

PUBLIC DISCLOSURE

December 10, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Virginia Heritage Bank

3374298

8245 Boone Blvd.

Vienna, Virginia 22182

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

NOTE: This document is an evaluation of this 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. 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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to the demand for credit in the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA), and reported small business and small farm loans were originated within the bank's assessment area.
- The bank's lending to borrowers of different income levels and businesses of different sizes is considered excellent for HMDA loans and reasonable for small business loans. Given relative product sizes, overall, the bank's borrower distribution is considered excellent.
- The bank's geographic distribution performance is considered reasonable for HMDA loans and poor for small business loans. Because of the greater weight given to its HMDA lending, overall, the bank's distribution performance is considered reasonable.
- The bank's community development performance demonstrates an adequate level of responsiveness to community development needs of its assessment area.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, the bank's 2010 and 2011 HMDA loan originations were considered in the evaluation. In addition, the bank began collecting and reporting small business and small farm loans originated during calendar year 2011, and the entire universe of those loans was also considered in the evaluation. The community development test considers all applicable community development loans, investments, and service activities since the previous evaluation dated January 31, 2011. All qualified investments outstanding as of the date of this evaluation were also considered regardless of when made.

DESCRIPTION OF INSTITUTION

Virginia Heritage Bank (VHB) is currently headquartered in Vienna, Virginia, and operates five full-service branch offices in Northern Virginia. In December of 2011, VHB moved its headquarters from Fairfax, Virginia to its current location. The bank continues to operate one mortgage loan production office in Chantilly, Virginia. VHB received a satisfactory rating at its previous CRA evaluation dated January 31, 2011.

As of September 30, 2012, the bank had assets of \$731.5 million, of which 79% were net loans and 15.1% were securities. As of the same date, deposits totaled \$622.1 million. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (using gross loans) as of September 30, 2012, is depicted in the following table:

Composition of Loan Portfolio

Loan Type	9/30/2012	
	\$(000s)	%
Secured by 1-4 Family dwellings	66,119	11.3
Multifamily	20,196	3.4
Construction and Development	87,795	15.0
Commercial & Industrial/ NonFarm NonResidential	312,179	53.3
Consumer Loans and Credit Cards	99,234	16.9
Agricultural Loans/ Farmland	94	0.0
All Other	0	0.0
Total	585,617	100.0

As indicated in the preceding table, the bank’s loan portfolio contains a significant proportion of loans for commercial/small business purposes, as well as consumer loans, which primarily consist of indirect automobile loans, which the bank purchases. In addition to the loans retained in the bank’s loan portfolio, the bank also originates a significant volume of residential mortgage loans which are sold on the secondary market. These factors led to the selection of HMDA and small business loans for inclusion in the evaluation. The bank also originates and reports a minimal volume of small farm loans; however, the volume of such lending is relatively small in comparison. No known legal impediments exist that would prevent the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WASHINGTON-ARLINGTON-ALEXANDRIA DC-MD-VA-WV METROPOLITAN STATISTICAL AREA (MSA)

VHB operates in one assessment area located in Northern Virginia which is a portion of the Washington-Arlington-Alexandria DC-MD-VA-WV Metropolitan Statistical Area (MSA) and includes all of Arlington, Fairfax, Loudon, and Prince William Counties, as well as all of the independent cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. In March 2011, the bank opened a branch office in Loudoun County. This branch opening did not effect the assessment area composition. As of June 30, 2012, VHB ranked 19th out of 51 institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation (FDIC). The bank holds .6% of the assessment area’s deposits.

According to the 2000 census data, the assessment area has a population of 1,815,197 and a median housing value of \$203,741. The owner-occupancy rate for the market equals 63.4% which is in line with the rate for the Commonwealth of Virginia (63.3%) and exceeds the MSA rate (58.8%). The percentage of families living below the poverty level in the assessment area equals 3.3%, which is lower than the rates for the Commonwealth (7%) and the MSA (5.6%). The 2010 and 2011 median family incomes for the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA equal \$101,700 and \$104,300 respectively. The following table includes pertinent demographic data for the assessment area based upon both 2000 census data and, in the case of businesses, 2011 Dun & Bradstreet (D&B) data.

