



Comptroller of the Currency
Procedures
Administrator of National Banks

Small Bank Examination

PUBLIC DISCLOSURE

November 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Virginia National Bank
Charter #23616**

**222 East Main St.
Charlottesville, VA 22902**

**Office of the Comptroller of the Currency
Virginia Field Office
3800 Electric Road, Suite 204
Roanoke, Virginia 24018**

NOTE: *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 **Virginia National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 29, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in appendix A to 12 CFR part 25.*

Institution's CRA Rating: This institution is rated **Satisfactory**.

- The bank's loan to deposit ratio is good at 93% as of September 30, 1999. The quarterly average since the bank's July 1998 opening is 74.9%.
- Virginia National Bank adequately provides for the credit needs of the community with 92.8% of the dollar volume of HMDA loans sampled and 96.1% of the dollar volume of small business loans sampled extended to borrowers or businesses within the assessment area.
- Lending to borrowers of different incomes & businesses of different sizes, given the demographics of the assessment area, is satisfactory.
- No public complaints have been filed during the current assessment period.

Description of Institution

Virginia National Bank, which commenced operations July 29, 1998, is a \$65 million institution located in downtown Charlottesville, Virginia. Virginia National operates its main office in downtown Charlottesville, and operates one additional branch facility in the city. During this evaluation period of July 29, 1998 through September 30, 1999 the bank did not open any new branches; however, it will open a new branch on December 15, 1999.

The bank offers a full range of deposit products for individuals, businesses, organizations and government authorities. Additionally, VNB offers commercial and personal loans, and its primary market is business lending. The primary product lines are residential real estate and commercial loans that together comprise about 91% of all lending activity. Net loans represent 65.3% of the bank's total assets. Factors impacting the bank's ability to generate business and make loans include limited bank offices, location of its branches, and age of the bank. There are no legal impediments, other than legal lending limits, or financial conditions that would adversely impact the bank's ability to meet assessment area credit needs.

Loan Type	Dollar Volume (000)	Percentage of Total Loans
Commercial	31,275\$	72.8%
Residential Real Estate	8,049\$	18.8%
Individual	3,622\$	8.4%

Description of City of Charlottesville and Albemarle County

Virginia National Bank lies within the Charlottesville MSA, which includes the City of Charlottesville, and the Counties of Greene, Fluvanna, and Albemarle in the central region of Virginia. The bank's assessment area consists of the City of Charlottesville and the County of Albemarle. The assessment area is comprised of 39 census tracts, all of which are included in the MSA. The assessment area does not arbitrarily exclude any low or moderate income geographies and is within regulation requirements.

The entire assessment area includes approximately 108,000 citizens and is characterized by a low cost of living, a strong economy and low unemployment. The updated median family income for the area is \$55,600. The percentage of low/moderate income households for Charlottesville and Albemarle County is 39.4% and 31.4% respectively. Recent unemployment data indicates rates of 1.65% and 1.33% for Charlottesville and Albemarle County respectively. The largest segment of the family population is in the upper-income category. The area's top three industries by distribution of employees are service, manufacturing, and local, state and federal government. The dominant employer in the area is the University of Virginia. Other major employers include GE Fanuc Corporation, and local government services.

The following tables reflect the breakdown of families by income category:

Income Level	Albemarle	Charlottesville
Low-Income	15.0%	19.1%
Moderate-Income	16.2%	18.1%
Middle-Income	23.3%	24.2%
Upper-Income	45.4%	38.5%

Competition within the assessment area is high with commercial banks, savings and loans, credit unions, mortgage banking firms, consumer finance companies, brokerage firms, etc. operating in the Charlottesville MSA. In Albemarle County, and the City of Charlottesville there are 8 commercial banks and savings associations. The only locally owned and operated commercial banks are Virginia National, F & M Bank of Central Virginia, and Albemarle First.

There were no community contacts from prior regulatory agency evaluations available. Two new community contact interviews were performed. These were with representatives from the Thomas Jefferson Planning District Commission and the Piedmont Housing Alliance. Discussions with these organizations indicate community credit needs include small business loans, micro grants for start-up businesses, and loans for low-income housing. Contacts indicated that with the change in the ownership composition of many local banks, credit decisions and the processing of credit requests are centralized at out-of-state offices. This has made the lending process less efficient. Overall, the community contacts felt that the performance of local financial institutions was satisfactory.

The following chart indicates the number of census tracts by income levels within the bank's assessment area. There are a total of 10 census tracts bordering city and county lines that are unpopulated.

