

PUBLIC DISCLOSURE

May 13, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

United Bank

05510156

3801 Wilson Boulevard

Arlington, Virginia 22203

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 United Bank, Arlington, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of May 13, 1996. 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 average loan-to-deposit ratio is higher than the average loan-to-deposit ratio for local financial institutions of similar asset size and is considered more than reasonable. A majority of loans sampled during the examination were within the assessment area and of the 52 commercial loans reviewed, 94% were extended to small businesses with revenues under \$1 million. The geographic distribution of loans inside the assessment area appears reasonable given the institution's size, branch locations, and demographics of its market.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	UNITED BANK 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

United Bank operates two offices serving Arlington and Fairfax Counties, Virginia. As of March 31, 1996, the bank had \$83 million in assets of which 63% were loans. Most of these loans were for small business and/or real estate development purposes. The March 31, 1996, loan portfolio was 72% real estate secured (consumer and business), 21% commercial, and 6% consumer. The bank extends very few consumer purpose real estate secured loans as evidenced by the number of loans reported on the bank's 1994 and 1995 Home Mortgage Disclosure Act Loan Application Register (LAR). Only 45 consumer mortgage applications were reported on the LAR during these two years.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses all of Arlington and Fairfax Counties, Virginia. This area consists of 253 census tracts of which 40 (16%) are considered low-income, 20 (8%) moderate-income, 96 (38%) middle-income, and 97 (38%) upper-income. The population residing in each of these groups of census tracts is shown in the table below.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Population	2,969	104,591	453,276	457,884	1,018,720
% of Population	.3%	10.3%	44.5%	44.9%	100%

Both Arlington and Fairfax Counties are part of the Washington, D.C., Metropolitan Statistical Area (MSA). This region relies heavily on the Federal Government, various military installations, and the service, trade, light industrial, and tourism industries for employment and business opportunities. Many of the local businesses are communication and computer-related. The unemployment rate for the assessment area is 2.5% and is lower than the Commonwealth's rate of 4.3%. A representative of a local community development corporation was contacted during the examination and indicated that small businesses continue to benefit from the local availability of credit and the sustained economic growth in the region.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters was 78% and evidences that the bank is responsive to the assessment area's loan demand. The level of lending is considered substantial when compared to similarly situated financial institutions. The average loan-to-deposit ratio is 70% for banks headquartered in the Virginia portion of the Washington, D.C. MSA with total assets of \$50 million to \$100 million.

LENDING IN ASSESSMENT AREA

Commercial loans were identified as the institution's primary credit product. A sample of 91 such loans was reviewed to determine the volume of the institution's lending within the assessment area. As illustrated below, a majority of the number and dollar amounts of the sampled loans have been provided to businesses located within the assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	54	37	91
Percentage of Total Loans	59%	41%	100%
Total Amount of Loans (000's)	\$12,054	\$4,933	\$16,987
Percentage of Total Amount	71%	29%	100%

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

Of loans within the assessment area, all 54 contained information about revenue or income. The following chart illustrates the distribution of lending to businesses of different sizes.

Distribution of Loans in Assessment Area by Size of Business

	Revenues \leq \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	49	3	52
Percentage of Total Loans	94%	6%	100%
Total Amount of Loans (000's)	\$7,864	\$281	\$8,145
Percentage of Total Amount	97%	3%	100%

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

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending throughout the assessment area by census tract. The following chart illustrates the bank's commercial loan activity among such tracts.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	4	14	36	54
Percentage of Total Loans	0%	7%	26%	67%	100%
Total Amount of Loans (000's)	\$0	\$703	\$2,459	\$8,893	\$12,054
Percentage of Total Amount	0%	6%	20%	74%	100%

Although none of the sampled loans were to businesses located in low-income tracts, only .3% of the population resides in such tracts. The lending in moderate-income tracts revealed only a slightly lower penetration than the 10% of population in these tracts. Relative to the proportion of the population (45%) in upper-income tracts, a large portion of the sampled loans was extended to businesses located in such tracts. Population can only serve as a proxy for demand, especially for small business credit. The number of service-related businesses in the assessment area, however, suggests that lending might be correlated to the distribution of population. The loan distribution appears reasonable given the institution's size, locations, and a market strategy that focuses on commercial lending.

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 were noted, however. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.