Assessment Area Demographics

Washington-Arlington-Alexandria, DC-VA-MD-WV MSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	4	1.2	3,038	0.7	406	13.4	63,355	13.8
Moderate	41	12.4	53,038	11.6	4,742	8.9	68,109	14.8
Middle	122	37.0	171,256	37.3	6,414	3.7	98,527	21.5
Upper	162	49.1	231,396	50.4	3,681	1.6	228,737	49.9
NA	1	0.3	0	0.0	0	0.0		
Total	330	100.0	458,728	100.0	15,243	3.3	458,728	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	627	0.1	6,138	0.9	734	12.0	96,172	14.1
Moderate	32,305	7.3	95,250	14.0	8,347	8.8	104,440	15.3
Middle	163,931	36.8	266,248	39.0	11,917	4.5	142,379	20.9
Upper	248,491	55.8	314,191	46.1	7,974	2.5	338,836	49.7
NA	0	0.0	0	0.0	0	0.0		
Total	445,354	100.0	681,827	100.00	28,972	4.2	681,827	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	326	0.3	281	0.3	18	0.2	27	0.5
Moderate	8,409	7.6	7,466	7.6	547	7.1	396	7.9
Middle	40,703	36.7	35,788	36.4	2,938	38.1	1,977	39.4
Upper	61,507	55.4	54,684	55.7	4,202	54.5	2,621	52.2
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	110,945	100.0	98,219	100.0	7,705	100.0	5,021	100.0
	Percentage of Total Businesses:			88.5		6.9		4.5

*NA-Tracts without household or family income as applicable

The Federal government and businesses that provide services to the government account for a large portion of area employment. Professional/technical services, retail trade, and lodging/food services are also leading employment industries within the bank's market. The bank's operations are heavily concentrated in Fairfax County, Loudoun County, and Prince William County. These jurisdictions are considered to be among the strongest, most diversified local economies in the nation. Major area employers include Fairfax, Loudoun, and Prince William County Schools, United States Government and municipalities, Booz Allen Hamilton (consulting services for complex business and government issues), Inova Health System, Federal Home Loan Mortgage Corp., Lockheed Martin (aerospace & defense), Northrop Grumman, and Science Application International Corporation (SAIC) (defense & homeland security).

Quarterly unemployment rates since the previous CRA evaluation are presented in the following table:

Unemployment Rate Trend								
Geographies	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Sep-12
Alexandria City	4.7%	4.7%	5.1%	5.0%	4.7%	4.5%	4.6%	4.5%
Arlington County	3.8%	3.9%	4.1%	3.8%	3.6%	3.6%	3.7%	3.6%
Fairfax County	4.3%	4.4%	4.5%	4.4%	4.0%	4.1%	4.3%	4.0%
Fairfax City	5.5%	5.2%	7.1%	7.3%	6.2%	5.8%	5.7%	5.8%
Falls Church City	5.6%	6.7%	7.8%	7.8%	6.4%	6.7%	6.7%	6.6%
Loudoun County	4.2%	4.2%	4.4%	4.3%	4.0%	4.1%	4.2%	4.0%
Manassas City	6.5%	6.5%	6.4%	6.6%	6.2%	6.4%	6.2%	5.8%
Manassas Park City	5.6%	5.3%	5.0%	5.1%	5.1%	5.2%	5.2%	4.7%
Prince William County	5.2%	5.2%	5.3%	5.1%	4.8%	4.8%	4.9%	4.6%
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	4.6%	4.7%	4.9%	4.7%	4.4%	4.4%	4.6%	4.3%
Virginia	6.4%	6.3%	6.5%	6.3%	5.9%	5.7%	6.0%	5.6%

As indicated by the data included in the preceding table, area unemployment rates are trending downward. Fairfax City and Falls Church City are the only two areas where the most recent unemployment rates remain higher than the 2010 rate. Overall, the city unemployment rates in the assessment area remain elevated in comparison to the rates for the counties, MSA and the Commonwealth of Virginia.

A local economic development official was recently contacted to learn about local economic conditions, local credit needs, performance of banks in the assessment area, as well as potential community development opportunities. The contact established that the current economic conditions in Fairfax County are vibrant and multitudes of opportunities are available in the community for small businesses to succeed; however, the contact expressed that access to capital for start-up businesses continues to be a challenge.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

To evaluate the bank's lending performance, HMDA and reported small business and small farm lending activity was analyzed. During 2011, the bank reported only two small farm loans totaling \$175,000 within its assessment area, and because of the limited volume of such loans, small farm lending was not evaluated further, as it would not affect evaluation of the bank's overall performance.

