

PUBLIC DISCLOSURE
March 11, 2002
COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Guaranty Bank
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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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The following table indicates the performance level of Guaranty Bank with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	<u>Guaranty Bank</u>		
	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors supporting this rating include:

- Overall lending activity was consistent with the bank’s capacity and addressed identified community credit needs.
- A substantial majority of the institution’s HMDA and small business loans were originated within the bank’s assessment areas.
- The borrower and geographic distribution of loans within the assessment areas is considered adequate.
- An adequate level of participation in qualified community development investments responsive to community credit needs was noted.

- Delivery systems and branch locations are readily accessible to all segments of the assessment areas. Branch closings have not adversely affected low- and moderate-income neighborhoods.
- The level of community development services is considered adequate.
- The bank has not received any complaints regarding its CRA performance.

DESCRIPTION OF INSTITUTION:

Guaranty Bank is headquartered in Charlottesville, Virginia, and operates eight full service branches in the Cities of Charlottesville (seven) and Harrisonburg (one), Virginia. Since the previous CRA evaluation, the institution has opened two branches; one in Henrico County and one in the Charlottesville Metropolitan Statistical Area (MSA). The Henrico County branch was sold in July 2001. The bank is a wholly owned subsidiary of Guaranty Financial Corporation, a single bank holding company. Active subsidiaries of the bank include GMSC, Inc., (real estate investment conduit) and Guaranty Investments Corporation (investment company).

As of December 31, 2001, the bank had assets of approximately \$224.9 million of which 79% were loans and 9.6% were securities. The loan portfolio was comprised of 91.3% real estate secured (both consumer and business), 1.3% consumer purpose, 7% commercial or agricultural, and .4% other. Deposits as of June 30, 2001, were approximately \$200.6 million. From September 30, 1998, to December 31, 2001, total assets, loans, and deposits increased by 29.5%, 34.4%, and 41.1%, respectively. Guaranty Bank was rated Satisfactory at the previous CRA evaluation conducted July 13, 1998.

SCOPE OF EXAMINATION:

Since the previous evaluation, Guaranty Bank has become a large bank under provisions of the CRA. As a result, the institution began collecting CRA data regarding its small business/farm lending in 2001. The review of the bank's lending activity includes the reported small business/farm loans reported in 2001 as well as loans reported under the Home Mortgage Disclosure Act (HMDA) from January 1, 2000, to December 31, 2001. Qualified investments and services were also reviewed under the investment and service tests for the same time period. Guaranty Bank has not originated any community development loans since July 1998.

The two assessment areas were evaluated using the interagency examination procedures developed by the Federal Financial Institution's Examination Council. The institution's ratings are based on performance in both assessment areas. Greater weight

was placed on the institution's performance in the MSA assessment area because of its relative size based on deposits and loan activity, as well as the population within this market. An overall rating and a rating for the lending, investment, and service tests are assigned to the institution as a whole.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

An analysis of lending from January 1, 2000, to December 31, 2001, is discussed in greater detail later in the report. The lending test is rated low satisfactory overall based on lending activity and distribution of lending. Area demographics, Dun & Bradstreet (D&B) economic data, and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregated data for 2000 is used since the 2001 data is not yet available. Aggregated data includes Guaranty Bank and all reporting institutions that originated loans of the type considered within Guaranty Bank's assessment areas. Small farm loans were not evaluated because only two loans (.1% of loan volume) were reported within the bank's assessment areas.

Lending Activity

The institution primarily serves its markets through direct lending and offers a variety of credit products. The loan-to-deposit ratio is one measure of a bank's lending relative to its capacity. During a 14-quarter period ending December 31, 2001, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to Guaranty Bank ranged from 73% to 79.2%. The bank's average loan-to-deposit ratio for the same 14-quarter period is 92.5%. No barriers to the bank's ability to lend were noted.

Various loan products are available through the institution including consumer, residential mortgage, home equity, and commercial loans. Mortgage loans offered by the bank include conventional home purchase, refinance, adjustable rate mortgages, and Government guaranteed loans. These Government and independently sponsored loan programs offer flexible underwriting standards and assist in providing affordable housing for many low- and moderate-income borrowers. During 2000 and 2001, 28 mortgages totaling \$3.1 million were originated under Government sponsored or affordable housing loan programs.

