





## 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 institutions 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 institutions record of meeting the credit needs of its community.

This document is an evaluation of the (CRA) performance of Security Bank Corporation, Manassas, Virginia, prepared by The Federal Reserve Bank of Richmond, the institutions 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.

**INSTITUTIONS CRA RATING:** This institution is rated Satisfactory.

The banks loan-to-deposit ratio is considered reasonable given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were provided to businesses or residents of the assessment area. The institutions distribution of lending to borrowers of different incomes and to businesses of different sizes exceeds standards for satisfactory performance and demonstrates the banks effective efforts in meeting the credit needs of low- and moderate-income borrowers and small businesses. Furthermore, the overall geographic distribution of loans is considered reasonable given the banks location and area demographics.

**DESCRIPTION OF INSTITUTION**

Security Bank Corporation operates two offices located in the City of Manassas, Virginia. As of September 30, 1997, the bank had total assets of \$55 million, of which approximately 51% were loans. Management has focused lending efforts on meeting the needs of local businesses. However, various deposit and loan products are available, including those for residential mortgage, home improvement, and consumer purposes. The composition of the loan portfolio, as of September 30, 1997, is as follows: 74% real estate secured (consumer and business), 16% commercial, 10% consumer. Based on the number of loans extended during the previous six months, small business and consumer loans for various purposes were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

**DESCRIPTION OF ASSESSMENT AREA**

The institution's assessment area includes Prince William County and the Cities of Manassas and Manassas Park, Virginia. According to the 1990 census data, the assessment area has a population of 250,377 and is located within the Washington, D. C. Metropolitan Statistical Area (MSA). Sixty-seven census tracts are included in the assessment area of which 19 are low-income, 11 are moderate-income, 30 are middle-income, and seven are upper-income. Only one of the low-income census tracts, however, is populated. The 1997 median family income for the MSA is \$70,300.

While approximately 17% of the population resides in low- and moderate-income areas, the majority of the population (65%) lives in middle-income geographies. The following table provides assessment area demographics by the income level of families and the percentage of area residents living in census tracts of varying incomes.

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Percentage of Area Families by Income Level</b>	13%	21%	32%	34%	100%
<b>Percentage of population Residing in Census Tracts by Income Level of Tract</b>	<1%	17%	65%	18%	100%

The economy of the Washington, D.C. MSA relies heavily on the Federal Government and military installations for employment and business opportunities. The region is diverse and consists of a variety of service, trade, industrial, and tourism industries. Unemployment rates as October 1997 for Manassas, Manassas Park, and Prince William County are 2.4%, 2.3%, and 2.4%, respectively. The current jobless rate for the Commonwealth of Virginia is 3.5%.



A representative from a local trade organization was contacted during the examination to assist in evaluating the banks CRA performance. The contact indicated that the area would benefit from a larger supply of moderately-priced housing.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**LOAN-TO-DEPOSIT RATIO**

During a five quarter period ending September 1997, the average quarterly loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar size to Security Bank Corporation ranged from 70% to 74%. The banks average loan-to-deposit ratio for the previous five quarters is 62%. Since September 1996, loans and deposits have increased by 8% and 11%, respectively. The level of lending is considered reasonable given the banks financial capacity, size, and current local economic conditions.

**LENDING IN ASSESSMENT AREA**

To determine the banks level of lending within its assessment area, a sample of 70 of the 109 small business loans and 30 of the 36 consumer loans extended during the previous six months was reviewed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	<b>Inside Assessment Area</b>	<b>Outside Assessment Area</b>	<b>Total</b>
<b>Total Number of Loans</b>	71	29	100
<b>Percentage of Total Loans</b>	71%	29%	100%
<b>Total Amount of Loans (000's)</b>	\$4,003	\$2,485	\$6,488
<b>Percentage of Total Amount</b>	62%	38%	100%

As illustrated above, a majority of the number (71%) and dollar amounts (62%) of the loans sampled have been provided to businesses or residents of assessment area.

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

The following charts illustrate the distribution of the 52 business and 19 consumer loans sampled to businesses of different sizes and by the income level of the borrower.

Distribution of Loans by Size of Business

	Revenues $\leq$ \$ 1 Million	Revenues $>$ \$ 1 Million	Total
<b>Total Number of Loans</b>	41	11	52
<b>Percentage of Total Loans</b>	79%	21%	100%
<b>Total Amount of Loans (000's)</b>	\$2,195	\$1,621	\$3,816
<b>Percentage of Total Amount</b>	58%	42%	100%

The percentage of credit extensions to businesses with gross revenues of \$1 million or less (79%) demonstrates the institutions willingness to meet the credit needs of area small businesses.

Consumer Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
<b>Total Number of Loans</b>	7	5	4	3	19
<b>Percentage of Total Loans</b>	37%	26%	21%	16%	100%
<b>Total Amount of Loans (000's)</b>	\$58	\$50	\$39	\$40	\$187
<b>Percentage of Total Loans</b>	31%	27%	21%	21%	100%

The portion of consumer loans extended to low- and moderate-income residents (63%) substantially exceeds the 34% of the families within the assessment area considered low- and moderate-income. Collectively, the distribution of sampled loans exceeds standards for satisfactory performance and suggests that the bank has been successful in lending to small business and to borrowers of all income levels.





**GEOGRAPHIC DISTRIBUTION OF LOANS**

The review of sampled loans also included an analysis of lending among census tracts within the institutions assessment area. The following charts depict the geographic distribution of sampled loans according to income level of the census tract.

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

Small Business Loans

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	1	16	26	9	52
<b>Percentage of Total Loans</b>	2%	31%	50%	17%	100%
<b>Total Amount of Loans (000's)</b>	\$7	\$1,501	\$1,591	\$717	\$3,816
<b>Percentage of Total Loans</b>	<1%	39%	42%	19%	100%

The level of lending to businesses in low- and moderate-income areas (33%) exceeds the population percentage (17%) residing in such areas.

Consumer loans

	<b>Low-Income</b>	<b>Moderate-Income</b>	<b>Middle-Income</b>	<b>Upper-Income</b>	<b>Total</b>
<b>Total Number of Loans</b>	0	1	13	5	19
<b>Percentage of Total Loans</b>	0%	5%	69%	26%	100%
<b>Total Amount of Loans (000's)</b>	0	\$14	\$101	\$73	\$188
<b>Percentage of Total Loans</b>	0%	7%	54%	39%	100%

Although none of the consumer loans sampled were extended within low-income census tracts, only one low-income census tract within the assessment area is populated. Furthermore, less than 1% of the population of the assessment area resides in low-income tracts; 17% of population resides in moderate-income tracts. Overall, the geographic distribution of lending to businesses and consumers is considered reasonable given the bank's business strategy and area demographics.

**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.