

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 Piedmont Trust Bank, Martinsville, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of November 17, 1997. 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 primarily serves its assessment area through direct lending and offers a variety of credit products. A majority of the bank's loans were originated in the assessment area, and the geographic distribution of loans is considered reasonable. Furthermore, the bank's lending to low- and moderate-income individuals and businesses with revenues less than \$1 million exceeds⁴ expected performance in relation to area demographics. The bank's investment portfolio is primarily comprised of mortgage-backed securities which are not considered qualified investments for purposes of CRA.

However, the bank holds a qualified investment in an organization which provides housing to low- and moderate-income families. The institution's level of responding to community development needs through its investment activities is considered reasonable. Delivery systems and branch locations are considered readily accessible, and participation in community development services is considered reasonable.

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

<u>Piedmont Trust Bank</u>			
PERFORMANCE LEVELS	PERFORMANCE TESTS		
	LENDING TEST *	INVESTMENT TEST	SERVICE TEST
Outstanding			
High Satisfactory	X		X
Low Satisfactory		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.

DESCRIPTION OF INSTITUTION:

Piedmont Trust Bank is headquartered in Martinsville, Virginia, and operates six branches throughout the city and the surrounding County of Henry, Virginia. The institution is a subsidiary of MainStreet BankGroup, Inc., a multibank holding company located in Martinsville, Virginia. As of September 30, 1997, the bank had assets of approximately \$544 million of which 64% were loans. The loan portfolio as of this date consisted of 52% real estate secured (including consumer and business), 17% commercial, and 31% consumer. The bank's previous CRA rating was satisfactory.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The bank primarily serves its assessment area through direct lending and offers a variety of credit products. The quarterly average loan-to-deposit ratio for banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to Piedmont Trust Bank ranged from 75% to 80% for a six-quarter period ending June 1997. The bank's average loan-to-deposit ratio for the previous six quarters is 104% and is considered more than reasonable given the institution's size, location, and financial capacity. Since March 31, 1996, the bank's total loans have increased by 18% while total deposits have grown by 3%.

As identified in the CRA Public File, a full range of credit products is offered including consumer, small business, commercial, residential mortgage, home improvement, residential construction, and agricultural loans. In addition to conventional mortgages, the bank originates Government sponsored loans including those offered through the Federal Housing Administration, Veterans Administration, Rural Housing and Community Development Service (formerly Farmers Home Administration), and the Virginia Housing and Development Authority. These products offer more flexible underwriting criteria and lower down payments than conventional financing.

The institution is required to collect and report information about small business/small farm loans that it originates. From April 1, 1996 through November 3, 1997, the bank extended 781 such loans totaling over \$53 million. Approximately 5,951 consumer loans secured by motor vehicles totaling \$73 million and 903 residential real estate loans totaling \$51 million were also extended during this time period. This real estate lending activity includes loans for residential construction, home purchase (including mobile homes), and home improvement purposes. A sample of residential real estate and consumer loans secured by motor vehicles generated during the previous 12 months was reviewed to measure the volume of lending to low- and moderate-income borrowers and to geographies of varying income levels; an analysis of this lending activity is presented later in this report.

The institution's volume of small business/small farm lending from April 1, 1996, through November 3, 1997, is represented in the following table by number and dollar amounts. The consumer loans secured by motor vehicles and real estate loans sampled during the examination are also represented in this chart.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Small Business/Farm*		Consumer Motor Vehicle		Consumer Real Estate		Total	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	622	159	146	28	51	36	819	223
Percentage of Loans	80%	20%	84%	16%	59%	41%	79%	21%
Amount of Loans (000's)	\$35,531	\$17,936	\$1,201	\$203	\$3,719	\$3,540	\$40,451	\$21,679
Percentage of Amount	66%	34%	86%	14%	51%	49%	65%	35%

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

As depicted above, a majority of the number (79%) and dollar amounts (65%) of total loans have been provided to area residents. The volume of consumer real estate loans (41%) extended outside the bank's assessment area is primarily a result of brokered relationships with the bank's affiliates.

The geographic distribution of loans, which is discussed in detail later in this evaluation, is considered reasonable with penetration into moderate-income geographies. There are no populated low-income geographies within the assessment area. The bank's lending to low- and moderate-income individuals and businesses with revenues less than \$1 million exceeds expected performance in relation to area demographics. In addition, the institution has demonstrated a responsiveness to the credit needs of its market areas through community development lending and product flexibility, including offering several Government sponsored loan programs.

The overall rating of the institution under the lending test is high satisfactory.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated low satisfactory. A qualified investment in an organization promoting affordable housing was noted, as were several qualified donations.

SERVICE TEST

The overall 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 area. The bank's participation in community development services is considered reasonable.

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. A technical violation of the Equal Credit Opportunity Act's Regulation B was noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

NONMETROPOLITAN ASSESSMENT AREAS

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

DESCRIPTION OF INSTITUTION'S OPERATIONS IN HENRY COUNTY AND THE CITY OF MARTINSVILLE, ASSESSMENT AREA:

Piedmont Trust Bank is headquartered in Martinsville, Virginia, and has defined one assessment area which includes all of Henry County and the City of Martinsville. This nonmetropolitan area consists of 18 populated census tracts of which one is moderate-income, 15 are middle-income, and two are upper-income. As previously mentioned, there are no populated low-income geographies in the City of Martinsville or Henry County. According to 1990 census data, this area has a population of 73,104 and a median housing value of \$51,603. The owner-occupancy rate for the market is 69%, which is slightly higher than the statewide rate of 61% and the rate for nonmetropolitan areas of the Commonwealth (65%). The 1997 median family income for nonmetropolitan areas within Virginia is \$34,800.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels.

