PUBLIC DISCLOSURE

May 20, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE FAUQUIER BANK

WARRENTON, VIRGINIA

Federal Reserve Bank of Richmond
Richmond, Virginia

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.

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The Fauquier Bank

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Federal Reserve Bank of Richmond
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Richmond, Virginia 23261

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given bank capacity and the demand for credit within the assessment area.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment area.
- The bank's borrower distribution performance (lending to low- and moderate- income borrowers and small businesses having annual revenues of $1 million or less) is considered excellent overall.
- The bank's geographic distribution performance (lending in low- and moderate- income census tracts) is considered reasonable overall.
- There have been no complaints regarding the bank's Community Reinvestment Act (CRA) performance since the previous CRA evaluation.
- The bank's responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and services is considered adequate.

SCOPE OF EXAMINATION

The Fauquier Bank (TFB) was evaluated using the interagency examination procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council. Consistent with these procedures, all residential mortgage loan originations reported by the institution in accordance with the HMDA during calendar years 2016 and 2017 were reviewed. Additionally, small business loans are considered to be a primary product line, and all small business originations in 2016 and 2017 were considered in the evaluation.

Qualified community development loans and services were considered since the previous evaluation (February 9, 2015). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

To help determine the availability of community development opportunities in the assessment area, the CRA public evaluations of other financial institutions within the assessment area were reviewed. Additionally, a member of the community was contacted to discern information about local economic conditions, local credit needs, performance of banks in the assessment area, and potential community development opportunities.

DESCRIPTION OF INSTITUTION

TFB is headquarted in Warrenton, Virginia, and operates 11 branches within the Commonwealth of Virginia. The bank is a wholly owned subsidiary of Fauquier Bankshares, Inc., a single-bank holding company headquartered in Warrenton, Virginia. In addition, the bank holds equity ownership interests in Bankers Insurance, LLC and Bankers Title Shenandoah, LLC through its subsidiary, Fauquier Bank Services, Inc. TFB received a Satisfactory rating at its prior CRA evaluation dated February 9, 2015. No known legal impediment exists that would prevent the bank from meeting the credit needs of its assessment area.

As of March 31, 2019, TFB held assets totaling $700 million, of which 77.1% were net loans and 10% were securities. As of the same date, deposits totaled $592.5 million. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and small business purposes. The composition of the loan portfolio using gross loans, as of March 31, 2019, is represented in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2019	
	$(000s)	%
Secured by 1-4 Family dwellings	250,028	45.9
Multifamily	479	0.1
Construction and Development	69,974	12.8
Commercial & Industrial/ NonFarm NonResidential	207,065	38.0
Consumer Loans and Credit Cards	14,646	2.7
Agricultural Loans/ Farmland	2,928	0.5
All Other	100	0.0
Total	***545,220***	***100.0***

As indicated in the preceding table, TFB is an active commercial/small business and residential mortgage lender, with other loan products comprising a nominal amount of the loan portfolio. As such, the volume of small business and reported HMDA loans led to their consideration in the evaluation.

DESCRIPTION OF WASHINGTON-ARLINGTON-ALEXANDRIA, VA ASSESSMENT AREA

TFB serves one assessment area within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA) including the counties of Fauquier and Prince William, as well as the cities of Manassas and Manassas Park.

As of June 30, 2018, TFB ranked 6th out of 21 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 7.3% of the assessment area's deposits (credit union deposits are not included). Additionally, according to 2017 aggregate data, the bank ranked 58th out of 449 lenders in reported mortgage lending with a .4% market share.

Based on 2010 American Community Survey (ACS) data, the assessment area served by the bank has a total population of 519,299 and a median housing value of $374,179. Within the assessment area, the owner-occupancy rate is 68.9%, which is higher than the owner-occupancy rates of both the Commonwealth of Virginia (61.8%) and the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (59.6%). Alternatively, the percentage of families living below the poverty level in the assessment area (4.3%) is lower than the rate in the Commonwealth of Virginia (7.2%) and the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (5.2%). The Washington-Arlington-Alexandria, DC-VA-MD-WV MSA median family income during 2016 equaled $105,700. The following table includes pertinent demographic data for the assessment area in 2016.

