

PUBLIC DISCLOSURE

April 18, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bank @LANTEC
501 South Independence Boulevard
Virginia Beach, VA 23452
Docket #: 17960**

**Office of Thrift Supervision
Southeast Region
1475 Peachtree Street NE
Atlanta, GA 30309**

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.



Office of Thrift Supervision

Department of the Treasury

Southeast Region

Atlanta Regional Office • Phone Number: 404-974-9620 • 1475 Peachtree Street NE • Atlanta, Georgia • 30309

May 25, 2011

Board of Directors
Bank @LANTEC
501 South Independence Boulevard
Virginia Beach, Virginia 23452

Members of the Board:

Enclosed is Bank @LANTEC's written Community Reinvestment Act (CRA) Performance Evaluation. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 18, 2011. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. Part 563e), you must make this evaluation and your institution's CRA rating available to the public.

In accordance with 12 C.F.R. Part 563e, you must make this written CRA Performance Evaluation available to the public within 30 business days of receiving it. You must place the evaluation in your CRA public file at your home office and at each branch within this time frame. You may not alter or abridge the evaluation in any manner. At your discretion, you may retain previous written CRA Performance Evaluation(s) with the most recent evaluation in your CRA public file.

Your institution may prepare a response to the evaluation. You may place the response in each CRA public file along with the evaluation. In the event you elect to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that Bank @LANTEC has to make this evaluation available to the public. Consequently, we suggest that you review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Valorie Owen
Compliance Review Examiner V

Enclosure

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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions, 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 Bank @LANTEC. The Office of Thrift Supervision (OTS) prepared the evaluation as of April 18, 2011. The OTS evaluates performance in assessment area(s) delineated by the institution rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. OTS rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

General Information

Overall Rating

INSTITUTION'S CRA RATING: Bank @LANTEC is rated “Satisfactory record of meeting community credit needs”.

This is the second CRA Performance Evaluation conducted of [Bank @LANTEC](#) since the Institution converted from a credit union in January 2004. For this CRA Evaluation, the Institution was assessed in accordance with the “streamlined” CRA examination procedures for small savings associations. The review period for the CRA Evaluation was January 2007 through December 2010.

Information compiled from the OTS’s Thrift Financial Reports disclosed that [Bank @LANTEC’s](#) loan-to-deposit (LTD) ratio averaged 91.88 percent over the twenty business quarters ended December 31, 2010. This percentage is slightly lower than the average LTD ratio of 94.05 percent during this same period for similarly sized OTS regulated savings associations. A substantial majority of [Bank @LANTEC’s](#) Home Mortgage Disclosure Act (HMDA)-reportable mortgage loans (98.67 percent based on number and 96.49 percent based on dollar volume) were secured by properties located within the assessment area.

The examiner’s analysis of the Institution’s record of lending to low- and moderate-income (LMI) borrowers revealed that HMDA lending levels to LMI borrowers was low relative to the percentage of LMI families residing in the assessment area. In addition, [Bank @LANTEC’s](#) record of lending to LMI families was below the LMI lending level of other federally-regulated lenders within the assessment area. Bank @LANTEC’s level of HMDA-reportable lending in low-income census tracts was above both the demographic and peer lending benchmarks, but was below both benchmarks within moderate-income census tracts. Overall, Bank @LANTEC’s record of HMDA-reportable lending within LMI census tracts was somewhat below the demographic benchmark but exceeded the LMI census tract lending of other lenders within the assessment area.

Institution

Scope of Examination

Bank @LANTEC was last evaluated for performance under the Community Reinvestment Act on February 27, 2006 under the “streamlined” CRA examination procedures for small savings associations. The bank’s rating for the prior CRA exam was Satisfactory. For this CRA evaluation, the Institution was again assessed in accordance with the “streamlined” CRA examination procedures for small savings associations. For the current CRA evaluation, the examiner utilized the bank’s HMDA data from January 2007 through December 2010.