Area demographic and market aggregate data are used as proxies for demand when evaluating the bank's performance. Relevant area demographic data from the 2000 census, aggregate HMDA data from calendar years 2010 and 2011, small business aggregate data for 2011, and D&B business demographic data from 2011 are used as proxies for demand when evaluating the bank's lending performance. While HMDA data from calendar years 2010 and 2011 were fully analyzed and considered in this evaluation, only bank and aggregate data from 2011 are presented in the assessment area analysis tables. In instances where the 2010 HMDA distribution performance varies significantly from the performance noted during 2011, such variance and the corresponding impact on the overall performance are discussed.

When evaluating the geographic and borrower distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans when assessing lending performance for specific individual loan types. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans in the assessment area. Since there are two calendar years of HMDA lending and only one year of small business lending, the respective dollar volume of each loan category originated within the assessment area in 2011 was considered (\$130.8 million HMDA and \$10.9 million small business). Given those dollar volumes, HMDA lending receives significantly greater weight when reaching overall conclusions about loan distribution.

The distribution of small business lending considers as an element of performance context that throughout the bank's assessment area, a high volume of small business lending activity is noted for specialized lenders who tend to originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans. Not only do such loans tend to be smaller, but when included in the aggregate, these reporters often tend to depress the proportion of reported loans to businesses with revenues of \$1 million or less because many of the loans reported by these card lenders do not include revenue information.

Overall, the bank's lending test performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in the assessment area, and lending distribution based on both borrower income and geography.

The review of the bank's community development performance is also rated Satisfactory. This conclusion is based on the number and amount of community development loans, the amount of qualified investments, the extent to which the bank provides community development services, and the bank's responsiveness to identified community development lending, investment, and service needs.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

The bank's current loan-to-deposit ratio equals 92.9% and averaged 91.5% for the seven-quarter period ending September 30, 2012. In comparison, the quarterly average loan-to-deposit ratios of all banks headquartered in metropolitan areas of Virginia and of a similar asset size to VHB ranged from 77% to 81.9% during the same seven-quarter period. Since December 31, 2010, loans, deposits, and assets have increased by 54.6%, 63.1%, and 61.7% respectively. The bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, and local credit needs.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of the bank's 2010 and 2011 HMDA and 2011 small business and small farm loans were considered. The data does not include large commercial loans (loan amounts in excess of \$1 million) or any other loan type not specified. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	485	54.4	126,384	61.9	407	45.6	77,757	38.1
Home Improvement	1	25.0	1,000	28.3	3	75.0	2,528	71.7
Refinancing	436	74.7	148,287	77.6	148	25.3	42,723	22.4
Multi-Family Housing	2	100.0	670	100.0	0	0.0	0	0.0
Total HMDA related	924	62.3	276,341	69.2	558	37.7	123,008	30.8
Small Business	46	63.9	10,888	45.6	26	36.1	12,989	54.4
Small Farm	2	100.0	175	100.0	0	0.0	0	0.0
TOTAL LOANS	972	62.5	287,404	67.9	584	37.5	135,997	32.1

As illustrated in the preceding table, overall, a majority of the number (62.5%) and dollar amount (67.9%) of loans during the review period were extended to residents and businesses in the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

The bank's distribution of loans to borrowers of different incomes or revenues is considered excellent for HMDA and reasonable for small business loans. As previously mentioned, significantly greater weight is given to the bank's HMDA lending, and consequently, overall, the bank's lending to borrowers of different incomes and revenues is considered excellent overall.