Assessment Area Demographics

Washington-Arlington-Alexandria, VA (Based on 2010 ACS Data and 2016 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	2.8	4,460	3.6	581	13.0	25,214	20.2
Moderate	28	25.7	33,489	26.8	2,350	7.0	23,468	18.8
Middle	50	45.9	55,328	44.2	1,665	3.0	29,843	23.9
Upper	27	24.7	31,773	25.4	743	2.3	46,525	37.1
NA	1	0.9	0	0.0	0	0.0		
Total	*109*	*100.0*	*125,050*	*100.0*	*5,339*	*4.3*	*125,050*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	2,778	2.3	6,860	4.2	833	12.1	28,996	17.8
Moderate	27,184	22.3	46,576	28.5	3,664	7.9	28,227	17.3
Middle	58,340	47.8	72,465	44.4	2,806	3.9	35,109	21.5
Upper	33,699	27.6	37,285	22.9	1,002	2.7	70,854	43.4
NA	0	0.0	0	0.0	0	0.0		
Total	*122,001*	*100.0*	*163,186*	*100.0*	*8,305*	*5.1*	*163,186*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	517	2.2	458	2.1	56	3.6	3	2.1
Moderate	5,484	23.2	5,143	23.4	314	20.1	27	18.8
Middle	11,265	47.6	10,283	46.8	918	58.7	64	44.4
Upper	6,419	27.0	6,093	27.7	276	17.6	50	34.7
NA	3	0.0	3	0.0	0	0.0	0	0.0
Total	*23,688*	*100.0*	*21,980*	*100.0*	*1,564*	*100.0*	*144*	*100.0*
	Percentage of Total Businesses:			92.8		6.6		0.6

**NA-Tracts without household or family income as applicable*

While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. The most recent update became available in 2017 resulting in demographic differences between 2016 and 2017. Accordingly, the following information is based upon the updated survey data for the 2017 analysis.

Based on 2015 ACS data, the assessment area served by the bank has a total population of 561,102 and a median housing value of $329,978. Within the assessment area, the owner-occupancy rate is 68.3%, which is higher than the owner-occupancy rates of both the Commonwealth of Virginia (59.2%) and the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (57.8%). The percentage of families living below the poverty level in the assessment area (5%) is lower than the rate in the Commonwealth of Virginia (8.2%) and the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (6.1%). The Washington-Arlington-Alexandria, DC-VA-MD-WV MSA median family income during 2017 equaled $107,600. The following table includes pertinent demographic data for the assessment area in 2017.

Assessment Area Demographics

Washington-Arlington-Alexandria, VA (Based on 2015 ACS Data and 2017 D&B Information)									
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	1.8	2,455	1.8	399	16.3	28,262	20.8
Moderate	31	28.4	41,430	30.5	3,648	8.8	25,135	18.5
Middle	45	41.3	52,416	38.6	2,069	3.9	30,430	22.4
Upper	30	27.6	39,518	29.1	638	1.6	51,992	38.3
NA	1	0.9	0	0.0	0	0.0		
Total	*109*	*100.0*	*135,819*	*100.0*	*6,754*	*5.0*	*135,819*	*100.0*
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	735	0.6	3,525	2.0	503	14.3	35,061	19.7
Moderate	32,771	25.7	58,109	32.7	5,105	8.8	31,429	17.7
Middle	52,504	41.1	69,433	39.1	3,374	4.9	35,856	20.2
Upper	41,642	32.6	46,478	26.2	1,042	2.2	75,199	42.4
NA	0	0.0	0	0.0	0	0.0		
Total	*127,652*	*100.0*	*177,545*	*100.0*	*10,024*	*5.6*	*177,545*	*100.0*
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = $1 Million		Over $1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	234	1.1	207	1.0	22	1.4	5	3.5
Moderate	6,597	30.6	5,997	30.2	562	35.8	38	26.6
Middle	8,574	39.8	7,794	39.3	725	46.1	55	38.5
Upper	6,131	28.5	5,825	29.5	261	16.6	45	31.4
NA	3	0.0	2	0.0	1	0.1	0	0.0
Total	*21,539*	*100.0*	*19,825*	*100.0*	*1,571*	*100.0*	*143*	*100.0*
Percentage of Total Businesses:				92.0		7.3		0.7

**NA-Tracts without household or family income as applicable*

Local county government and school boards provide a large portion of employment opportunities for residents. Aside from the aforementioned entities, the largest employers include Fauquier Health System, Wal-Mart, Morale Welfare and Recreation, Sentara Healthcare, Wegmans, Micron Technology, Lockheed Martin, and Prince William Hospital.