Description of Institution

[Bank @LANTEC](#) is a federally-chartered mutual savings and loan association headquartered in Virginia Beach, Virginia. As of December 31, 2010, the Institution had total assets of \$103.4 million. [Bank @LANTEC](#) was formerly a federally-chartered credit union regulated by the National Credit Union Administration. The Institution converted to a federal savings bank charter effective January 12, 2004. This is the second CRA Evaluation conducted of [Bank @LANTEC](#) since its charter conversion.

The Institution conducts business from its main office, the Town Center location, which is in Virginia Beach, Virginia. The main office is located in an upper-income census tract. [Bank @LANTEC](#) also operates three additional branch offices. The Tidewater Drive branch office is located in a middle-income census tract in Norfolk, Virginia. The other two branches, Greenbrier and Haygood, are located in upper-income census tracts in Chesapeake and Virginia Beach, Virginia, respectively. The Haygood branch is a new branch that opened during the review period on July 24, 2007. The old Wards Corner branch in Norfolk, VA was relocated approximately one mile away to Tidewater Drive in Norfolk, VA on July 10, 2007. There were no legal or regulatory impediments adversely affecting [Bank @LANTEC’s](#) ability to meet community credit needs during the review period. Since its conversion from a credit union, [Bank @LANTEC](#) began focusing its operations as a traditional savings association, with the concentration of its operations in the origination of mortgage loans and the acceptance of deposits. During most of the review period, the Institution offered mortgage loans with varying maturities up to 30 years for the purchase and refinance of residential dwelling units. Private mortgage insurance was required on first-lien mortgages where the loan-to-value ratio exceeds 80 percent. [Bank @LANTEC](#) offered fixed-rate mortgages, 3-year, 5-year, 7-year, and 10-year adjustable-rate mortgages, and interest only mortgages.

Institution

Bank @LANTEC began referring its purchase and refinance mortgage customers to its new affiliate, Tidewater Home Funding, LLC on July 1, 2010. Tidewater now makes all the purchase and refinance mortgages for Bank @LANTEC’s customers, with the exception of rate reductions for portfolio loans, and sells them on the secondary market. Currently, the Institution offers fixed-rate closed end second mortgages and home equity lines of credit, as well as various consumer loans such as unsecured consumer loans, and consumer loans secured by deposit accounts and automobiles. In addition, the Institution offers commercial loan products which include commercial real estate lending and loans to small businesses.

The table below provides a summary of the primary asset categories within the Institution’s balance sheet as of December 31, 2010, and compares them to the same categories as of December 31, 2005 (the as of date for the previous CRA evaluation). Bank @LANTEC’s total assets decreased by approximately \$7.0 million during this review period. There was a significant decrease in the bank’s level of single family mortgage loans offset by a large increase in non-residential and land mortgage lending. Also, there was a significant decrease in consumer lending and a reduction in investments (mortgage backed securities).

Major Components of Total Assets				
ASSET TYPE	As of December 31, 2010		As of December 31, 2005	
	BALANCE SHEET \$ AMOUNT (000)	% OF TOTAL ASSETS	BALANCE SHEET \$ AMOUNT (000)	% OF TOTAL ASSETS ¹
Loans				
Mortgage Loans				
1-4 Family Permanent Mortgage	\$41,038	39.69%	\$56,392	51.04%
Multi-Family Permanent Mortgage	\$3,644	3.52%	\$5,042	4.56%
Nonresidential (Except Land)	\$16,781	16.23%	\$5,379	4.87%
Land Permanent Mortgage	\$1,690	1.63%	\$0	0.00%
Commercial Loans	\$877	0.85%	\$139	0.13%
Consumer Loans	\$1,654	1.60%	\$7,255	6.57%
Investments				
Cash, Deposits & Investment Securities	\$15,323	14.82%	\$11,256	10.19%
Mortgage Backed Securities	\$11,160	10.79%	\$19,097	17.29%
Total Assets	\$103,396	100.00%	\$110,479	100.00%

¹ The balance sheet information utilized at the time of the previous CRA evaluation.

