



## **PUBLIC DISCLOSURE**

July 20, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank @LANTEC  
Charter Number 717960

501 South Independence Boulevard  
Virginia Beach, Virginia 23452

Office of the Comptroller of the Currency  
Roanoke Field Office  
4419 Pheasant Ridge Road  
Suite 300  
Roanoke, Virginia 24014

**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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

We assigned the Community Reinvestment Act (CRA) rating based on the following information:

- The institution's loan-to-deposit ratio is more than reasonable;
- A substantial majority of home mortgage loans originated or purchased by the institution during the evaluation period were to customers located inside the institution's Assessment Area (AA).
- The distribution of loans, given the demographics of the AA, reflects reasonable penetration among borrowers of different income levels; and,
- The distribution of loans to borrowers located in census tracts of varying income levels is reasonable.

**Scope of Examination**

Bank @LANTEC was evaluated under the Small Bank Community Reinvestment Act procedures, which consisted of a lending test. The lending test evaluates the institution's record of meeting the credit needs of its AA through its lending activities. The lending test for the institution covers its performance from January 1, 2012 through December 31, 2013, as this is representative of its lending strategy since the previous CRA evaluation.

The institution's primary loan product is home mortgages. The home mortgage product category includes home purchases, refinances, and home improvement loans. We chose the primary loan product based on originations, outstanding balances, information gathered from previous regulatory activity, and discussions with management. Our analysis is based on a sample of twenty home mortgage loans originated or purchased during the evaluation period. The sample was selected using numerical sampling guidelines. The lending test analysis is based on the bank's performance during the evaluation period using comparative demographic data from the 2010 U.S. Census.

**Description of Institution**

Bank @LANTEC is a federally-chartered mutual savings and loan association headquartered in Virginia Beach, Virginia. The institution was formerly a federally chartered credit union supervised by the National Credit Union Administration. The institution converted to a federal savings bank charter effective January 12, 2004. This is the third CRA evaluation conducted since the charter conversion.

The institution's main office is located at 501 South Independence Boulevard, Virginia Beach, Virginia. The main office is located in a middle-income census tract. The institution has three other branches. The Tidewater Drive branch office is located in a

low-income census tract near the Norfolk Naval Base. The other two branches, Greenbrier and Haygood, are located in middle- and upper-income census tracts in Chesapeake and Virginia Beach, Virginia, respectively. The institution has not opened, closed or relocated any branches since the previous CRA evaluation completed in April 2011. There were no legal or regulatory impediments adversely affecting the institution’s ability to meet community credit needs during the review period. There have not been any significant changes to the institution’s corporate structure, including merger or acquisition activities, since the previous CRA evaluation. There are no financial, legal constraints, or other conditions that would hinder the institution’s ability to meet the credit needs of its AA.

The institution’s primary loan product is home mortgage loans. The institution primarily purchases home mortgage loans from an affiliated entity, Tidewater Home Funding LLC (Tidewater). Tidewater originates all the purchase and mortgage refinances for the institution’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, 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 loans to small businesses. The institution received a “Satisfactory” rating at its April 18, 2011 CRA Performance Evaluation.

As of March 31, 2015, Bank @LANTEC had total assets of \$108 million and Tier One Capital plus the Allowance for Loan and Lease Losses of \$11.9 million. The institution’s loan portfolio as of March 31, 2015 is comprised of:

Table # 1 Loan Product Category	Gross Loans as of March 31, 2015	
	Dollar Amount Outstanding (\$000)	% of Total Loans
1-4 Family Residential	62,051	70.31
Non-Farm/Non-Residential	21,539	24.41
Commercial & Industrial	1,097	1.24
Loans to Individuals	810	0.92
Multi-family Residential	1,916	2.17
Construction & Land Development	841	0.95
<b>Total Gross Loans</b>	<b>88,254</b>	<b>100.00</b>

\*Data obtained from “Consolidated Reports of Condition and Income for A Bank with Domestic Offices Only - FFIEC 041”

## **DESCRIPTION OF ASSESSMENT AREA**

Bank @LANTEC has one AA. The AA includes all of the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (Virginia Beach MSA). The AA is comprised of 412 census tracts, including 29 low-income tracts (7 percent), 103 moderate-income tracts (25 percent), 151 middle-income tracts (37 percent), 120 upper-income tracts (29 percent) and nine unclassified tracts (2 percent).

