

**PUBLIC DISCLOSURE**

October 2, 2017

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Virginia Partners Bank

3688623

410 William Street

Fredericksburg, Virginia 22404

**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 reasonable given bank capacity and the demand for credit within the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment area.
- The bank's borrower distribution performance (lending to low- and moderate- income borrowers and small businesses having annual revenues of \$1 million or less) is considered reasonable overall.
- The bank's geographic distribution performance (lending in low- and moderate- income census tracts) is considered excellent overall.
- There have been no complaints regarding the bank's Community Reinvestment Act (CRA) performance since the previous CRA evaluation.
- The bank's responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and services is considered adequate.

### **SCOPE OF EXAMINATION**

Virginia Partners Bank (VPB) met the appropriate asset size threshold qualifying it as an intermediate small bank as of January 1, 2017. As such, the bank was evaluated using the interagency examination procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, all residential mortgage loans (220) reported by the institution in accordance with the HMDA during calendar years 2015 and 2016 were reviewed. Additionally, small business loans are considered to be a primary product line and all small business originations (172) in 2016 were considered in the evaluation.

Qualified community development loans and services are considered for activities since the previous evaluation (September 23, 2013). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

To help determine the availability of community development opportunities in the assessment area, the CRA public evaluations of other financial institutions within the assessment area were reviewed. Additionally, two members of the community were contacted to discern information about local economic conditions, local credit needs, performance of banks in the assessment area, and potential community development opportunities.

**DESCRIPTION OF INSTITUTION**

VPB is headquartered in Fredericksburg, Virginia, and operates four full service branches within the Washington-Arlington-Alexandria VA-MD assessment area as well as one loan production office in Annapolis, Maryland. In addition, the bank has one subsidiary, Bear Holdings, Inc., which was established in 2011 for the purpose of holding properties acquired through foreclosure. Since the previous evaluation, the bank opened a branch in Charles County, Maryland expanding its assessment area to include both Charles and Calvert Counties, Maryland, within the Washington-Arlington-Alexandria, VA-MD assessment area. In addition, the bank closed one branch in the city of Fredericksburg, Virginia, while also opening a branch in the city of Fredericksburg, Virginia. VPB received a Satisfactory rating at its prior CRA evaluation dated September 23, 2013. No known legal impediment exists that would prevent the bank from meeting the credit needs of its assessment area.

As of June 30, 2017, VPB held assets totaling approximately \$373.2 million, of which 70.9% were net loans and 21.7% were securities. As of the same date, deposits totaled approximately \$297.9 million. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and small business purposes. The composition of the loan portfolio using gross loans, as of June 30, 2017, is represented in the following table.

**Composition of Loan Portfolio**

Loan Type	6/30/2017	
	\$(000s)	%
Secured by 1-4 Family dwellings	94,450	35.2
Multifamily	6,895	2.6
Construction and Development	18,595	6.9
Commercial & Industrial/ NonFarm NonResidential	146,414	54.6
Consumer Loans and Credit Cards	1,759	0.7
Agricultural Loans/ Farmland	0	0.0
All Other	0	0.0
<b>Total</b>	<b>268,113</b>	<b>100.0</b>

As indicated in the preceding table, VPB is an active commercial/small business and residential mortgage lender with other loan products comprising a nominal amount. As such, the volume of small business lending, as well as reported HMDA loans, led to their consideration within the evaluation.

**DESCRIPTION OF WASHINGTON-ARLINGTON-ALEXANDRIA, VA-MD ASSESSMENT AREA**

VPB has delineated one assessment area within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division. The assessment area is located in portions of both the Commonwealth of Virginia, as well as the State of Maryland and includes the city of Fredericksburg, Virginia, and the counties of Spotsylvania and Stafford, Virginia, as well as the counties of Calvert and Charles, Maryland. VPB operates three full-service branches in Virginia (including one branch located in a low-income census tract), in addition to operating one full-service branch in Maryland. Since the previous evaluation, the bank opened a branch within Charles County, Maryland, expanding its assessment area which is depicted in the following table.

Assessment Area	City/County	State
Washington-Arlington-Alexandria, VA-MD	City of Fredericksburg	VA
	Spotsylvania County	VA
	Stafford County	VA
	Calvert County	MD
	Charles County	MD

As of June 30, 2016, VPB ranked 9<sup>th</sup> out of 20 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 3.9% of the assessment area's deposits (credit union deposits are not included). Additionally, according to 2016 aggregate data, the bank ranked 58<sup>th</sup> out of 461 lenders in reported mortgage lending with a .3% market share.