Institution

[Bank @LANTEC](#) delivers its lending and deposit products to the public primarily through its main office and three branch offices. However, the Institution also offers telephone and Internet banking. By telephone, customers can check deposit and loan balances, transfer funds between accounts, and place stop payment orders. Over the Internet, customers may make payments on loans with [Bank @LANTEC](#), transfer funds between accounts, check account and loan balances, and print past statements. The Institution also offers Internet bill payment services whereby customers may receive their bills online and make payments to any of their creditors. Lobby hours at each of the four offices are from 9:00 a.m. until 5:00 p.m. Monday through Thursday, 9:00 a.m. until 6:00 p.m. on Friday, and from 9:00 a.m. until 12:00 p.m. on Saturday. Drive-through facilities have the same operating hours as the branches. [Bank @LANTEC](#) operates an ATM at each of its four office locations.

Description of Assessment Area

[Bank @LANTEC's](#) assessment area is designated as the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina Metropolitan Statistical Area (MSA), in its entirety. This MSA includes the Virginia counties of Gloucester, James City, Isle of Wight, Mathews, Surry, and York, as well as the independent Virginia cities of Chesapeake, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, Hampton, and Williamsburg. The MSA also includes the North Carolina county of Currituck. This area, often referred to as Hampton Roads, is located along the Virginia/North Carolina coastline. Based on the examiner's review of the location of [Bank @LANTEC's](#) offices and the distribution of its loan originations, the examiner concluded that the assessment area complies with regulatory requirements.

The table below, which is based on 2000 U.S. Census data, sets forth a summary of demographics for [Bank @LANTEC's](#) assessment area. A low-income census tract/borrower is one with a median family income (MFI) of less than 50.0 percent of the MFI of an MSA, a moderate-income census tract/borrower is one with a MFI of at least 50.0 percent, and less than 80 percent of the MFI of an MSA, a middle-income census tract/borrower is one with a MFI of at least 80.0 percent, and less than 120.0 percent of the MFI of an MSA, and an upper-income census tract/borrower is one with a MFI of 120.0 percent or more of the MFI of an MSA.

Institution

Bank @LANTEC's ASSESSMENT AREA – DEMOGRAPHIC INFORMATION²						
(EXCLUDES TWO CENSUS TRACTS WITH INCOME REPORTED NA)						
CENSUS TRACT INCOME LEVEL						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
CENSUS TRACTS	#	364	25	101	139	99
	%	100.00%	6.87%	27.75%	38.18%	27.20%
POPULATION	#	1,576,187	67,726	373,523	672,276	462,662
BY LOCATION		100.00%	4.30%	23.70%	42.65%	29.35%
% OWNER OCCUPIED		58.75%	23.47%	38.18%	63.08%	74.52%
% RENTER OCCUPIED		34.44%	65.77%	53.59%	31.04%	19.12%
% VACANT		6.80%	10.70%	8.24%	5.89%	6.37%
% 1-4 FAMILY UNITS		79.46%	3.70%	20.74%	42.78%	32.78%
% MULTIFAMILY UNITS		17.37%	8.89%	36.01%	38.38%	16.72%
MEDIAN HOUSING VALUE		\$113,099	\$72,952	\$76,901	\$101,322	\$165,735
MEDIAN AGE OF HOUSING	Yrs	17	29	22	16	12
2010 WEIGHTED AVERAGE MEDIAN FAMILY INCOME				\$51,095		
FAMILY INCOME LEVEL						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER
% FAMILIES		100.00%	19.23%	18.61%	23.26%	38.90%
% OF FAMILIES BELOW POVERTY LEVEL				8.38%		

