

**PUBLIC DISCLOSURE**

October 28, 1996

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Peoples Bank of Virginia

05510538

Post Office Box 728

Chesterfield, Virginia 23832-0728

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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 Community Reinvestment Act (CRA) performance of Peoples Bank of Virginia, Chesterfield, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 28, 1996. 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 Satisfactory.

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity and location. A substantial majority of loans sampled during the examination were extended to borrowers residing within the assessment area. The institution's lending to low- and moderate-income borrowers and businesses with revenues under \$1 million demonstrates an overall satisfactory level of performance. Additionally, the geographic distribution of loans inside the assessment area appears reasonable given the institution's size, branch locations, and demographics of the area.

The following table indicates the performance level of Peoples Bank of Virginia with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Peoples Bank of Virginia</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

**DESCRIPTION OF INSTITUTION**

Peoples Bank of Virginia operates four full-service branches in Chesterfield County, Virginia. As of September 30, 1996, the bank had total assets of \$73.7 million, of which 53% were loans. Various loan products are offered by the institution including credit for small business development, residential mortgage, and consumer purposes. Management has focused lending efforts on meeting the needs of local businesses. Commercial and industrial loans, loans for construction and land development, loans secured by multifamily residential properties, and loans secured by nonfarm nonresidential properties represent 70% of the bank's loan portfolio. Loans secured by one- to four-family residential properties and consumer credit make up 21% and 9% of the remaining loan portfolio, respectively. The institution's previous CRA rating was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The assessment area includes all of Chesterfield County, census tract 5001.00 in Powhatan County, and the following census tracts within the City of Richmond:

<u>Richmond City</u>		
604.00	701.00	707.00
605.00	702.00	708.00
606.00	703.00	709.98
608.98	704.00	710.98
609.99	706.00	711.00

There are a total of 68 census tracts in the assessment area of which 66 are populated. Of the populated areas, two are low-income, eight are moderate-income, 34 are middle-income, and 22 are upper-income. According to the 1990 census data, the market area has a population of 286,109 and is located within the Richmond Metropolitan Statistical Area (MSA). The local economy is well diversified with a mixture of manufacturing, service, and Government employment opportunities. Some of the major employers include Philip Morris, Reynolds Metals Company, Ukrop's Supermarkets, AlliedSignal, Inc., Defense General Supply, and J.C. Penney Company. The current unemployment rates for Chesterfield and Powhatan Counties, and the City of Richmond are 3.5%, 2.5%, and 5.3%, respectively. These rates compare favorably to the Commonwealth's unemployment rate of 4.2%. Community contacts were performed with representatives from a local housing organization and local government to further assist in evaluating the bank's CRA performance. The contacts indicated that local financial institutions are adequately meeting the credit needs of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

The average loan-to-deposit ratio for the previous six quarters is 60% and is considered reasonable given the bank's location, financial capacity, size and current local economic conditions. The bank's level of lending is responsive to the area's loan demand. The average loan-to-deposit ratio for banks headquartered in a metropolitan area of Virginia and of similar size to Peoples Bank of Virginia is 72%.

### LENDING IN ASSESSMENT AREA

A review of 119 loans was conducted to determine the volume of lending within the bank's assessment area. The sample included 48 consumer, 28 business, and 43 mortgage loans. As illustrated by the following chart, a substantial majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment area.

#### Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	104	15	119
Percentage of Total Loans	87%	13%	100%
Total Amount of Loans (000's)	\$3,590	\$1,123	\$4,713
Percentage of Total Amount	76%	24%	100%

Furthermore, the bank performs a geographic analysis of new loan activity for each quarter. For the second quarter of 1996, 82% of loans were extended within the bank's assessment area.

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

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

#### Distribution of Loans by Size of Business

	Revenues $\leq$ \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	20	4	24
Percentage of Total Loans	83%	17%	100%
Total Amount of Loans (000's)	\$1,014	\$610	\$1,624
Percentage of Total Amount	62%	38%	100%

The high percentage of the number and dollar amount of loans provided to businesses with gross revenues of \$1 million or less demonstrates the bank's responsiveness to small business credit needs.

Distribution of Loans by Income Level of Borrower

Mortgage Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	1	8	10	19	38
<b>Percentage of Total Loans</b>	3%	21%	26%	50%	100%
<b>Total Amount of Loans (000's)</b>	\$20	\$215	\$259	\$967	\$1,461
<b>Percentage of Total Amount</b>	1%	15%	18%	66%	100%

The volume of mortgage loans to low- and moderate-income residents (24%) is reasonable considering the representation of such families in the assessment area (15% low-income and 16% moderate-income). Middle- and upper-income families comprise 25% and 44% of the bank's market, respectively.

A sample of 42 consumer loans extended within the assessment area was also analyzed to determine the bank's lending distribution. Forty-two percent of the consumer loans were provided to low-income (21%) and moderate-income (21%) families within the assessment area and exceeds the percentage of such families within the area. Consumer loans provided to middle- and upper-income families were 21% and 37%, respectively.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of loan files also included an analysis of lending among various census tracts within the institution's assessment area. The bank's market consists primarily of middle- and upper-income areas. The following charts show the distribution of sampled business and HMDA loans according to the income level of census tract.

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

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	1	15	8	24
Percentage of Total Loans	0%	4%	63%	33%	100%
Total Amount of Loans (000's)	\$0	\$8	\$958	\$658	\$1,624
Percentage of Total Amount	0%	1%	59%	40%	100%

Mortgage Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	3	11	24	38
Percentage of Total Loans	0%	8%	29%	63%	100%
Total Amount of Loans (000's)	\$0	\$57	\$204	\$1,200	\$1,461
Percentage of Total Amount	0%	4%	14%	82%	100%

The geographic distribution of lending for both loan types is considered reasonable given the local population residing in geographies of various income levels. The percentage of loans made in moderate-income census tracts for both business (4%) and mortgage loans (8%), as well as consumer loans (5%), is slightly below the percentage of the population (15%) within the assessment area residing in these areas. Although no loans have been extended in low-income geographies, only 2.5% of the market population resides in such tracts. Consumer loans provided to residents of middle- and upper-income census tracts were 45% and 50%, respectively. The percentage of population residing in middle- and upper-income census tracts is 46% and 37%, respectively.

**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 and credit activities.