Based on 2010 American Community Survey (ACS) data, the assessment area served by the bank has a total population of 510,932 and a median housing value of \$348,665. Within the assessment area, the owner-occupancy rate is 72.6%, which is higher than the owner-occupancy rates for the Commonwealth of Virginia (61.8%) and the State of Maryland (62.2%), as well as the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division (59.6%). The percentage of families living below the poverty level in the assessment area (4.2%) is lower than the rates in the Commonwealth of Virginia (7.2%), the State of Maryland (5.7%), and the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division (5.2%). The Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division median family income during 2015 and 2016 equaled \$109,400 and \$105,700, respectively.

The following table includes pertinent demographic data for the assessment area.

**Assessment Area Demographics**

<b>Washington-Arlington-Alexandria, VA-MD</b> <i>(Based on 2010 ACS Data and 2016 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	2.7	1,682	1.3	216	12.8	26,000	19.9
Moderate	23	20.4	25,495	19.5	1,798	7.1	26,396	20.2
Middle	69	61.1	83,060	63.7	2,996	3.6	32,461	24.9
Upper	15	13.3	20,115	15.4	394	2.0	45,560	35.0
NA	3	2.5	65	0.1	65	100.0		
<b>Total</b>	<b>113</b>	<b>100.0</b>	<b>130,417</b>	<b>100.0</b>	<b>5,469</b>	<b>4.2</b>	<b>130,417</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	1,080	0.8	3,528	2.1	733	20.8	34,675	20.3
Moderate	23,938	17.9	35,325	20.7	2,766	7.8	29,906	17.5
Middle	87,286	65.1	107,804	63.2	5,017	4.7	36,781	21.6
Upper	21,725	16.2	23,804	13.9	614	2.6	69,247	40.6
NA	32	0.0	148	0.1	116	78.4		
<b>Total</b>	<b>134,061</b>	<b>100.0</b>	<b>170,609</b>	<b>100.0</b>	<b>9,246</b>	<b>5.4</b>	<b>170,609</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	724	3.3	634	3.1	83	6.0	7	4.4
Moderate	4,677	21.2	4,281	20.8	366	26.6	30	18.8
Middle	13,407	60.8	12,529	61.0	776	56.5	102	63.8
Upper	3,254	14.7	3,085	15.0	148	10.8	21	13.0
NA	6	0.0	5	0.1	1	0.1	0	0.0
<b>Total</b>	<b>22,068</b>	<b>100.0</b>	<b>20,534</b>	<b>100.0</b>	<b>1,374</b>	<b>100.0</b>	<b>160</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				93.0		6.2		0.8

\*NA-Tracts without household or family income as applicable

Local county government employment opportunities as well as local county school boards provide a large portion of area employment for residents. Aside from the government entities, the largest employers include GEICO, Wal-Mart, Mary Washington Hospital, University of Mary Washington, Calvert Memorial Hospital, College of Southern Maryland, UM Charles Regional Medical Center, and the Naval Surface Warfare Center.

Recent and historical unemployment rates since the previous examination are included in the following table.

Geographic Area	October 2013	October 2014	October 2015	October 2016	August 2017
Fredericksburg City, VA	6.7%	6%	4.8%	4.7%	4.3%
Stafford County, VA	6.1%	5.1%	4%	4%	3.7%
Spotsylvania County, VA	5.9%	5%	4.2%	4.1%	3.9%
Charles County, MD	6.8%	5.4%	4.8%	4.1%	4.2%
Calvert County, MD	5.9%	5%	4.4%	3.7%	3.6%
Commonwealth of Virginia	5.7%	4.8%	4%	4%	3.8%
State of Maryland	6.5%	5.4%	4.8%	4.2%	4%
Washington-Arlington-Alexandria, DC-VA-MD-WV MD	6%	5%	4.3%	4%	3.9%

While unemployment rates across the assessment area were somewhat varied in 2013, the ratios have steadily declined across all parts of the assessment area since the previous evaluation indicating improving economic conditions.