[Bank @LANTEC](#) encounters substantial competition from other financial institutions and mortgage loan providers within its assessment area. A total of 30 FDIC-insured financial institutions operate within the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina MSA with 383 branch locations within the MSA. As of June 30, 2010, Branch Banking & Trust Co. had the largest branch presence in the MSA, with 55 offices, followed by Wells Fargo Bank, NA, with 54 offices, Bank of America, NA with 46 offices and SunTrust Bank with 42 offices. As of the same date, the top five banks based on total of deposits in the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina MSA were Wells Fargo Bank, NA with \$4.1 billion in deposits (or 20.1% market share), SunTrust Bank with \$3.2 billion in deposits (or 15.63% market share), Towne Bank with \$2.8 billion in deposits (or 13.95% market share), Branch Banking & Trust Co. with \$2.5 billion in deposits (or 12.27% market share) and Bank of America, NA with \$2.1 billion in deposits (or 10.28% market

² Based on 2000 Census Data, the most recent available.

Institution

share). Of the 30 FDIC-insured financial institutions operating in the MSA, [Bank @LANTEC](#) ranked 22nd in total of deposits, with \$80.8 million in deposits within the MSA.

Major sectors of employment include manufacturing, Federal government, Federal contractors, health care, and state and city government. Major employers include Northrop Grumman Shipbuilding (19,000), Sentara Healthcare (17,000), Virginia Beach public schools, Norfolk Naval Shipyard (7,500), Riverside Health System (7,050) Norfolk City public schools (6,527), Chesapeake City public schools (6,000) Virginia Beach City (6,000) and Naval Medical Center Portsmouth (5,400).

Conclusions with Respect to Performance Tests

Loan-to-Deposit Ratio

Information compiled from the OTS Thrift Financial Reports reported by the Institution disclosed that Bank @LANTEC’s LTD ratio averaged 91.88 percent over the twenty quarters ended December 31, 2010. This percentage is slightly lower than the average LTD ratio of 94.05 percent during this same period for similarly sized savings associations. The Institution’s LTD ratio began to trend downward in 2009. On March 31, 2009, the Institution’s LTD ratio was 102.33% and it was at its lowest LTD ratio on December 31, 2010 at 77.34%.

Despite the recent downward trend, the examiner concludes that Bank @LANTEC’s LTD ratio demonstrates excellent responsiveness to community credit needs and exceeds the standards for satisfactory performance for this criterion.

Lending within the Assessment Area

The table below depicts the number and dollar volume of HMDA-reportable mortgage loans originated within and outside the assessment area from January 1, 2007, through December 31, 2010.

Mortgage Loans Originated Within/Outside Assessment Area				
Originations/Purch.	Number	Percentage	Dollar Amount	Percentage
Inside	74	98.67%	\$5,505,000	96.49%
Outside	1	1.33%	\$200,000	3.51%
TOTAL	75	100.00%	\$5,705,000	100.00%

The above table indicates that [Bank @LANTEC](#) originated 75 HMDA-reportable mortgage loans during the review period, totaling \$5.7 million. Of these, nearly all (98.67 percent) were secured by properties located within the assessment area.

Institution

Based on the above, the examiner concludes that [Bank @LANTEC's](#) record of lending within the assessment area exceeds the standards for satisfactory performance for this criterion.

Lending to Borrowers of Different Income Levels

The examiner's review of [Bank @LANTEC's](#) 2007 through and 2010 HMDA Loan/Application Registers (L/ARs) disclosed the following information concerning mortgage loan originations to borrowers of different income levels within the assessment area. For purposes of this analysis, family income levels were stratified as a percentage of the median family income (MFI) for the Virginia Beach-Norfolk-Newport News, Virginia-North Carolina MSA.