The following table depicts lending by the bank within its assessment areas in the designated categories. The table illustrates that lending primarily has targeted the retail market with an emphasis on mortgage lending.

Guaranty Bank Loan Originations				
January 1, 2001 to December 31, 2001 (HMDA and Small business/farm)				
October 1, 2000 to September 30, 2001 (Consumer)				
	Total Loans	Percentage of Lending	Total Dollar Amount (000's)	Percentage of Lending
Small Business*	118	8.7%	\$17,815	16.4%
Small Farm*	2	.1%	\$51	<.1%
Home Mortgage Disclosure Act (HMDA) *	518	38.1%	\$70,317	64.5%
<i>HMDA Subtotals</i>				
<i>Home Purchase</i>	172	12.7%	\$23,280	21.3%
<i>Refinance</i>	346	25.4%	\$47,037	43.2%
<i>Home Improvement</i>	0	0%	\$0	0%
Small Business-Real Estate Secured	0	0%	\$0	0%
Home Equity Lines	255	18.8%	\$15,767	14.5%
Home Equity (nonHMDA)	40	2.9%	\$1,091	1%
Motor Vehicle	86	6.3%	\$1,428	1.3%
Credit Cards	49	3.6%	\$143	.1%
Overdraft/Unsecured	185	13.6%	\$313	.3%
Other Consumer Secured	24	1.8%	\$807	.8%
Other Consumer Unsecured	83	6.1%	\$1,233	1.1%
Totals	1,360	100%	\$108,965	100%

* The institution is required to collect information about these types of loans.

Lending activity is considered good relative to the bank's capacity to lend and generally strong economic conditions within its assessment areas.

Assessment Area Concentration

The institution's lending volume for HMDA (2000 and 2001) and small business (2001) purposes is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Areas

Loan Category	IN				OUT			
	#	%	\$(000's)	%	#	%	\$(000's)	%
Small Business*	105	89%	\$14,972	84%	13	11%	\$2,843	16%
HMDA*	704	87.1%	\$98,153	88.7%	104	12.9%	\$12,476	11.3%
Totals	809	87.4%	\$113,125	88.1%	117	12.6%	\$15,319	11.9%

* The institution is required to collect information about these types of loans.

As depicted above, a substantial majority of the number and dollar amounts of loans have been provided to assessment area residents. This level of lending in the bank's market areas is considered responsive to community credit needs.

Borrower and Geographic Distribution

Further analysis of small business and HMDA loans by assessment area is discussed in greater detail later in the report. The analysis reveals overall adequate distributions of loans to individuals of varying incomes and to businesses of different sizes given the bank's market presence in each of its assessment areas. Loan penetration among geographies of different income levels, specifically low- and moderate-income areas, is considered good. In all cases, the bank's performance was compared to demographic proxies for demand, as well as available aggregate loan data.

Community Development Lending

To the extent that the bank may have originated any loans for community development purposes in this assessment area, such financing has been reported as small business and/or HMDA loans.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated low satisfactory. Qualified community development investments consist of \$25,000 in the Virginia Economic Development Corporation's micro loan small business lending program and \$500 in contributions to Habitat for Humanity. Both of these investments were made within the Charlottesville assessment area and assist low- and moderate-income residents and geographies.

SERVICE TEST

The rating of the institution under the service test is high satisfactory. Delivery systems, including ATMs, and branch locations are considered readily accessible, and the hours of operation are convenient to all portions of the assessment areas. The bank's participation in community development organizations and activities is considered responsive to community needs. One branch has been closed since the previous evaluation. A branch closing policy has been adopted as required by the Federal Deposit Insurance Corporation Improvement Act of 1991.

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

METROPOLITAN AREA

(if some or all of the assessment areas within the metropolitan area were reviewed using the examination procedures)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CHARLOTTESVILLE ASSESSMENT AREA:

The Charlottesville assessment area encompasses all of the Charlottesville MSA and contains seven bank branches. Of the 45

census tracts within the market, one is considered low-income, seven are moderate-income, 18 are middle-income, and eight are upper-income. Eleven of the remaining geographies have a median family income of zero.