Income Level	# of Tracts
Low-Income	1
Moderate-Income	6
Middle-Income	14
Upper-Income	8
N/A	10

Conclusions about Performance Criteria

Loan-to-Deposit Ratio

The Bank meets the standard regarding loan-to-deposit ratio given it's size and age. Virginia National Bank has an average loan-to-deposit ratio of 74.89% since it commenced operations (five-quarter average), and the ratio was 93.24% as of September 30, 1999. Of the three area

banks comparable in size and ownership, Virginia National Bank's loan to deposit ratio is the highest, indicating that the bank is actively responding to area credit needs given its size, financial condition, and competitive environment.

Bank	Loan-to-Deposit Ratio as of June 30, 1999
Virginia National	82.77%
F&M Bank of Central VA	54.85%
Albemarle First Bank	60.54%

Lending in Assessment Area

The Bank meets the standard regarding lending activity to borrowers and businesses in its assessment area. Of the total sample of 44 loans (25 HMDA loans and 18 business loans), 37 (20 and 17 respectively) loans or 84.1% were made within the assessment area. The sample consisted of a total dollar volume of \$21,053M in loans, of which \$20,129M (or 95.6%) were within the assessment area.

HMDA Loans

	Loans Sampled	% of Total Number of Loans Sampled	Dollar Volume of Loans Sampled	% of Total Dollar Volume of Loans Sampled
Within Assessment Area	20	80.0%	5,361,000	92.8%
Outside Assessment Area	5	20.0%	324,000	7.2%

Business Loans

	Loans Sampled	% of Total Number of Loans Sampled	Dollar Volume of Loans Sampled	% of Total Dollar Volume of Loans Sampled
Within Assessment Area	17	94.4%	14,768M	96.1%
Outside Assessment Area	1	5.6%	600M	3.9%

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

Virginia National Bank meets the standard with regard to loans to borrowers of different income levels and to businesses of different sizes. Demographic data indicates that approximately 19% and 18% of the families in the Charlottesville/Albemarle County MSA are low income or moderate income respectively. Of the 20 HMDA loans extended in the assessment area during 1999 to date most were to upper income borrowers, although the credit extended to low and moderate income borrowers was consistent with the demographics of the

assessment area. Although the bank's lending activity to middle-income individuals is low compared to the demographic characteristics of the area, its penetration is reasonable given the size and age of the institution, as well as the limited number of its branches.

HMDA Sample

Borrower Income	Number	% of Total	Dollar Volume	% of Total
Low-Income	3	15.00%	192,000	3.6%
Moderate-Income	0	0%	0	0%
Middle-Income	1	5.00%	79,000	1.5%
Upper-Income	16	80.00%	5,006,000	94.9%
Income N/A	0	0%	0	0%

Virginia National Bank's primary market is business lending. As outlined below, six of the eighteen commercial loans in the commercial loan sample were made to businesses with revenues less than one million dollars. As a percentage of the dollar amount, 33.8% of small business loans sampled were to businesses with revenues less than one million dollars.

Commercial Loan Sample

Business Revenue	Number of Loans	Dollar Amount
Less than \$1 Million	6 .33%	5,197M 33.8%
Greater than \$1 Million	12 .67%	10,171M 66.2%

Geographic Distribution of Loans

The Bank meets the standard regarding geographic distribution of credit in its assessment area. Lower and moderate-income census tracts represent 7 of the 39 tracts in the assessment area. While loans have been extended in most census tracts, there is low penetration in moderate-income tracts. An analysis of lending activity indicates that loans are concentrated in those tracts nearest the bank's offices and efforts to extend credit do not exclude any particular geographies.

The following chart illustrates the geographic distribution of HMDA loans within these income tracts in comparison to the percentage of owner occupied housing and also illustrates the dollar amount of these loans as a percentage to the total HMDA sample. Given the small percentage of owner occupied housing in the low and moderate income tracts, the number of loans in these areas is reasonable. The moderate-income tracts have relatively low penetration compared to the demographics of the area. This could be attributed to the limited number of bank branches and the locations of these branches, as well as the relatively low amount of owner occupied housing in these areas.

HMDA Loans By Census Tract

Income	# of Tracts	# of HMDA Loans	% of Owner Occupied Housing	\$ Amount of Loans	% of Total \$ Volume of HMDA
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					Sample
Low	1	1	.83 %	\$79,000	1.50%
Moderate	7	2	10.95%	\$640,000	12.13%
Middle	14	12	60.61%	\$2,662,000	50.45%
Upper	8	5	27.62%	\$1,896,000	35.93%
N/A	10	0	0%	\$0	0%

Responses to Complaints

Virginia National Bank has not received any complaints during this evaluation period.

Record of Compliance with Antidiscrimination Laws

The CRA examination was conducted to ensure that Virginia National Bank is satisfactorily meeting the credit needs of its community and adequately performing in its lending activity to borrowers of different income levels and to businesses of different sizes.

During the evaluation, no violations of the substantive provisions of the antidiscrimination laws and regulations were identified, and there was no evidence of illegal credit practices.