Distribution of HMDA Loans by Income Level of Borrower

Assessment Area: Washington - Arlington - Alexandria, DC-MD-VA-WV MSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	64	13.7	11,066	7.9	7,540	6.6	1,245,569	3.2
Moderate	107	22.9	24,071	17.2	17,243	15.1	4,015,815	10.3
Middle	106	22.7	31,909	22.8	29,598	25.9	9,033,396	23.1
Upper	190	40.7	72,712	52.0	59,853	52.4	24,784,665	63.4
Total	467	100.0	139,758	100.0	114,234	100.0	39,079,445	100.0
Unknown	20		5,784		21,129		8,530,986	

Percentage's (%) are calculated on all loans where incomes are known

VHB originates relatively few home improvement and multi-family loans. Home purchase and refinance lending represent the largest categories of HMDA lending for both VHB and the aggregate lenders. During 2011, the bank's lending to low-income borrowers (13.7%) mirrored the percentage of area low-income families (13.8%), and exceeded the aggregate level of lending (6.6%) to such borrowers. In addition, VHB's lending to moderate-income borrowers (22.9%) exceeded the percentage of such area families (14.8%) and the aggregate lending level (15.1%). The bank's performance during 2011 is considered excellent. The bank's performance in 2010 is substantially similar and also considered excellent.

Distribution of Lending by Loan Amount and Size of Business

Assessment Area: Washington - Arlington - Alexandria, DC-MD-VA-WVMSA (2011)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	27	58.7	6,378	58.6	18,028	45.4	576,627	35.2
Over \$1 Million	19	41.3	4,510	41.4	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	20	43.5	978	9.0	36,712	92.4	487,468	29.8
\$100,001-\$250,000	11	23.9	2,102	19.3	1,351	3.4	245,262	15.0
\$250,001-\$1 Million	15	32.6	7,808	71.7	1,667	4.2	905,375	55.3
Total	46	100.0	10,888	100.0	39,730	100.0	1,638,105	100.0

* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data indicate that 88.5% of all local businesses have revenues that do not exceed \$1 million per year. According to 2011 aggregate small business data, 45.4% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. After adjusting the 2011 aggregate data to exclude large credit card lenders, 49.4% of the reported small business loans extended by the remaining lenders were to businesses having revenues of \$1 million or less. Taking this into account as an element of performance context, the bank’s extension of 58.7% of its small business loans to businesses with annual revenues of \$1 million or less is considered reasonable.

Geographic Distribution of Loans

When considering the bank’s performance by loan product, its geographic distribution performance is reasonable for HMDA lending and poor for small business lending. Given the substantially larger dollar volume of HMDA lending and relative performance levels for each product, the bank’s overall geographic distribution performance is reasonable.

Distribution of HMDA Loans by Income Level of Census Tract

Assessment Area: Washington - Arlington - Alexandria, DC-MD-VA-WVMSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(256)				(46,317)			
Low	1	0.4	340	0.5	70	0.2	23,282	0.1
Moderate	21	8.2	3,876	6.0	3,764	8.1	1,029,398	6.2
Middle	114	44.5	24,508	37.8	16,933	36.6	4,988,092	30.0
Upper	120	46.9	36,044	55.7	25,550	55.2	10,612,786	63.7
	(229)				(86,189)			
Low	0	0.0	0	0.0	125	0.1	35,113	0.1
Moderate	8	3.5	1,927	2.4	4,207	4.9	1,171,589	4.0
Middle	44	19.2	13,291	16.7	24,818	28.8	7,054,255	24.1
Upper	177	77.3	64,206	80.8	57,039	66.2	20,985,098	71.7
	(1)				(2,788)			
Low	0	0.0	0	0.0	4	0.1	30	0.0
Moderate	0	0.0	0	0.0	177	6.3	17,205	4.0
Middle	0	0.0	0	0.0	956	34.3	115,858	26.9
Upper	1	100.0	1,000	100.0	1,651	59.2	298,211	69.1
	(1)				(64)			
Low	0	0.0	0	0.0	3	4.7	21,520	1.7
Moderate	0	0.0	0	0.0	17	26.6	357,233	28.0
Middle	0	0.0	0	0.0	23	35.9	275,666	21.6
Upper	1	100.0	350	100.0	21	32.8	622,795	48.8
	HMDA Totals							
Low	1	0.2	340	0.2	202	0.2	79,945	0.2
Moderate	29	6.0	5,803	4.0	8,165	6.0	2,575,425	5.4
Middle	158	32.4	37,799	26.0	42,730	31.6	12,433,871	26.1
Upper	299	61.4	101,600	69.8	84,261	62.2	32,518,890	68.3
NA*	0	0.0	0	0.0	5	0.0	2,300	0.0
Total	487	100.0	145,542	100.0	135,363	100.0	47,610,431	100.0

NA*-Tracts without household or family income as applicable

() represents the total number of bank loans for the specific Loan Purpose

Loans where the geographic location is unknown are excluded from this table.

