

PUBLIC DISCLOSURE

March 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Northern Virginia

05510146

1010 North Glebe Road

Arlington, Virginia 22201

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 institutions 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 institutions record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of The Bank of Northern Virginia, Arlington, Virginia, prepared by The Federal Reserve Bank of Richmond, the institutions supervisory agency, as of March 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTIONS CRA RATING: This institution is rated Satisfactory.

The banks loan-to-deposit ratio is considered reasonable given its financial capacity, location, and demand for credit in the area. A majority of loans sampled during the evaluation were extended to borrowers or businesses within the assessment area. The institutions lending to borrowers of various income levels and to businesses of different sizes meets the standards for a 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 The Bank of Northern Virginia with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Bank of Northern Virginia</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

The Bank of Northern Virginia has one office within Arlington County, Virginia. As of December 31, 1996, the bank had \$79 million in assets, of which 54% were loans. Management has focused its lending efforts primarily on meeting the credit needs of local businesses. However, various deposit and loan products are available through the institution including loans for commercial, small business development, residential mortgage, and consumer purposes. The loan portfolio as of December 31, 1996, was comprised of the following: 71% real estate secured (consumer and business), 27% commercial, and 2% consumer. Based on the number of loans extended during the previous year, business loans were identified as the principal credit product offered by the bank. Consumer loans were also considered in the evaluation; however, consumer loans are usually provided as accommodations to existing business customers and their employees. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is comprised of Arlington and Fairfax Counties and the Cities of Falls Church and Fairfax, Virginia. This area is included in the Virginia portion of the Washington, D. C. Metropolitan Statistical Area (MSA) and contains 253 census tracts, of which 214 are populated. Of the populated geographies, one is low-income, 20 are moderate-income, 96 are middle-income, and 97 are upper-income. According to the 1990 census, the market area has a population of 1,018,720.

The following table provides assessment area demographics by the income level of families and by 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 (75%) are middle- and upper-income and 89% of the population reside in middle- and upper-income census tracts.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	11%	14%	23%	52%	100%
Percentage of Population Residing in Census Tracts by Income Level	1%	10%	44%	45%	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 range from 5.9% for the City of Falls Church to 2.4% for Fairfax County. The current jobless rates for the Virginia portion of the Washington, D. C. MSA and the Commonwealth of Virginia are 2.8% and 4.4%, respectively. A community contact was performed with a representative from a local housing organization to further assist in evaluating the bank's CRA performance. The contact indicated the need for additional funding from Government programs to assist in developing multifamily housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous five quarters is 72% and is considered reasonable given the banks financial capacity, size, and current local economic conditions. The banks level of lending is responsive to the areas loan demand. The average loan-to-deposit ratio for banks headquartered in a metropolitan area of Virginia and of similar size to The Bank of Northern Virginia is 70%.

LENDING IN ASSESSMENT AREA

A review of 103 loans (68 business and 35 consumer) extended during the previous 12 months was conducted to determine the volume of lending within the banks assessment area. The sampled consumer loans were for various purposes and included debt consolidation, personal, and automobile loans, as well as home equity lines of credit. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	78	25	103
Percentage of Total Loans	76%	24%	100%
Total Amount of Loans (000's)	\$4,280	\$1,396	\$5,676
Percentage of Total Amount	75%	25%	100%

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

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

The following charts illustrate the distribution of the sampled business and consumer loans extended within the assessment area to businesses of different sizes and by income level of borrower.

Distribution of Loans by Size of Business

	Revenues \leq \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	36	19	55
Percentage of Total Loans	65%	35%	100%
Total Amount of Loans (000's)	\$1,682	\$1,631	\$3,313
Percentage of Total Amount	51%	49%	100%

The percentage of the number and dollar amount 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 Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	8	4	9	23
Percentage of Total Loans	9%	35%	17%	39%	100%
Total Amount of Loans (000's)	\$7	\$47	\$35	\$878	\$967
Percentage of Total Loans	1%	5%	4%	90%	100%

When compared to area demographics, the bank's volume of consumer loans extended to low- and moderate-income borrowers (44%) is higher than the representation of such families in the assessment area (25%). However, a substantial majority (90%) of the dollar amounts of loans extended in the assessment area were to upper-income borrowers. This was primarily the result of one home equity line of credit for \$680,000. Upon further analysis, the distribution by total dollar amount of loans, excluding this line of credit, would be: 2% to low-income, 16% to moderate-income, 12% to middle-income, and 69% to upper-income borrowers. Consequently, the lending distribution by income level of borrower appears reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the institutions assessment area. The following charts depict the geographic distribution of the sampled business and consumer loans according to 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	7	28	20	55
Percentage of Total Loans	0%	13%	51%	36%	100%
Total Amount of Loans (000's)	\$0	\$445	\$1,612	\$1,256	\$3,313
Percentage of Total Loans	0%	13%	49%	38%	100%

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

Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	0	10	13	23
Percentage of Total Loans	0%	0%	43%	57%	100%
Total Amount of Loans (000's)	\$0	\$0	\$88	\$878	\$966
Percentage of Total Loans	0%	0%	9%	91%	100%

The percentage of business loans extended in low- and moderate-income census tracts (13%) is slightly higher than the market population (11%) residing within such areas. Although no consumer loans were extended within low- and moderate-income census tracts, the banks lending efforts, as previously mentioned, are primarily focused on meeting the credit needs of new and existing business customers.

While 91% of the total dollar amount of consumer loans were originated in upper-income geographies, the \$680,000 home equity line of credit, discussed previously, was originated in such a census tract. Had this loan been excluded from the analysis, 31% and 69% of the total dollar amount of consumer loans would have been extended in middle- and upper-income census tracts, respectively. Overall, the geographic distribution of lending to businesses and consumers is considered reasonable given the bank's business strategy and the population residing within 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 were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.