According to the 1990 census data, the assessment area has a population of 131,107 and a median housing value of \$93,305. The owner-occupancy rate for the market is 55.7%, which is lower than that for the Commonwealth of Virginia at 60.9%. The 2001 median family income for the Charlottesville MSA is \$60,800. Within the assessment area, 6.7% of families are considered to be living below the poverty level, which is lower than the state rate of 7.7%. As of December 2001, the unemployment rates for Charlottesville MSA and the Commonwealth of Virginia were 2% and 4.2%, respectively.

The following table provides demographics for the assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates are also provided. As of June 2001, D&B information indicated that 91.5% of all assessment area businesses reported revenues under \$1 million.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	19.1%	18.2%	24.2%	38.5%	100%
Percentage of Population Residing in Census Tracts by Income Level	3.4%	19.1%	55%	22.5%	100%
Percentage of Owner-Occupied Units by Census Tract	.8%	10.9%	60.7%	27.6%	100%
Percentage of Families Below Poverty by Income Level of Census Tract	32.6%	14.7%	6.2%	2%	N/A
Percentage of Businesses Located in Census Tracts by Income Level	2.7%	22.2%	50%	25.1	100%

The Charlottesville assessment area is situated in the central portion of the Commonwealth and has a diverse local economy.

Employment opportunities exist in the agriculture, education, manufacturing, service and tourism industries, as well as local, State, and Federal Government. The City of Charlottesville is home to the University of Virginia with a significant student population; possibly suggesting a weaker demand for certain credit products.

As of June 2001, the bank ranked fourth in deposit market share at 10.6% within the MSA it serves. The assessment area accounted for 88.6% of total Guaranty Bank deposits. During 2001, 67.6% of the number of loans extended or purchased (within both markets) were in this assessment area.

Based on 2000 aggregate lending data, the bank ranked seventh in market share for mortgage lending, accounting for 2.9% of loans. As a small business lender, Guaranty Bank did not rank in the top 47 institutions.

A community contact was made to assist in evaluating the bank's CRA performance. The contact stated that area financial institutions appear to be meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE CHARLOTTESVILLE ASSESSMENT AREA:

LENDING TEST

Lending Activity

Lending within this assessment area is consistent with the proportion of offices (87.5%) and deposits (88.6%) in the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables and each is followed by a discussion of bank performance.

Distribution of HMDA Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	4	53	286	106	449
Percentage of Total Loans	.9%	11.8%	63.7%	23.6%	100%
Total Amount of loans (000's)	\$187	\$5,124	\$39,244	\$16,020	\$60,575
Percentage of Total Amount	.3%	8.5%	64.8%	26.4%	100%

The review of HMDA loans originated within this assessment area reveals that the institution has a good level of lending within low- (.9%) and moderate-income (11.8%) census tracts. Penetration in these areas exceeded both the percentage of owner-occupied housing units (.8% low-income and 10.9% moderate-income) and the aggregate level of lending (.6% low-income and 8.6% moderate-income) in such tracts.

Distribution of Small Business Loans by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	22	60	11	95
Percentage of Total Loans	2.1%	23.2%	63.2%	11.5%	100%
Total Amount of Loans (000's)	\$62	\$2,279	\$9,799	\$1,947	\$14,087
Percentage of Total Amount	.4%	16.2%	69.6%	13.8%	100%

Guaranty Bank's small business loan penetration in low- and moderate-income census tracts (2.1% low-income and 23.2% moderate-income) is considered good when compared to both the D&B data and 2000 market aggregate information. D&B indicates that within the assessment area 24.9% (2.7% low-income and 22.2% moderate-income) of commercial entities are located in such tracts. A review of the 2000 small business aggregate data revealed a 2% and 17% penetration in low- and moderate-income tracts, respectively.

The overall geographic loan distribution (HMDA and small business) within this assessment area is considered good given the institution's size, branch locations, and the effective demand for credit.

Borrower Profile

The distribution of loans by income level of borrower and size of business is reflected in the following tables.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	39	76	110	212	437
Percentage of Total Loans	8.9%	17.4%	25.2%	48.5%	100%
Total Amount of Loans (000's)	\$2,931	\$7,706	\$13,598	\$34,312	\$58,547
Percentage of Total Amount	5%	13.2%	23.2%	58.6%	100%

Within the assessment area, the institution provided 26.3% of its HMDA loans to low- and moderate-income borrowers. The level of lending to low-income borrowers (8.9%), while below the percentage of low-income families in the area (19.1%), approximates the 2000 market aggregate level of HMDA lending (11.0%). The level of lending to moderate-income borrowers (17.4%), while below the market aggregate level (23.9%), is consistent with the percentage of moderate-income families (18.2%) in the assessment area. Overall, Guaranty Bank's HMDA lending to borrowers of different incomes is considered adequate.