As indicated in the preceding table, the bank primarily extends loans for home purchase and refinance. VHB and the aggregate lenders reported originating a comparatively low volume of home improvement and multi-family loans within the assessment area and this activity is not meaningful in gauging performance. Both the bank's home purchase and refinance geographic distribution performance are considered reasonable.

On a combined product basis during 2011, VHB's lending in low-income tracts was slightly higher than the percentage of owner-occupied housing units in such areas (.1%) but equaled the aggregate level of lending (.2%). Such a low level of lending and the corresponding demographic proxy signals a low demand for lending. The bank's level of lending in moderate-income census tracts (6%) lagged the percentage of owner-occupied housing units (7.3%) in moderate-income tracts, but was equal to the aggregate lending level (6%) in such areas. Overall, the bank's performance is considered reasonable, and its 2010 performance was substantially similar.

Distribution of Small Business Loans by Income Level of Census Tract

Assessment Area: Washington - Arlington - Alexandria, DC-MD-VA-WVMSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	76	0.2	2,104	0.1
Moderate	1	2.2	500	4.6	2,558	6.5	98,943	6.1
Middle	15	32.6	2,485	22.8	13,444	34.1	554,324	33.9
Upper	30	65.2	7,903	72.6	23,307	59.2	979,130	59.9
NA*	0	0.0	0	0.0	3	0.0	19	0.0
Total	46	100.0	10,888	100.0	39,388	100.0	1,634,520	100.0

*NA-Tracts without household or family income as applicable
Loans where the geographic location is unknown are excluded from this table.

During 2011, the bank reported originating no small business loans to businesses located in low-income tracts. According to D&B data, .3% of all area businesses in the assessment area are located in low-income census tracts, and the aggregate lenders extended .2% of its small business loans in such tracts. Both the D&B and aggregate data indicate that small business loan demand is limited within the four area low-income census tracts. The bank’s lending in moderate-income census tracts (2.2%) lagged the percentage of businesses located in such areas (7.6%) and the aggregate lending level (6.5%). The bank’s overall small business lending performance is considered poor.

Community Development Loans, Investments, and Services

A review of the community development activities of other banks operating in VHB’s assessment area indicates that community development opportunities are readily available within the assessment area. Given its current loan-to-deposit ratio (92.7%), the bank’s capacity for additional lending, including community development lending, may be somewhat constrained. Overall, the bank faces no other significant financial or business strategy constraints in making community development investments, or in providing community development services.

Since the previous evaluation, the bank reported no community development loans. To the extent that VHB made loans that facilitate community development, such loans have already been reported as small business or HMDA loans and cannot also be reported as community development loans.

The bank has qualified community development investments totaling approximately \$3.3 million, including two Virginia Housing & Development Authority (VHDA) bonds (approximately \$2.3 million) and a Virginia Resources Authority (VRA) bond (approximately \$1 million). The VHDA is a public mortgage lender that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia, including within the bank’s assessment area. The VRA is an organization that helps to fund local infrastructure projects throughout the Commonwealth of Virginia including projects within the bank’s assessment area.

The bank participates in the Federal Home Loan Bank of Atlanta’s (FHLBA) First Homebuyer Program. During 2011 and 2012, VHB has originated 149 loans through this program for a total of approximately \$1 million in total grant money obtained for borrowers from the FHLBA.

Charitable donations totaling \$17,350 were made to support a local organizations that provides qualified community development services.

Additionally, bank employees facilitated a workshop for small business clients in conjunction with the United States Department of Transportation’s (USDOT) short term lending program.

The institution also offers no-cost checking products to individuals as well as low-cost checking to businesses within the community. These accounts can benefit all segments of the community including low- and moderate-income individuals and small businesses.

Overall, the bank's community development activities demonstrate an adequate level of responsiveness to the local community's needs when considering the institution's capacity and available opportunities within the assessment area.

Fair Lending or Other Illegal Credit Practices Review

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending Test (and if applicable, consideration of investments and services) is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.