Borrower Income Level	Bank @LANTEC's HMDA Loan Volume: 01/01/2007 - 12/31/2010 in the Assessment Area				Demographic Benchmarks	Peer Lending Benchmark
	Number of Loans ³	Percent of Number	Dollar Amount	Percent of Dollar Amount	Percent of Families ⁴	2009 Aggregate HMDA ⁵
Low = <50%	3	4.11%	\$212	3.89%	19.23%	5.86%
Moderate = 50-79%	12	16.44%	\$715	13.12%	18.61%	22.71%
Middle = 80-119%	18	24.66%	\$1,035	19.00%	23.26%	27.58%
Upper = ≥ 120%	40	54.79%	\$3,486	63.99%	38.90%	43.85%
Total	73	100.00%	\$5,448	100.00%	100.00%	100.00%

As reflected in the above table, [Bank @LANTEC's](#) percentage of lending to low-income borrowers was significantly low relative to the demographic benchmark, even when the family poverty rate of 8.38 percent is considered. The Institution's lending to low-income borrowers was somewhat below the peer lending benchmark. Bank @LANTEC's lending to moderate-income borrowers was also below the demographic and peer lending benchmarks. Overall, the Institution's lending to low- and moderate-income borrowers represented 20.55 percent of lending, which was well below the demographic benchmark of 37.84 percent and the peer lending benchmark of 28.57 percent. The examiner concludes that the Institution does not meet the standard for this performance factor.

Geographic Distribution of Loans

The table below summarizes Bank @LANTEC's HMDA-reportable mortgage lending within the assessment area by census tract income designation during the review period. Results are compared to the percentage of owner-occupancy (homeownership) by census tract income level, based upon 2000 census data, and the aggregate results of federally-regulated HMDA reporters that originated residential mortgage loans within the assessment areas in the year 2009.

³ One loan on the HMDA L/AR totaling \$57,000 did not have borrower income recorded and is omitted from this table.

⁴ Aggregate data includes HMDA-reportable mortgage loans made within the assessment area by federally-regulated lenders. 2009 aggregate data used is the most recent available.

⁵ 8.38 percent of the families in the assessment area had incomes below the poverty level.

Institution

Income Level of Census Tract	Bank @LANTEC's HMDA Loan Volume: 01/01/2007 - 12/31/2010 in the Assessment Area				Demographic Benchmark	Peer Lending Benchmark
	Number of Loans	Percent of Number	Dollar Amount	Percent of Dollar Amount	Percent of O.O.H.U. ⁶	2009 Aggregate HMDA ⁷
Low = <50%	2	2.70%	\$172	3.12%	1.79%	1.25%
Moderate = 50-79%	8	10.81%	\$434	7.89%	15.37%	11.65%
Middle = 80-119%	36	48.65%	\$2,852	51.81%	45.77%	42.85%
Upper = ≥ 120%	28	37.84%	\$2,047	37.18%	37.07%	44.25%
Total	74	100.00%	\$5,505	100.00%	100.00%	100.00%

As shown in the table above, the Institution's lending performance in low-income census tracts was substantially higher than that of the aggregate lenders and was more than twice the demographic benchmark. In moderate-income census tracts, Bank @LANTEC's lending was slightly below the performance of the aggregate HMDA lenders and below the demographic benchmark. Overall, Bank @LANTEC's lending within LMI census tracts represented 13.51 percent of assessment area lending, which is below the demographic benchmark of 17.16 percent but higher than the peer lending benchmark of 12.90 percent.

Considering all of the above, the examiner concludes that the Institution meets standards for a satisfactory performance for lending in geographies of different incomes.

Response to Complaints

During the review period, the Institution received no written complaints pertaining to its performance in helping to meet the credit needs within the assessment area.

Fair Lending or Other Illegal Credit Practices Review

No violations of the substantive provisions of the laws and regulations prohibiting discrimination or other illegal credit practices were identified through the evaluation of compliance with consumer laws and regulations during the current comprehensive examination.

⁶ Owner Occupied Housing Units. The numbers in this column represent the ratio of owner occupied housing units to the total number of owner occupied housing units in the assessment area, except for the unclassified tracts. Based on 2000 U.S. Census.

⁷ Aggregate data includes HMDA-reportable mortgage loans made within the assessment area by federally-regulated lenders. 2009 aggregate data used is the most recent available.

Institution

CRA Rating Definitions

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.