Distribution of Lending
by Loan Amount and Size of Business

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenues ≤ \$1 Million	35	37.6%	5	5.4%	8	8.6%	48	51.6%
Number Total Revenues > \$1 Million	28	30.1%	11	11.8%	6	6.5%	45	48.4%
Totals	63	67.7%	16	17.2%	14	15.1%	93	100%

Of the 93 small business loans provided to various entities in the assessment area, 51.6% were provided to businesses with revenues of \$1 million or less. Additionally, 37.6% of these loans were to borrowers with revenues of \$1 million or less and in amounts less than \$100,000. D&B data for the year 2001 indicates that 91.5% of all assessment area businesses generated revenues of \$1 million or less. The 2000 aggregate information reveals 41.3% of market originations were to businesses with revenues of \$1 million or less. The remaining loans were either to businesses with revenues over \$1 million or the revenue is unknown. Based on the number of small businesses within this assessment area and aggregate data, the bank's level of lending to such entities is considered adequate.

Given the products offered by the institution, the distribution of loans to borrowers of different incomes and to businesses of different sizes demonstrates an adequate level of responsiveness to community credit needs using aggregate data and area demographics as proxies for demand.

Community Development Loans

To the extent that the bank may have originated any loans for community development purposes in this assessment area, such financing has been reported as small business and/or HMDA loans.

INVESTMENT TEST

Overall, the institution has an adequate level of qualified investments and is supportive of community development initiatives. As previously mentioned, the institution has a \$25,000 investment in the Virginia Economic Development Corporation's microloan program for small businesses. The program is a collective lending group consisting of ten local banks, which participate through contributions. Its purpose is to assist small, start-up companies in the greater Charlottesville area by providing non-traditional bank financing (loan amounts up to \$25,000). Applicants are restricted to those borrowers whose household incomes do not exceed the Department of Housing and Urban Development's low- and moderate- income guidelines for their area or the borrower must employ, contract or plan to employ persons with this income level. Guaranty Bank has also made contributions totaling \$500 to the Fluvanna County Habitat for Humanity which builds homes for low- and moderate-income residents.

SERVICE TEST

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Automated teller machines (ATMs) are available and, through a network, provide customers with 24-hour nationwide access. One (16.7%) of the bank's six area ATMs is located in a moderate-income census tract. Bank-by-mail and bank-by-computer are also offered by the institution for deposit and lending products. In addition, Guaranty Bank provides customers with 24-hour access to their accounts.

Branch Locations and Hours of Operation

Within the MSA, Guaranty Bank operates seven offices of which three (42.9%) are located in low- and moderate-income census tracts. Of the population, 22.5% reside in these geographic areas. Branch locations and business hours are considered convenient and meet the needs of the assessment area. Business hours vary by branch and typically offer extended weekday hours and Saturday banking. Since the previous CRA evaluation, the Forest Lakes branch in Charlottesville has been opened. In 2001, the Wellesley branch in Richmond branch located in an upper-income census tract was closed. This change has not adversely affected accessibility of delivery systems.

Community Development Services

As a community development service, Guaranty Bank administers a revolving loan fund (ROOF Fund) with the Piedmont

Housing Alliance. This fund is used to provide home improvement loans to low- and moderate-income residents of the area. Piedmont has assigned a deposit account to the institution to be used as collateral for the loans. Credit decisions are made by Guaranty Bank with maximum loan amounts up to \$10,000

In addition, several homeownership seminars have been provided by bank personnel within the Charlottesville assessment area.

Systems for delivering retail banking services appear effective and accessible to all portions of the assessment area, including low- and moderate-income areas. Furthermore, the bank's level of community development services is consistent with its size, location, and financial capacity.

NONMETROPOLITAN STATEWIDE AREA

(if some or all of the assessment areas within the metropolitan area were reviewed using the examination procedures)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ROCKINGHAM/HARRISONBURG ASSESSMENT AREA:

The Harrisonburg assessment area has one bank branch and encompasses 25 census tracts within the County of Rockingham and the City of Harrisonburg, Virginia. Of the census tracts within this market, 11 are middle-income and 12 are upper-income. There are no moderate-income geographies and two geographies have a median family income of zero.