Local economic development and affordable housing officials were contacted during the evaluation to assist in evaluating the bank’s CRA performance. The economic development official observed that businesses are moving into the area for the location and lower costs, as tax incentives play a large role in attracting top businesses to the area. As such, limited opportunities exist to assist in funding sources up front, but establishing relationships with newer businesses could result in future funding opportunities. The housing official stated that demand for affordable housing remains high even as the economy improves. In addition, banks are reasonably meeting the banking needs of the local community. Overall, local opportunities are reasonably available for community development lending and investments within the assessment area. Despite a competitive market, the bank faces no significant constraints in taking advantage of available community development opportunities.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

Reported residential mortgage data from calendar years 2015 and 2016 as well as originated small business loan data from calendar year 2016 were fully analyzed and considered in this evaluation. When evaluating the bank’s performance, relevant area demographic data from the 2010 ACS is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Dun & Bradstreet (D&B) business demographic data from 2016 is also considered when evaluating the bank’s performance.

Aggregate HMDA data is from calendar years 2015 and 2016, while small business data is from calendar year 2016. Aggregate data used as a proxy for the bank’s HMDA lending includes all activity reported by lenders subject to reporting HMDA data that originated such loans within the bank’s assessment area. Similarly, the aggregate small business lending data includes all lenders subject to reporting small business data. Because VPB is not subject to data collection and reporting for the CRA, its small business lending activity is not included in the small business loan aggregate data; however, the data nonetheless serves as a meaningful proxy for demand.

To evaluate 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 originated. To arrive at an overall conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area. In 2016, VPB originated \$18.1 million in HMDA lending and \$19.8 million in small business lending. Accordingly, in instances where the bank's performance varies by product, small business lending will receive slightly greater weight in the overall conclusion.

While HMDA loan data from calendar years 2015 and 2016 as well as small business data from calendar year 2016 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2016 are presented in the assessment area analysis tables. In instances where the 2015 HMDA performance varies significantly from the performance noted during 2016, such variance and the corresponding impact on the overall performance is discussed.

Within VPB's assessment area, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

### Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of June 30, 2017, equaled 88.8% and averaged 89.2% for the 16-quarter period ending June 30, 2017. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in similar areas to VPB ranged from 71.7% to 84.7% during the same 16-quarter period. Since June 30, 2013, assets, net loans, and deposits have increased by 71.2%, 58.3%, and 51.8%, respectively. From a CRA perspective, the bank's loan-to-deposit ratio is considered 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 2015 and 2016 HMDA loans as well as 2016 small business loans was considered. 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	95	73.1	21,558	74.4	35	26.9	7,408	25.6
Home Improvement	22	84.6	3,391	83.9	4	15.4	649	16.1
Refinancing	46	78.0	8,182	75.4	13	22.0	2,672	24.6
Multi-Family Housing	4	80.0	2,164	88.7	1	20.0	275	11.3
<b>Total HMDA related</b>	<b>167</b>	<b>75.9</b>	<b>35,295</b>	<b>76.2</b>	<b>53</b>	<b>24.1</b>	<b>11,004</b>	<b>23.8</b>
Small Business	126	73.3	19,848	73.1	46	26.7	7,297	26.9
<b>TOTAL LOANS</b>	<b>293</b>	<b>74.7</b>	<b>55,143</b>	<b>75.1</b>	<b>99</b>	<b>25.3</b>	<b>18,301</b>	<b>24.9</b>

As indicated in the preceding table, a majority of the total number (74.7%) and dollar amount (75.1%) of HMDA and small business loans were extended within 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 borrower distribution performance is considered reasonable for both HMDA and small business lending.

#### Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, VA-MD (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	<b>HMDA Totals</b>							
Low	10	16.9	1,129	8.5	2,670	12.9	453,794	8.0
Moderate	12	20.3	1,920	14.5	5,728	27.7	1,349,514	23.8
Middle	13	22.0	2,394	18.0	6,208	30.0	1,771,597	31.2
Upper	24	40.8	7,834	59.0	6,106	29.4	2,106,914	37.0
<b>Total</b>	<b>59</b>	<b>100.0</b>	<b>13,277</b>	<b>100.0</b>	<b>20,712</b>	<b>100.0</b>	<b>5,681,819</b>	<b>100.0</b>
Unknown	36		4,785		9,620		3,243,483	

*Percentages (%) are calculated on all loans where incomes are known*

While the bank’s level of lending to low-income borrowers (16.9%) was less than the percentage of low-income families within the assessment area (19.9%), it was greater than aggregate lending levels to such borrowers (12.9%) and is considered excellent. Conversely, VPB’s lending to moderate-income borrowers (20.3%) was nearly equal to the percentage of moderate-income families (20.2%), but it was lower than aggregate bank lending levels (27.7%) and is considered reasonable. Overall, the bank’s performance during 2016 is considered reasonable.

