

**PUBLIC DISCLOSURE**

August 17, 1998

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

State Bank of Remington

05512300

P. O. Box 158

Remington, Virginia 22734

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

NOTE: 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.

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

### **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 CRA performance of State Bank of Remington, Incorporated, Remington, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 17, 1998. 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 Outstanding.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity, location, and demand for credit in the area. A substantial majority of loans sampled during the examination were extended to residents of the assessment area. The institution's high level of lending within the assessment area, particularly to low- and moderate-income borrowers, demonstrates outstanding performance. The distribution of lending by the income level of geographies in the assessment areas appears responsive to community credit needs. Also, the institution holds a qualified investment in the Virginia Bankers Community Development Fund and has delivery systems and branch locations that are readily accessible to all segments of the bank's assessment area.

**DESCRIPTION OF INSTITUTION**

State Bank of Remington, Incorporated, operates three full-service branches in Fauquier County. Since the previous examination, Automated Teller Machines (ATMs) have been installed in two of these branches. The institution is headquartered in the Town of Remington, Virginia. As of June 30, 1998, the bank had total assets of approximately \$67 million, of which 52% were loans. Various credit products are available through the institution including residential mortgage, home improvement, consumer, business, and agricultural loans. The loan portfolio as of June 30, 1998, was comprised of the following: 67% secured by real estate, 17% commercial/agricultural loans, 14% consumer and 2% other. Real estate secured loans may be either for consumer or business purposes. During 1997, the bank was a moderately active mortgage lender reporting 52 originations on its Home Mortgage Disclosure Act loan application register. Based on the volume of total lending during the previous twelve months, real estate secured loans and consumer loans were identified as the principal credit products offered by the bank. The bank's previous CRA rating was outstanding.

**DESCRIPTION OF ASSESSMENT AREA**

The institution's assessment area encompasses portions of Culpeper, Fauquier, and Prince William Counties, Virginia. Although primarily rural, this market area is included within the Washington, D. C. Metropolitan Statistical Area (MSA). The following census tracts and block numbering areas (BNAs) are included in the bank's assessment area:

<u>Culpeper County</u>	<u>Fauquier County</u>	<u>Prince William County</u>
9901	9902.98	9013.02
9903	9903	9014.98
9904	9904	
	9905	
	9907	

The assessment area contains ten census tracts/BNAs of which nine are populated. Of the populated geographies, three are moderate-income, five are middle-income, and one is upper-income. There are no populated low-income geographies in the bank's market.

According to 1990 census data, the assessment area has a population of 70,819 and a median housing value of \$143,651. The owner-occupancy rate for the market is 71%, which exceeds that for the MSA (57%) and the state (61%). The 1997 median family income for the MSA is \$70,300. The following table provides demographics for the assessment area by the income level of the families and the percentage of population living in census tracts/BNAs of varying incomes.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	20%	21%	28%	31%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level	0%	21%	69%	10%	100%
Owner-Occupied Housing Units in Census Tracts/BNAs by Income Level	0%	20%	69%	11%	100%

Employment is provided by various local industries including agriculture, education, and light manufacturing, as well as the military. Many area residents commute to nearby Washington, D.C. for additional employment opportunities. As of June 1998, the unemployment rates for Culpeper, Fauquier, and Prince William Counties were 2.3%, 2.2%, and 2.4, respectively. The jobless rate for the Commonwealth of Virginia was 3.5%.

A community contact was made during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions have been active in meeting credit needs of consumers.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

During a six-quarter period ending June 30, 1998, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to State Bank of Remington, Incorporated, ranged from 69% to 74%. The bank's average loan-to-deposit ratio for the previous six quarters is 59%. Although the bank's loan-to-deposit ratio is somewhat low relative to similar-sized institutions throughout the Commonwealth, it is considered adequate. Along with State Bank of Remington, Incorporated, offices of several larger institutions are located within and serve this market area. A more detailed comparison reveals that for similarly-sized banks in the Virginia portion of the Washington, D.C. MSA, where demand for credit may be comparable, the average loan-to-deposit ratio for the most recent quarter is 65%.

**LENDING IN ASSESSMENT AREA**

To determine the volume of lending within the institution's assessment area, a sample of 160 of 761 consumer loans and 85 of 85 real estate secured loans extended during the previous twelve months was reviewed. The lending distribution is represented by the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	222	23	245
Percentage of Total Loans	91%	9%	100%
Total Amount of Loans (000's)	\$4,635	\$501	\$5,136
Percentage of Total Amount	90%	10%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment area.