According to the 1990 census data, the assessment area has a population of 88,189 and a median housing value of \$75,243. The owner-occupancy rate for the market is 61.3%, which is slightly lower than that for nonmetropolitan areas of the State (65.1%). The 2001 median family income for nonmetropolitan areas of Virginia is \$40,800. In the assessment area, 5.8% of families are considered to be living below the poverty level which is significantly lower than the state nonmetropolitan rate of 11.5%. As of December 2001, the unemployment rates for Rockingham County and the City of Harrisonburg are 2.1% and 2%, respectively.

The following table provides demographics for the assessment area by the income level of families and the percentage of population and owner-occupied housing units in census tracts of varying income levels. Poverty rates are also provided. As of June 2001, D&B information indicated that 91.3% of all assessment area businesses reported revenues under \$1 million.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	12.5%	15%	23.8%	48.7%	100%
Percentage of Population Residing in Census Tracts by Income Level	0%	N/A	46.5%	53.5%	100%
Percentage of Owner-Occupied Units by Census Tract	0%	N/A	51.4%	48.6%	100%
Percentage of Families Below Poverty by Income Level of Census Tract	0%	N/A	6.5%	5%	N/A
Percentage of Businesses Located in Census Tracts by Income Level	0%	N/A	37.8%	62.2%	100%

The assessment area is located in the heart of the Shenandoah Valley approximately 130 miles northwest of Richmond, Virginia and 125 miles southwest of Washington, D. C. The local economy is based on a variety of industries including poultry processing, academic institutions, manufacturing, and health care facilities. Harrisonburg is home to James Madison University with a significant student population; possibly suggesting a weaker demand for certain credit products.

Guaranty Bank operates one branch in the assessment area. As of June 2001, the bank ranked twelfth in deposit market share at 1.4%. The assessment area accounted for 7.8% of total bank deposits. During 2001, 32.4% of the number of loans extended or purchased (within both markets) were in this assessment area.

Based on 2000 aggregate lending data, the bank did not rank in the top lenders for either mortgage or small business lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ROCKINGHAM/HARRISONBURG ASSESSMENT AREA:

LENDING TEST

Lending Activity

Lending activity in this market is consistent with the percentage of deposits (7.8%) and branch offices (12.5%) in the area.

Geographic Distribution of Loans

As previously mentioned, there are no moderate-income census tracts within the assessment area and two census tracts have a median family income of zero. Of the 254 HMDA loans extended within this market, 67 (26.4%) were to residents residing in middle-income census tracts. This level of lending is considerably lower than the percentage of the population (46.5%) residing in such tracts, the percentage of owner-occupied housing (51.4%), and the 2000 market aggregate (41.4%).

Of the ten small business loans originated within this assessment area four (40%) were to businesses located in middle-income census tracts. The penetration in middle-income areas approximates both D&B data (37.8%) and market aggregate data (37%).

The overall geographic loan distribution (HMDA and small business) within this assessment area is considered adequate given the institution's size, branch locations, and the effective demand for credit.

Borrower Profile

The distribution of loans by income level of borrower and size of business is reflected in the following tables.

Distribution of HMDA Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	13	55	182	251
Percentage of Total Loans	.4%	5.2%	21.9%	72.5%	100%
Total Amount of Loans (000's)	\$50	\$1,073	\$6,018	\$29,919	\$37,060
Percentage of Total Amount	.1%	2.9%	16.3%	80.7%	100%

Within the assessment area, the institution provided 5.6% (.4% low-income and 5.2% moderate-income) of its HMDA loans to low- and moderate-income borrowers. This level of lending is lower than both market aggregate lending and area demographics. The 2000 market aggregate data revealed 22.5% (3.7% low-income and 18.8% moderate-income) of HMDA originations were to low- and moderate-income borrowers. In the nonmetropolitan market, 27.5% (12.5% low-income and 15% moderate-income) of families are considered low- or moderate-income. The bank's level of lending to low- and moderate-income residents is considered poor.