Recent and historical unemployment rates since the previous evaluation are included in the following table.

Geographic Area	March 2015	March 2016	March 2017	March 2018	March 2019
Fauquier County, VA	4.3%	3.6%	3.5%	2.8%	2.8%
Prince William County, VA	4.5%	3.7%	3.7%	3%	2.8%
Manassas City, VA	4.6%	3.8%	3.8%	2.9%	2.8%
Manassas Park City, VA	4.6%	3.9%	3.6%	3%	2.7%
Commonwealth of Virginia	4.8%	4.1%	3.9%	3.2%	3%
Washington-Arlington-Alexandria, DC-VA-MD-WV, MSA	4.7%	4%	3.8%	3.5%	3.3%

While unemployment rates across the MSA have remained consistent with the statewide average since the previous evaluation, unemployment rates across the assessment area have been regularly lower than that of the MSA. Further, unemployment rates have seen a downward trend across all parts of the assessment area since the previous evaluation indicating improving economic conditions.

A local affordable housing official was recently contacted to assist in evaluating the bank's CRA performance. The housing official described a large need for affordable housing targeting low-income families within the assessment area. As such, opportunities exist to assist in funding affordable housing projects in the area. While acknowledging this need, the contact stated that, overall, banks are reasonably meeting the financial needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Reported residential mortgage data as well as originated small business loan data from calendar years 2016 and 2017 were fully analyzed and considered in this evaluation. As previously noted, while ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. The most recent update occurred in 2017. As such, when evaluating the bank's performance, relevant area demographic data from both the 2010 and 2015 ACS is used as a proxy for demand. Dun & Bradstreet (D&B) business demographic data from 2016 and 2017 is also considered when evaluating the bank's performance.

Aggregate HMDA and small business data are from calendar years 2016 and 2017. Aggregate data used as a proxy for the bank's HMDA lending includes all activity reported by lenders subject to reporting HMDA data that originated such loans within the bank's assessment area. Similarly, the aggregate small business lending data includes all lenders subject to reporting small business data. Because TFB is not subject to data collection and reporting for the CRA, its small business lending activity is not included in the small business loan aggregate data; however, the data nonetheless serves as a meaningful proxy for demand.

To evaluate the borrower and geographic distribution for a specific loan category within the assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated. To arrive at an overall conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area. In 2016 and 2017, TFB originated $56.2 million in HMDA lending and $41.9 million in small business lending within the assessment area. Accordingly, in instances where the bank's performance varies by product, HMDA lending generally receives greater weight in the overall conclusion.

While HMDA loan data and small business data from calendar years 2016 and 2017 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2017 are presented in the assessment area analysis tables. In instances where the 2016 HMDA and small business performance varies significantly from the performance noted during 2017, such variance and the corresponding impact on the overall performance is discussed.

Within TFB's assessment area, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of $1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of March 31, 2019, equaled 91.1% and averaged 86.1% for the 17-quarter period ending March 31, 2019. In comparison, the average of quarterly loan-to-deposit ratios for a peer group of banks operating in similar areas to TFB ranged from 72.4% to 101.8% during the same 17-quarter period. Since December 31, 2014, assets, net loans, and deposits have increased by 15.8%, 24.1%, and 12.7%, respectively. From a CRA perspective, the bank's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, and local credit needs.