The population of the Virginia Beach MSA, based on 2010 U.S. Census Bureau data, is 1,648,136. As of May 31 2015, the unemployment rate for the MSA was 5.5 percent, slightly higher than the national average of 5.3 percent. Unemployment rates in the MSA ranged from a low of 4.8 percent in Virginia Beach to a high of 6.2 percent in Norfolk.

The largest industries in the area include government and trade, transportation, and utilities. Economic activity is centered in the shipping and defense industries. The Port of Virginia is one of the nation's busiest by tonnage. In addition, the area is home to several military installations including Naval Station Norfolk and Oceana Naval Air Station. The local banking industry is highly competitive. Thirty-two financial institutions operate in the MSA ranging from community banks to large multi-national institutions. Based on the FDIC Deposit Market Share Report, no one financial institution dominates the AA's deposit market.

## **COMMUNITY CONTACT**

We conducted a community contact with the Executive Director of the Central Business District Association (CBDA) to determine the credit and development needs in the AA. The CBDA's primary goal is to generate economic activity in the Strategic Pembroke Growth Area. The Strategic Pembroke Growth Area is located around the Virginia Beach Town Center. To achieve this goal the CBDA works with a variety of stakeholders and city government. The contact noted that competition among financial institutions in the Virginia Beach Market is strong. The contact stated the primary opportunity for local financial institutions is to provide middle-market business loans for commercial development and 1-4 family mortgages for the purchase of recent townhome and condominium developments. The contact did not provide specific comments relative to Bank @LANTEC's performance in the AA, but noted that local institutions are generally supportive of the community.

## **Conclusions with Respect to Performance Criteria**

### **LENDING TEST**

The institution's performance in the lending test is considered satisfactory. The institution's Loan-to-Deposit (LTD) ratio is more than reasonable. The institution's average LTD since the previous CRA evaluation was 89.49 percent compared to peer group (Institution's listed on the FDIC Deposit Market Share Report for Virginia Beach MSA) average of 76.88 percent. A substantial majority of home mortgage loans originated or purchased by the institution during the evaluation period were to customers located inside the institution's AA. Ninety-five percent (19 of 20) of the loans sampled were located within the institution's AA. The distribution of home mortgage loans among borrowers of different income levels is reasonable and the geographic distribution of the institution's loans in its AA is also reasonable

#### **Loan-to-Deposit Ratio**

Bank @LANTEC's LTD ratio is more than reasonable considering the community's credit needs, demand for credit, and the high level of competition in the AA. An analysis of the institution's LTD ratio from the first quarter of 2011 through the first quarter of 2015 indicates the institution exceeds the standards for satisfactory performance. The institution's average quarterly LTD ratio for these 17 quarters was 89.49 percent. The institution's quarterly LTD ratio ranged from a low of 70.71 percent on December 31, 2011 to a high of 109.93 percent on December 31, 2014. The institution's average quarterly LTD ratio compares favorably to the peer group average of 76.88 percent. The peer group is comprised of all banks included on the FDIC Deposit Market Share Report for the Virginia Beach MSA. If the LTD ratio is compared only to peer financial institutions (less than \$1 billion in assets) listed on the FDIC Deposit Market Share Report for Virginia Beach MSA that are based in Virginia, it is significantly higher than that peer group average of 74.15 percent.

The accompanying chart focuses only on community banks with a deposit market share in the Virginia Beach MSA with headquarters located in Virginia. The institution has not originated any Community Development Loans since the previous evaluation. This had a neutral impact on the LTD rating.

Table 2 – Loan-to-Deposit Ratio					
Institution Name	City	ST	TA (\$000) 03/31/15	Average Quarterly Loan to Deposit Ratio	Market Share As of 6/30/14
The Old Point National Bank of Phoebus	Hampton	VA	882,771	69.54%	3.32%
Farmers Bank, Windsor, VA	Windsor	VA	423,837	66.47%	1.54%
Chesapeake Bank	Kilmarnock	VA	659,423	70.36%	1.26%
Xenith Bank	Richmond	VA	989,316	92.69%	0.71%
<b>Bank @LANTEC</b>	<b>Virginia Beach</b>	<b>VA</b>	<b>108,026</b>	<b>89.49%</b>	<b>0.37%</b>
Citizens National Bank	Windsor	VA	55,683	85.77%	0.23%
Virginia Commonwealth Bank	Petersburg	VA	294,688	63.13%	0.10%
Bank of Southside Virginia	Carson	VA	555,862	55.78%	0.09%
<b>Average</b>				<b>74.15%</b>	

Note only institutions with less than \$1B in assets headquartered in VA and listed on the FDIC Market Share Report for the Virginia Beach MSA are included in the above table.