Distribution of Lending
by Loan Amount and Size of Business or Farm

	\$0 - \$100,000		>\$100,000 to \$250,000		> \$250,000		Total	
Number Total Revenues ≤ \$1 Million	7	70%	0	0%	1	10%	8	80%
Number Total Revenues > \$1 Million	1	10%	1	10%	0	0%	2	20%
Totals	8	80%	1	10%	1	10%	10	100%

Of the ten small business loans provided to various entities of the assessment area, 80% were originated to businesses with revenues of \$1 million or less. Additionally, 70% of the loans were to borrowers with revenues of \$1 million or less and in amounts less than \$100,000. As of June 2001, D&B data indicated that 91.3% of all assessment area businesses generated revenues of \$1 million or less. The 2000 aggregate lending data revealed that 49.7% of the small business lending was to entities with revenues of \$1 million or less. The remaining loans were either to businesses with revenues over \$1 million or the revenue is unknown. The bank's level of lending to businesses with revenues of \$1 million or less is considered good.

Community Development Loans

To the extent that the bank may have originated any loans for community development purposes in this assessment area, such financing has been reported as small business and/or HMDA loans.

INVESTMENT TEST

Since the previous examination, the institution has not made any investments in the nonmetropolitan assessment area.

SERVICE TEST

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. The one branch located within the assessment area has an ATM. Bank-by-mail and bank-by-computer are also offered by the institution for deposit and lending products. In addition, Guaranty Bank provides customers with 24-hour access to their accounts.

Branch Locations and Hours of Operation

Within the Rockingham/Harrisonburg area, Guaranty Bank operates one office which is located in an upper-income census tract. As previously stated, there are no moderate-income geographies within this market and all low-income geographies are unpopulated. Branch locations and business hours are considered convenient and meet the needs of the assessment area. Business hours vary by branch and typically offer extended weekday hours and Saturday banking.

Community Development Services

The bank has not participated in any qualified community development services that are specific to the Rockingham/Harrisonburg assessment area.

The bank's systems for delivering retail-banking services appear reasonably effective.

Appendix A – Scope of Examination

Scope of Examination

A full discussion of the scope of the examination is contained in the narrative section of this public evaluation.

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION	
ASSESSMENT AREA	TYPE OF EXAMINATION
Charlottesville MSA	Full Procedures
Rockingham Co./Harrisonburg	Full Procedures

Appendix B - Glossary

Definitions

The following terms may be used in this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Assessment Area - A delineated community including the geographies in which the bank has its main office, branches, and deposit-taking Automated Teller Machines (ATMs). As well as, the surrounding geographies in which the bank has originated or purchased a substantial portion of its loans, including home mortgage loans, small-business and small-farm loans, and any other loans on which the bank chooses to have its performance assessed.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract - Small, locally defined areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A census tract has defined boundaries per ten year census and an average population of 4,000.

Community Development - Initiatives in the form of loans, investments, or services which provide for the following:

Affordable 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.

Community development activities generally cannot be double counted, for example, loans required for reporting as small business, small farm, or home mortgage (except for multifamily housing) cannot also be reported as community development loans.

Community Reinvestment Act (CRA) - The statute requiring the federal financial supervisory agencies to assess an institution's record of helping to meet the credit needs of the local communities in which the institution is chartered, consistent with the safe and sound operation of the institution, and to take this record into account in the agency's evaluation of an application for a deposit facility by the institution.

Geography - A census tract or a block numbering area as delineated by the United States Census Bureau.

Home Mortgage Disclosure Act (HMDA) - The statute that requires most mortgage lenders who 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

Income Level includes:

Low-Income - Income levels that are less than 50% of the median family income.

Moderate-Income - Income levels that are at least 50% and less than 80% of the median family income.

Middle-Income - Income levels that are at least 80% and less than 120% of the median family income.

Upper-Income - Income levels that are 120% or more of the median family income.

Median Family Income - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction. Two or more MSAs having a population of one million or more residents may be recognized as a **consolidated metropolitan statistical area (CMSA)** if the individual MSAs demonstrate strong internal, social, and economic ties within the entire area. The individual MSAs included in a CMSA are then referred to as **primary metropolitan statistical areas (PMSA)**.

Small Business Loans - Loans with original amounts of \$1 million or less that are secured by nonfarm nonresidential properties or commercial and industrial loans to U. S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are secured by farmland or to finance agricultural production and other loans to farmers.