulty in finding participation lenders for the bank’s community development transactions due to the bank’s unique business model, which includes funding non-owner occupied real estate projects. Lending on tax credit structures is also unique to the CDFI business model, and VCC represents that the added complexity of such transactions has discouraged lenders who are not familiar with CDFI lending and the tax credit industry. VCC believes that the former members, which understand VCC’s business model and share its mission of community revitalization, would provide effective opportunities for VCC to engage in transactions that would further VCC’s community development objectives.

VCC’s former members do not hold and have not held any interests in VCC or Bank for more than six years. Only one director interlock remains between a former member and VCC, and there are no plans to expand member representation on VCC’s board. Executive management at the former members has changed, and VCC and Bank have developed their own management teams that are independent of the former members.

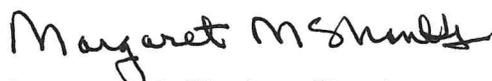
The business transactions between the former members and VCC would be non-exclusive, regular course, arms’ length, and on market terms, and VCC has and would continue to have other, similar relationships with third parties. The Board would monitor the relationships between VCC and the former members through the supervisory process to ensure that they do not negatively impact the safety and soundness of VCC and that they comply with the representations made in this case. All other commitments provided by VCC would remain in place,

¹ Bank could accept deposits from its former members not to exceed, in the aggregate, 5.0 percent of Bank’s total deposits, and it could make loans to its former members not to exceed, in the aggregate, 6.5 percent of the aggregate dollar amount of the balance of total loans outstanding for VCC and Bank. The commitments also prohibited Bank from selling any loan participations to its former members.

including a commitment that the former members would not exercise or attempt to exercise a controlling influence over VCC.

Based on all the facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority,² and after consulting with the General Counsel, has approved Virginia Community Capital, Inc.'s request for relief from the business relationship commitment. This action is based on the representations and commitments set forth in your October 9, 2012, submission and all related correspondence. Any change in the facts presented could result in a different conclusion and should be reported to Board staff immediately.

Very truly yours,



Margaret McCloskey Shanks
Deputy Secretary of the Board

cc: Adam Drimer, Assistant Vice President
Federal Reserve Bank of Richmond

² 12 CFR 265.7(a)(2).