Demographics for Assessment Area

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	17%	18%	24%	41%	100%
Percentage of Population Residing in Census Tracts by Income Level of Census Tract	0	5%	82%	13%	100%

The local economy is stable and is supported by a diverse mix of industry including textiles, agriculture, forestry, furniture manufacturing, and retail industries. The unemployment rates for Henry County and the City of Martinsville as of October 1997 are 3.1% and 4.6%, respectively. The current jobless rate for the Commonwealth is 3.5%.

A community contact was made during the examination to further assist in evaluating the bank's CRA performance. According to the contact, additional small business and affordable housing credit would benefit the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN HENRY COUNTY AND THE CITY OF MARTINSVILLE ASSESSMENT AREA:

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans is reflected in the following tables. The tables below represent the institution's lending within the assessment area according to income level of the geography. There are no populated low-income geographies within the assessment area.

Distribution of Small Business/Farm Loans by Income Level of Census Tract

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	29	511	82	622
Percentage of Total Loans	5%	82%	13%	100%
Total Amount of Loans (000s)	\$885	\$29,965	\$4,681	\$35,531
Percentage of Total Loans	3%	84%	13%	100%

Distribution of Consumer Loans Secured by Motor Vehicles by
Income Level of Census Tract

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	12	127	7	146
Percentage of Total Loans	8%	87%	5%	100%
Total Amount of Loans (000's)	\$81	\$1,046	\$74	\$1201
Percentage of Total Loans	7%	87%	6%	100%

Distribution of Residential Real Estate Loans by Income Level of Census Tract

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	3	41	7	51
Percentage of Total Loans	6%	80%	14%	100%
Total Amount of Loans (000's)	\$168	\$2,800	\$751	\$3,719
Percentage of Total Loans	5%	75%	20%	100%

Overall, 5% (44/819) of the bank's loans originated within the assessment area were extended to individuals and businesses located in moderate-income census tracts. This level of lending is proportional to the percentage of the population (5%) residing in such areas. The bank's overall loan distribution is considered reasonable given local demographics and the size and location of the institution.

Borrowers' Profile

The following charts illustrate the distribution of the sampled consumer and real estate loans and the small business/farm loans extended within the assessment area by income level of the borrower or to businesses of different sizes.

Distribution of Consumer Loans Secured by Motor Vehicles by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	61	52	26	7	146
Percentage of Total Loans	42%	35%	18%	5%	100%
Total Amount of Consumer Loans (000's)	\$379	\$430	\$288	\$104	\$1,201
Percentage of Total Amount	31%	36%	24%	9%	100%

As depicted in the table above, the percentage of consumer loans (77%) extended to low- and moderate-income borrowers significantly exceeds the percentage of such families (35%) residing in the assessment area.

Distribution of Residential Real Estate Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Consumer Loans	2	9	15	25	51
Percentage of Total Loans	4%	18%	29%	49%	100%
Total Amount of Consumer Loans (000's)	\$261	\$413	\$796	\$2,249	\$3,719
Percentage of Total Amount	7%	11%	21%	61%	100%

The percentage of real estate loans (4%) extended to low-income borrowers is somewhat lower than the representation of low-income families (17%) within the assessment area.

Information provided by community contacts indicated much of the current housing stock and new developments target middle- and upper-income families. Furthermore, slightly more than 8% of assessment area families are below poverty level. The percentage of real estate loans provided to moderate-income borrowers matches the percentage of such families within the local community.

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

	\$0 - \$100,000		> \$100,000 - \$250,000		> \$250,000		Total	
Total Revenues ≤ \$1 Million	505	90%	47	8%	10	2%	562	90%
Total Revenues > \$1 Million	37	62%	9	15%	14	23%	60	10%
Totals	542	87%	56	9%	24	4%	622	100%

As illustrated above, 90% (562/622) of the small business/farm loans in the assessment area were provided to businesses with revenues of \$1 million or less. Additionally, 90% of the 622 loans were for an amount of \$100,000 or less. This level of lending demonstrates the bank's willingness to meet the credit needs of local small businesses.

Piedmont Trust Bank continues to offer Small Business Administration (SBA) loans including SBA 504 loans in conjunction with the Virginia Asset Financing Corporation.

Five SBA loans totaling \$1.2 million have been made since the previous evaluation. All of these loans were 504 loans that require the borrowing business to create or retain jobs within the market.

The distribution of loans to borrowers of different income levels and to businesses of different sizes is considered satisfactory relative to the estimated demand for these loan types, using area demographics as a proxy.

Community Development Loans

To the extent the bank may have originated any community development loans, such financing has been reported as small business or real estate loans.

INVESTMENT TEST

The bank holds a \$440,755 investment in the Housing Equity Fund of Virginia, a nonprofit organization that provides equity contributions to low-income housing projects throughout Virginia. In addition, contributions totaling approximately \$3,500 were provided to several organizations that primarily serve low- and moderate-income residents within the area. The institution's level of qualified investments is considered adequate.

SERVICE TEST

Accessibility of Delivery Systems

Delivery systems are accessible to all portions of the assessment area. Seven ATMs are included within the area. These ATM locations provide local residents with 24-hour nationwide network access.

Branch Locations and Hours of Operation

Branch locations and business hours are considered convenient and meet the needs of the assessment area. Saturday hours are offered at the drive-in location, and all of the branches are open on Friday until 6:00 p.m.

Community Development Services

Bank personnel routinely provide credit counseling and other assistance to many low- and moderate-income individuals in applying for and understanding credit. The bank also provides social security check cashing for noncustomers at no charge. The institution's provision of community development services is considered reasonable.