During 2015, the bank originated 42 mortgage loans totaling \$9.3 million, for which the borrowers’ incomes were known, within the assessment area. Of the 42 originations, three (7.1%) totaling \$393,000 (4.2%) were extended to low-income borrowers, while four (9.5%) totaling \$541,000 (5.8%) were extended to moderate-income borrowers. VPB’s lending performance lagged the aggregate lending level to low-income borrowers (14.8%) and percentage of low-income families (19.9%). Similarly, the bank’s level of lending significantly lagged aggregate lending to moderate-income borrowers (29.6%) and the percentage of moderate-income families (20.2%) within the assessment area. The bank’s performance during 2015 is considered poor.

On a combined basis, total HMDA lending performance to borrowers is considered reasonable. In reaching this conclusion, greater weight was given to the bank’s 2016 performance as there was a larger dollar volume of lending, \$13.2 million, for which borrower income was known.

**Distribution of Lending by Loan Amount and Size of Business**

Washington-Arlington-Alexandria, VA-MD (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	65	51.6	12,369	62.3	4,968	49.4	145,908	38.6
Over \$1 Million	61	48.4	7,479	37.7	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	84	66.7	3,071	15.5	9,355	93.0	133,233	35.2
\$100,001-\$250,000	19	15.1	3,393	17.1	366	3.6	65,977	17.5
\$250,001-\$1 Million	23	18.2	13,384	67.4	335	3.4	178,802	47.3
<b>Total</b>	<b>126</b>	<b>100.0</b>	<b>19,848</b>	<b>100.0</b>	<b>10,056</b>	<b>100.0</b>	<b>378,012</b>	<b>100.0</b>

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

D&B data from 2016 indicates that 93% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 49.4% of reported loans were to businesses with annual revenues of \$1 million or less. Excluding large credit card lenders, 53% of the remaining reported small business loans were to businesses having revenues of \$1 million or less. Of the small business loans reported by VPB, originations to businesses having annual revenues of \$1 million or less equaled 51.6%. Given these contextual factors, the bank’s small business lending performance is considered reasonable.

**Geographic Distribution of Loans**

The bank’s geographic distribution performance is considered excellent for HMDA lending and reasonable for small business lending within the assessment area. While the bank’s small business lending receives slightly greater weight based on a slightly larger dollar volume of such lending in 2016, when considering the relative performance levels of each product, particularly the strength of the excellent performance for its HMDA lending, VPB’s geographic distribution performance is considered excellent.

**Distribution of HMDA Loans by Income Level of Census Tract**

Washington-Arlington-Alexandria, VA-MD (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	<b>(53)</b>				<b>Home Purchase (14,995)</b>			
Low	3	5.7	487	4.4	124	0.8	31,956	0.7
Moderate	12	22.6	2,457	22.3	2,758	18.4	712,776	15.8
Middle	36	67.9	7,615	69.1	9,684	64.6	2,841,197	63.1
Upper	2	3.8	468	4.2	2,425	16.2	917,900	20.4
	<b>(25)</b>				<b>Refinance (13,850)</b>			
Low	2	8.0	270	6.2	120	0.9	32,501	0.8
Moderate	11	44.0	1,595	36.6	2,204	15.9	555,623	13.8
Middle	12	48.0	2,495	57.2	8,885	64.2	2,525,972	62.6
Upper	0	0.0	0	0.0	2,641	19.0	920,549	22.8
	<b>(16)</b>				<b>Home Improvement (1,472)</b>			
Low	1	6.3	15	0.6	14	1.0	1,356	0.9
Moderate	6	37.5	304	12.4	274	18.6	22,672	15.5
Middle	8	50.0	1,619	65.9	916	62.2	95,431	65.4
Upper	1	6.2	520	21.1	268	18.3	26,362	18.1
	<b>(0)</b>				<b>Multi-Family (15)</b>			
Low	0	0.0	0	0.0	2	13.3	32,636	13.6
Moderate	0	0.0	0	0.0	2	13.3	23,000	9.6
Middle	0	0.0	0	0.0	9	60.1	137,552	57.3
Upper	0	0.0	0	0.0	2	13.3	46,841	19.5
	<b>HMDA Totals</b>							
Low	6	6.3	772	4.3	260	0.9	98,449	1.1
Moderate	29	30.5	4,356	24.1	5,238	17.3	1,314,071	14.7
Middle	56	58.9	11,729	64.9	19,494	64.3	5,600,152	62.7
Upper	3	3.2	988	5.5	5,336	17.5	1,911,652	21.5
NA *	1	1.1	217	1.2	4	0.0	978	0.0
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>18,062</b>	<b>100.0</b>	<b>30,332</b>	<b>100.0</b>	<b>8,925,302</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

