

PUBLIC DISCLOSURE

February 22, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Village Bank
Certificate Number: 35111

13531 Midlothian Turnpike
Midlothian, Virginia 23113

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

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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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of small business and home mortgage loans inside the assessment areas.
- The Geographic Distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas

DESCRIPTION OF INSTITUTION

Village Bank is a \$705.4 million state-chartered financial institution headquartered in Midlothian, Virginia. The bank is a wholly-owned subsidiary of Village Bank and Trust Financial Corporation, a one-bank holding company headquartered in Midlothian. Additionally, the bank has one active wholly-owned subsidiary, Village Bank Mortgage Company. The bank received a Satisfactory CRA rating at the July 16, 2018, CRA evaluation conducted by the FDIC using Intermediate Small Institution Examination Procedures.

Village Bank operates eight full-service offices. Seven offices, which includes the main office, are located in the Richmond, VA Metropolitan Statistical Area (MSA). The remaining branch is located in James City County, which is located in the Virginia Beach-Norfolk-Newport News, VA-NC MSA. Since the previous evaluation, the bank has closed two branches. Neither branch was located in a low- or moderate-income census tract. The bank has not opened any new branches since the previous examination.

Village Bank offers loan products including home mortgage, consumer, and commercial; however, the bank mainly focuses on residential real-estate lending, particularly through its mortgage subsidiary, Village Bank Mortgage Company. The bank offers a variety of deposit products, which include checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, person-to-person payment service, mobile deposits, and automatic teller machines.

As of December 31, 2020, the Consolidated Report of Condition and Income reflects total assets of \$705.4 million, total deposits of \$589.9 million, and total loans of \$595.4 million. As shown in the following table, significant loan types are commercial and residential real-estate loans. The Call Report data shows that commercial loans, including those secured by nonfarm, nonresidential real estate and commercial and industrial loans, comprise of 67.5 percent of the portfolio as of September 30, 2020. Residential real-estate loans comprise of 20.3 percent of the portfolio, however, loans sold through Village Bank Mortgage Company are not reflected in these totals. In 2020, the mortgage company sold 1,520 mortgages totaling \$349.4 million.

Loan Portfolio Distribution as of 12/31/2020		
Loan Category	\$(000s)	%
Construction and Land Development	29,569	5.0
Secured by Farmland	367	0.1
Secured by 1-4 Family Residential Properties	121,000	20.3
Secured by Multifamily (5 or more) Residential Properties	9,889	1.6
Secured by Nonfarm Nonresidential Properties	220,968	37.1
Total Real Estate Loans	381,793	64.1
Commercial and Industrial Loans	181,088	30.4
Agricultural Loans	0	0.0
Consumer Loans	32,188	5.4
Obligations of States and Political Subdivisions in the U.S.	0	0.0
Other Loans	354	0.1
Less: Unearned Income	0	0.0
Total Loans	\$595,423	100.0
<i>Source: Report of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet the credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Currently, Village Bank operates within two assessment areas. The first assessment area (Richmond MSA assessment area) includes all of Chesterfield, Goochland, Hanover, Henrico, and Powhatan Counties and the City of Richmond in Virginia. These five counties and one city make up only a portion of the Richmond, VA which includes 13 counties and 4 cities. The second assessment (Williamsburg assessment area) area contains all of James City County and the City of Williamsburg, which is a portion of the 9-counties and 10 cities within the Virginia Beach, VA-NC multi-state MSA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated July 16, 2018, to the current evaluation dated February 22, 2021. Examiners used the Interagency Intermediate Institution Examination Procedures to evaluate Village Bank’s CRA performance. These procedures include two tests: Lending, and Community Development. An institution may not receive an overall “Satisfactory” rating unless both tests receive at least a Satisfactory rating. The analyses and ratings assigned are predicated on the bank’s performance in the Richmond MSA assessment area as a substantial level of deposits (96.8 percent), lending (98.0 percent), and branches (88.9 percent) are within the assessment area. The Richmond MSA assessment area will receive a full-scope review, while the Williamsburg assessment area will be reviewed using limited-scope procedures.