**LENDING TO BORROWERS OF DIFFERENT INCOMES**

The following chart illustrates the distribution of the 140 consumer loans extended within the assessment area by income level of borrower.

Distribution of Loans by Income Level of Borrower

Consumer Loans

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	111	20	4	5	140
Percentage of Total Loans	79%	14%	3%	4%	100%
Total Amount of Loans (000's)	\$651	\$213	\$47	\$126	\$1,037
Percentage of Total Amount	63%	21%	4%	12%	100%

The percentage of loans extended to low- and moderate-income borrowers (93%) substantially exceeds the proportion of such families within the assessment area (20% low-income and 21% moderate-income). Furthermore, 84% of the dollar amounts of the loans were extended to these borrowers.

The sample of 82 real estate secured loans extended within the assessment area was also reviewed to determine lending by borrower income level. These loans consist of home purchase, refinance, and home improvement loans secured by one- to four-family dwellings. The following chart shows the distribution of these loans by borrower income level.

Distribution of Loans by Income Level of Borrowers

Loans Secured by Real Estate

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	19	26	29	8	82
Percentage of Total Loans	23%	32%	35%	10%	100%
Total Amount of Loans (000's)	\$294	\$877	\$1,522	\$905	\$3,598
Percentage of Total Amount	8%	25%	42%	25%	100%

The percentage of real estate loans provided to low- and moderate-income borrowers (55%) exceeds the proportion of such families (41%) within the assessment area. Overall, the distribution of consumer and real estate secured loans to borrowers of different income levels is considered good and indicates a responsiveness to local credit needs.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files included an analysis of lending among various geographies within the assessment area. As previously mentioned, there are no populated low-income geographies within the assessment area. The following charts illustrate the distribution of the sampled loans by income level of geography.

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

Consumer Loans

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	20	119	1	140
Percentage of Total Loans	14%	85%	1%	100%
Total Amount of Loans (000's)	\$246	\$780	\$11	\$1,037
Percentage of Total Amount	24%	75%	1%	100%

Real Estate Secured Loans

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	16	66	0	82
Percentage of Total Loans	20%	80%	0%	100%
Total Amount of Loans (000's)	\$378	\$3,220	\$0	\$3,598
Percentage of Total Amount	11%	89%	0%	100%

Overall, 16% (36/222) of the sampled loans were extended in moderate-income geographies. Mortgage lending in moderate-income BNAs is consistent with the proportion of owner-occupied housing units in such BNAs (20%); however, the distribution of consumer loans in such geographies is slightly lower than the percentage of the population residing in such areas (21%). The lower penetration of lending may be attributed to the concentration of bank lending in the geographies that contain branch offices. Two offices are in BNA 9907 and one is in BNA 9904; both geographies are in Fauquier County and both are middle-income. These two geographies contain 77% of the sampled consumer loans and 74% of the sampled mortgage loans. Lending in moderate-income BNAs is concentrated in a BNA in Culpeper County that is adjacent to one of the banks offices. Nine percent of both consumer loans and mortgage loans are in this BNA. Additionally, several offices of larger financial institutions, as well as several local banks and credit unions, serve the moderate-income geographies in the banks assessment area (all of which are in Culpeper County), and the market is considered competitive. Considering these factors, the geographic distribution of the sampled loans is considered reasonable.

### **INVESTMENTS AND SERVICES**

The institution has funded \$44,000 of a \$50,000 commitment made in 1994 to participate in the Virginia Bankers Bank Community Development Fund. This investment takes advantage of Federal Low-Income Housing tax credits for the development of rental housing throughout the Commonwealth.

Delivery systems are reasonably accessible to all portions of this assessment area. The bank has two automated teller machines (ATMs) in the market. These ATMs provide residents with 24-hour network access. Additionally, a 24-hour telephone information line is available to all customers.

Branch locations and business hours are considered convenient and meet the needs of the assessment area. Branch offices generally are open Monday through Friday until 6:30 p.m. and offer Saturday hours until noon. The bank also offers free Government check cashing for individuals who reside within the assessment area.

### **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

No credit practices inconsistent with the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.