For both the bank and the aggregate reports, home purchase lending was the leading HMDA product by number of loans followed by refinance and home improvement lending during 2016. Multifamily lending was not a factor in the analysis due to limited lending within the assessment area. Considering both demographic and aggregate proxies for demand, the bank's performance in low- and moderate-income tracts for home purchase, refinance, and home improvement lending is excellent.

VPB's level of lending in low- and moderate-income census tracts (6.3% and 30.5%, respectively) was significantly higher than both the owner-occupied housing units located in such tracts (.8% and 17.9%, respectively) and the level of aggregate lending in low- and moderate-income census tracts (.9% and 17.3%, respectively). This level of lending is considered excellent, and the performance in 2015 is substantially similar.

**Distribution of Small Business Loans by Income Level of Census Tract**

Washington-Arlington-Alexandria, VA-MD (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	5	4.0	888	4.5	349	3.5	17,406	4.6
Moderate	15	11.9	3,776	19.0	2,116	21.4	83,392	22.2
Middle	89	70.6	13,091	66.0	5,906	59.7	222,941	59.5
Upper	17	13.5	2,092	10.5	1,525	15.4	51,202	13.7
NA*	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>126</b>	<b>100.0</b>	<b>19,847</b>	<b>100.0</b>	<b>9,896</b>	<b>100.0</b>	<b>374,941</b>	<b>100.0</b>

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

D&B data from 2016 indicates that 3.3% and 21.2% of all area businesses are located in low- and moderate- income census tracts, respectively. During 2016, aggregate lenders reported extending 3.5% and 21.4% of small business loans in low- and moderate-income census tracts, respectively. The bank's lending performance in low-income census tracts (4%) exceeds both proxies for demand and is considered reasonable, while VPB's level of lending in moderate-income tracts (11.9%) is considered poor when compared to demographic and aggregate data. Overall, the bank's level of small business lending is considered reasonable, largely due to the notable level of small business lending within low-income census tracts.

**Community Development Loans, Investments, and Services**

Discussions with individuals knowledgeable of the local market area, along with reviews of the performance evaluations of other financial institutions having a local presence, indicate that community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

During the review period, VPB originated six community development loans totaling \$2.7 million, of which, three loans were made to area organizations that provide affordable housing, while the remaining three loans were made to organizations that provide services to low- and moderate-income individuals within the assessment area.

Since the previous evaluation, the bank purchased a qualified mortgage backed security from Freddie Mac totaling \$2.4 million. A significant majority of the underlying mortgage loans were made to low- and moderate-income borrowers in the assessment area. In addition, during the evaluation period, the bank made charitable contributions of \$7,350 to area organizations that provide community services to low- or and moderate-income residents within the assessment area.

Bank employees have also volunteered their time and financial expertise since the previous evaluation to the following organizations providing community development services within the assessment area:

- **Fredericksburg Regional Alliance:** A bank officer sits on the board of this economic development entity which works to support business development by attracting new businesses to the area.
- **Calvert County Economic Development Authority:** A bank employee is a member of the organization which focuses on assessing affordable housing needs in the area as well as recommending approval of affordable housing grant applications.
- **Tri-County Community Action Committee Homeownership Seminar:** A bank employee presented a homeownership seminar to low- and moderate-income individuals. The organization provides assistance to low- and moderate- income individuals with mortgage and foreclosure assistance programs.
- **Rappahannock United Way Citizen Review Panel:** A bank employee volunteered to serve on this panel which helps budget financial resources to determine how funds should be allocated to provide community services to those in the community including low- and moderate-income individuals.
- **Kiwanis Foundation of Fredericksburg:** A bank employee serves on the board of this foundation which distributes donations to local community organizations many of which provides services to low- and moderate-income residents of the community.

Overall, the bank has demonstrated an adequate level of responsiveness to local community development needs through its lending and investment activities and its support of area organizations that facilitate community development.

#### **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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**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 and Community Development Tests 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 and Community Development Tests 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.