### Lending in Assessment Area

A substantial majority of home mortgage loans originated or purchased by the institution during the evaluation period were to customers located inside the institution’s AA. Bank @LANTEC exceeds the standards for satisfactory performance for lending in the AA.

To determine the in/out ratio, we analyzed a sample of home mortgage loans originated or purchased by the institution during the evaluation period. The loan sample consisted of 20 home mortgage loans. The sample is representative of the institution’s lending philosophy and overall lending performance. The following table shows the distribution of home mortgage loans originated or purchased by the institution during the evaluation period that were located inside or outside of the institution’s AA.

Table 3 – Lending in Virginia Beach MSA AA										
Loan Type	Number of Loans					Dollars of Loans (\$000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Home Purchase	7	35	1	5	8	2,422	35	383	6	2,805
Home Improvement	12	60	0	0	12	4,101	59	0	0	4,101
Home Refinance	0	0	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>19</b>	<b>95</b>	<b>1</b>	<b>5</b>	<b>20</b>	<b>6,523</b>	<b>94</b>	<b>383</b>	<b>6</b>	<b>6,906</b>

Data derived from a random numerical sample of 20 home mortgage loans originated or purchased by Bank @lantec during the evaluation period.

As shown, a substantial majority of the institution’s primary loan product originated or purchased by the institution during the evaluation period were to customers located inside the institution’s AA.

**Lending to Borrowers of Different Incomes**

Overall, lending to borrowers of different income levels is reasonable given the institution’s size, product offering, and local market conditions. According to the 2010 Census, 417 thousand families reside in the Virginia Beach MSA, of which 38 percent are low- or moderate-income.

*Home Mortgage Loans*

The institution’s distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Twenty percent of the loans sampled were made to low- or moderate-income borrowers. By comparison, 38 percent of families living in the institution’s AA are classified as low- or moderate-income. High property values in the area make it difficult for most low- and moderate-income families to qualify for mortgage loans. The median housing value in the MSA is \$255,359, while the median family income is \$71,478.

The following table shows the distribution of home mortgage loans among borrowers of different income levels

Table 4 - Borrower Distribution of Residential Real Estate Loans in Virginia Beach MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.49	0	18.34	5	22.19	5	39.98	30
Home Improvement	19.49	0	18.34	0	22.19	0	39.98	0
Home Refinance	19.49	5	18.34	10	22.19	5	39.98	40
<b>Totals</b>	19.49	5	18.34	15	22.19	10	39.98	70

*Source: Loan Sample; 2010 U.S. Census data*

**Geographic Distribution of Loans**

The institution’s geographic distribution of loans in the AA is reasonable. There are 29 low-income and 103 moderate-income census tracts in the institution’s AA.

*Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout census tracts of different income levels. Ten percent of the loans sampled were secured by properties in low- and moderate-income census tracts. By comparison, 19.7 percent of owner-occupied homes in the AA are located in low- and

moderate-income census tracts. The institution operates one branch in a low-income census tract (the Tidewater Branch). The Tidewater Branch caters to military personnel from the nearby Naval Station Norfolk. This branch primarily specializes in consumer loan products, as the nature of military service, including frequent relocations and available on-post housing, limits the demand for home mortgage loans.

Following is a table which details the institution’s performance compared to the percentage of owner-occupied housing in each census tract income level.

Table 5 - Geographic Distribution of Residential Real Estate Loans in Virginia Beach MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.08	0	17.62	0	40.40	5	39.90	25
Home Improvement	2.08	0	17.62	0	40.40	0	39.90	0
Home Refinance	2.08	5	17.62	5	40.40	5	39.90	35
<b>Totals</b>	2.08	5	17.62	5	40.40	10	39.90	60

Source: Loan Sample; 2010 U.S. Census data

### Responses to Complaints

Consumer complaints had a neutral impact on the CRA rating. Since the previous CRA evaluation, the institution has not received any CRA related complaints.

### Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any Assessment Area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.