Lending in Assessment Area

To determine the institution's volume of lending within its assessment area, the geographic location of both the bank's 2016 and 2017 HMDA and small business loans was considered. The lending distribution inside and outside of the bank's assessment area is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	$(000)	%	#	%	$(000)	%
Home Purchase	111	56.3	30,935	66.7	86	43.7	15,429	33.3
Home Improvement	21	65.6	2,267	69.0	11	34.4	1,019	31.0
Refinancing	42	60.0	22,984	69.9	28	40.0	9,894	30.1
Multi-Family Housing	0	0.0	0	0.0	1	100.0	355	100.0
Total HMDA related	**174**	**58.0**	**56,186**	**67.8**	**126**	**42.0**	**26,697**	**32.2**
Small Business	281	80.5	41,892	86.4	68	19.5	6,578	13.6
TOTAL LOANS	**455**	**70.1**	**98,078**	**74.7**	**194**	**29.9**	**33,275**	**25.3**

As indicated in the preceding table, a majority of the total number (70.1%) and dollar amount (74.7%) of HMDA and small business loans were extended within the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

The bank's borrower distribution is considered excellent for HMDA lending and reasonable for small business lending within the assessment area. When considering the relative performance levels of each product and the greater weight given to HMDA lending based on the larger dollar volume of such lending in 2016 and 2017, TFB's borrower distribution performance is considered excellent overall.

Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	%$	#	%	$(000s)	%$
	HMDA Totals							
Low	20	21.1	3,157	9.8	2,306	11.2	455,435	7.0
Moderate	28	29.5	6,432	19.9	5,806	28.2	1,526,457	23.4
Middle	21	22.1	6,067	18.8	5,962	28.9	1,952,299	30.0
Upper	26	27.3	16,644	51.5	6,526	31.7	2,580,686	39.6
Total	***95***	***100.0***	***32,300***	***100.0***	***20,600***	***100.0***	***6,514,877***	***100.0***
Unknown	*7*		*1,312*		*4,792*		*1,945,545*	

Percentages (%) are calculated on all loans where incomes are known

The bank's level of lending to low-income borrowers (21.1%) was similar to the percentage of low-income families within the assessment area (20.8%) but significantly exceeded aggregate lending levels to such borrowers (11.2%). While TFB's lending to moderate-income borrowers (29.5%) was significantly higher than the percentage of moderate-income families (18.5%), it was similar to aggregate lending levels (28.2%). Overall, the bank's performance during 2017 is considered excellent, and its 2016 performance is substantially similar.

Distribution of Lending by Loan Amount and Size of Business

Washington-Arlington-Alexandria, VA (2017)								
	Bank				Aggregate*			
by Revenue	#	%	$(000s)	%$	#	%	$(000s)	%$
$1 Million or Less	100	67.6	12,965	59.4	6,483	55.8	123,510	37.8
Over $1 Million	40	27.0	8,600	39.5	NA	NA	NA	NA
Unknown	*8*	*5.4*	*250*	*1.1*	*NA*	*NA*	*NA*	*NA*
by Loan Size								
$100,000 or less	97	65.5	4,377	20.1	11,057	95.2	142,559	43.6
$100,001-$250,000	26	17.6	4,143	19.0	314	2.7	54,077	16.5
$250,001-$1 Million	25	16.9	13,295	60.9	241	2.1	130,238	39.9
Total	***148***	***100.0***	***21,815***	***100.0***	***11,612***	***100.0***	***326,874***	***100.0***

** No data is available for Aggregate loans with Revenues over $1 million and those with Unknown revenues*

D&B data from 2017 indicates that 92% of all local businesses have revenues that do not exceed $1 million per year. According to 2017 aggregate small business data, 55.8% of reported loans were to business with annual revenues of $1 million or less. After excluding large credit card lenders, 58.5% of the remaining reported small business loans were to businesses having revenues of $1 million or less. Of the the small business loans reported by TFB, originations to businesses having annual revenues of $1 million or less equaled 67.6%. Given these contextual factors, the bank's small business lending performance is considered reasonable and its 2016 lending is substantially similar.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered reasonable for HMDA lending and poor for small business lending within the assessment area. Given the greater weight of the bank's HMDA lending due to the larger dollar volume of such lending in 2016 and 2017, and when considering the relative performance levels of each product, TFB's geographic distribution performance is considered reasonable overall.

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
	(64)			Home Purchase		(15,474)		
Low	0	0.0	0	0.0	147	0.9	33,626	0.6
Moderate	26	40.6	5,742	31.1	4,262	27.5	1,168,105	21.8
Middle	27	42.2	8,957	48.5	5,896	38.1	2,015,036	37.6
Upper	11	17.2	3,753	20.4	5,169	33.5	2,143,480	40.0
	(28)			Refinance		(8,708)		
Low	0	0.0	0	0.0	79	0.9	15,251	0.6
Moderate	4	14.3	818	5.6	2,313	26.6	545,024	20.5
Middle	15	53.6	8,504	57.8	3,377	38.8	1,024,342	38.6
Upper	9	32.1	5,403	36.6	2,939	33.7	1,068,200	40.3
	(10)			Home Improvement		(1,197)		
Low	0	0.0	0	0.0	11	0.9	368	0.3
Moderate	2	20.0	178	40.9	311	26.0	29,974	22.3
Middle	5	50.0	248	57.0	482	40.3	54,750	40.8
Upper	3	30.0	9	2.1	393	32.8	49,195	36.6
	(0)			Multi-Family		(13)		
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	9	69.2	187,600	59.9
Middle	0	0.0	0	0.0	3	23.1	74,771	23.9
Upper	0	0.0	0	0.0	1	7.7	50,700	16.2
				HMDA Totals				
Low	0	0.0	0	0.0	237	0.9	49,245	0.6
Moderate	32	31.4	6,738	20.0	6,895	27.2	1,930,703	22.8
Middle	47	46.1	17,709	52.7	9,758	38.4	3,168,899	37.5
Upper	23	22.5	9,165	27.3	8,502	33.5	3,311,575	39.1
*NA**	0	0.0	0	0.0	0	0.0	0	0.0
Total	***102***	***100.0***	***33,612***	***100.0***	***25,392***	***100.0***	***8,460,422***	***100.0***

NA-Tracts without household or family income as applicable*

During 2017, home purchase loans were the leading HMDA product by number followed by refinance and home improvement loans for both the bank and aggregate reporters. Multifamily lending was not a factor in the analysis due to limited lending within the assessment area. Considering both demographic and aggregate proxies for demand, the bank's performance for home purchase loans was excellent, while the performance for refinance loans was poor and home improvement loans was reasonable.

TFB did not originate any HMDA loans in low-income census tracts during 2017; however, the percentage of owner-occupied housing units located in low-income census tracts (.6%) and aggregate lending levels in such tracts (.9%) indicate there are some lending opportunities within these tracts. The bank's level of lending within moderate-income census tracts (31.4%) was higher than both the percentage of owner-occupied housing units located in moderate-income census tracts (25.7%) and aggregate lending levels in such tracts (27.2%). Overall, the bank's performance in 2017 is considered reasonable, and its 2016 performance is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	$(000s)	% $	#	%	$(000s)	% $
Low	0	0.0	0	0.0	106	0.9	2,891	0.9
Moderate	37	25.0	6,514	29.9	3,741	32.5	99,521	30.7
Middle	82	55.4	10,659	48.9	4,517	39.2	150,977	46.5
Upper	29	19.6	4,642	21.2	3,154	27.4	71,271	21.9
*NA**	0	0.0	0	0.0	0	0.0	0	0.0
Total	***148***	***100.0***	***21,815***	***100.0***	***11,518***	***100.0***	***324,660***	***100.0***

**NA-Tracts without household or family income as applicable*
Loans where the geographic location is unknown are excluded from this table.

D&B data from 2017 indicates that 1.1% of all area businesses are located in low-income census tracts while 30.6% of all area business are located in moderate-income census tracts. During 2017, aggregate lenders reported extending .9% of small business loans in low-income census tracts and 32.5% of small business loans in moderate-income census tracts, respectively. While there is limited lending opportunity within the two low-income tracts in the area, TFB did not originate any loans to small businesses within such tracts. Conversely, the bank originated 25% of its small business loans in moderate-income tracts, which, while below the proxies of credit demand, represents a reasonable performance level. Overall, the bank's performance is considered reasonable when considering the limited lending opportunities in low-income tracts and the bank's performance in moderate-income tracts.

In 2016, TFB originated 133 loans totaling $20.1 million. The bank's level of lending to businesses within low-income census tracts (1.5%) was similar to both the D&B comparison in 2016 (2.2%) and aggregate bank lending levels in 2016 (2.4%). Alternatively, TFB's level of lending to businesses within moderate-income census tracts (9%) was significantly lower than aggregate bank lending levels in 2016 (24.1%) and the D&B comparison in 2016 (23.2%) Overall, the bank's lending to small business in 2016 is considered poor.

On a combined basis, TFB's small business lending performance is considered poor. In reaching this conclusion, primary consideration was given to the relative performance levels in each year as the dollar volumes of lending in each year were comparable.

Community Development Loans, Investments, and Services

A discussion with an individual knowledgeable of the local community and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

During the review period, TFB originated one community development loan totaling $100,000 to an organization providing affordable housing. In addition, TFB supports community development initiatives and organizations that benefit its assessment area and larger statewide area by holding qualified investments totaling $7.2 million, of which approximately $2.9 million has been committed but not yet funded as of the date of this evaluation.

Qualified community development investments include the following:

- $6.3 million in seven housing equity funds established by the Virginia Community Development Corporation (VCDC), of which approximately $2.9 million is committed but not yet funded. The VCDC is a non-profit organization that revitalizes communities by facilitating affordable housing, redevelopment of historic properties, and community revitalization throughout the commonwealth.

- $389,372 investment maintained in the CRA Qualified Investment Fund through Community Capital Management. The CRA Fund makes investments in high-credit quality fixed-income securities that support community development activities through the Commonwealth of Virginia and other geographic areas throughout the U.S. The investment provides affordable housing for low- and moderate-income individuals, provides community services targeted to low- and moderate-income individuals, funds activities that promote economic development, and funds activities that revitalize or stabilize low- and moderate-income areas and/or underserved or distressed areas.

- $500,000 investment made during the evaluation period in the Solomon Hess SBA Loan Fund which makes investments in small businesses supporting community development activities in the Commonwealth of Virginia and other geographic areas throughout the U.S. The investment promotes permanent job creation, retention and improvement in low- and moderate-income areas and/or for low- and moderate-income individuals who are employed by small businesses.

The institution also actively supports numerous community development organizations through various donations. During this evaluation period, donations totaling $20,955 were made to local community development organizations that assist low- and moderate-income individuals and/or areas.

Of the bank's eleven branches within the assessment area, three (27.3%) are located in moderate-income areas and none are located in low-income areas. Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment area. TFB also offers low-cost checking accounts, which can benefit low- and moderate-income customers.

Bank employees have volunteered their time and financial expertise to organizations providing community development services within the assessment area that include the following:

- A bank officer served on the fundraising committee for Habitat for Humanity, an organization the promotes and develops affordable housing within the area.

- A bank officer served as the Treasurer for the Windy Hill Foundation. The foundation provides workforce housing to low- and moderate-income families in the area.

- A bank officer served as a board member for Community Touch, an organization which provides temporary shelter for homeless men, women, and children.

- A bank officer served as the President of the Board of the Fauquier Family Shelter. The shelter provides temporary housing to homeless individuals in Fauquier County.

- A bank officer served as a committee member of the Fauquier County Department of Economic Development Micro Loan Program and the Northern Piedmont Microenterprise Loan Program which both provide small business owners in the area access to an affordable source of assistance and fundraising in order to stimulate economic development and job creation in the region.

- A bank officer served as the Treasurer for the local chapter of the Society of St. Vincent de Paul, an organization that provides services targeted toward low- and moderate-income individuals such as food pantries and access to low-interest loan programs.

- Bank officers served as the Economic Development Committee Chairman for the Prince William Chamber of Commerce, Commissioner of the Economic Development Authority for the City of Manassas, and as a member of the commercial development committee for the Prince William Department of Development Services. These organizations assist in facilitating job creation and economic development within the assessment area.

- A bank officer served as a finance committee member for the Boys and Girls Club of Fauquier County, an organization that provides a variety of community development activities targeted toward low- and moderate-income children.

- A bank officer provided financial literacy education to students at local elementary schools where a majority of the students are eligible for free or reduced lunch programs.

Overall, the bank has demonstrated an adequate level of responsiveness to local community development needs through its lending activities, investments facilitating community development, and support of area organizations engaged in community development activities.

ASSESSMENT AREA DELINEATION

A review of the bank's assessment area found that its delineation complied with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines. While the bank's assessment area delineation includes less than an entire MSA, the delineated area contained whole geographies, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental 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.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
    - (A) Rates of poverty, unemployment, and population loss; or
    - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of $1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of $500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.