Additionally, upon bank request, lending activities by Village Bank Mortgage Company will be included in the evaluation for the Borrower and Geographic distribution analyses.

Assessment Area Breakdown of Loans, Deposits, and Branches								
Assessment Area	Deposits		Loans				Offices	
	\$(000s)	%	#	%	\$(000s)	%	#	%
Richmond MSA	568,631	98.0	213	96.8	33,691	95.3	8	88.9
Williamsburg	11,785	2.0	7	3.2	1,674	4.7	1	11.1
Total	580,416	100.0	220	100.0	35,365	100.0	9	100.0

Source: Bank Records, 2018 and 2019 HMDA Data, and June 30, 2020, FDIC Summary of Deposits.

Activities Reviewed

The CRA regulation requires examiners to review lending performance with respect to home mortgage, small business, and small farm loans, if significant. Using bank data, examiners determined the major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. The bank’s record of originating home mortgage, including mortgage loans originated by Village Bank Mortgage Company, contributed more weight to overall conclusions and ratings. While the table below indicates lower mortgage and higher commercial loan originations, the mortgage loans originated by Village Bank Mortgage Company are not included. Additionally, the commercial and industrial loans include the loans originated under the Small Business Administration’s Paycheck Protection Program (PPP), which is not part of the core business lending. In addition, no other loan types, such as small farm loans, represent a major product line and are not included in the review. The following table shows the originations made from January 1, 2020, through December 31, 2020.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	32,212	12.9	64	3.9
Secured by Farmland	315	0.1	1	0.1
Secured by 1-4 Family Residential Properties	26,510	10.6	177	10.8
Multi-Family (5 or more) Residential Properties	618	0.3	2	0.1
Commercial Real Estate Loans	31,122	12.4	26	1.5
Commercial and Industrial Loans	158,972	63.5	1,333	81.3
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	549	0.2	36	2.2
Other Loans	29	0.0	1	0.1
Total Loans	250,327	100.0	1,640	100.0

Source: Bank Records

This evaluation considered all home mortgage loans reported for 2018 and 2019 under the Home Mortgage Disclosure Act (HMDA). The bank reported 60 loans totaling \$9.0 million for 2018 and 59 loans totaling \$8.1 million for 2019. HMDA loans reported in the bank’s assessment areas by Village Bank Mortgage Company were also reviewed and included for Geographic Distribution and Borrower Profile. Village Bank Mortgage Company originated 731 loans totaling \$132.3 million in

2018 and 869 loans totaling \$173.6 million in 2019 within the assessment areas. Only home mortgage lending for 2019 is presented in the analysis as this is the most recent year for which aggregate data is available and is used for comparative analysis for 2019. Lending performance for 2018 was also analyzed and compared to 2018 aggregate lending data. Demographic data from the American Community Survey (ACS) for 2015 is also used for comparative purposes. The demographic data used includes the level of owner-occupied housing units and families, respectively, to evaluate the Geographic Distribution and Borrower Profile criteria.

In addition, examiners reviewed the universe of small business loans originated in 2020 for Assessment Area Concentration and Geographic Distribution. The bank originated 104 small business loans totaling \$18.7 million. Due to a lack of available revenue information, a sample of 46 loans totaling \$8.0 million originated within the assessment areas was used to review Borrower Profile. D&B data for 2020 provided a standard of comparison for the Geographic Distribution and Borrower Profile criteria.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of businesses and individuals served. Only loans within the assessment areas are included in the Geographic Distribution and Borrower Profile analyses.

This evaluation includes community development loans through December 31, 2020, as the bank did not provide any information for community development lending for 2021. Community development services since the prior evaluation are included. Qualified investments identified by bank management since the last evaluation as well as qualified investments that were either purchased prior to but still outstanding as of this evaluation date or purchased during the evaluation period are included.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Village Bank demonstrated reasonable performance under the Lending Test. The reasonable Geographic Distribution and Borrower Profile along with reasonable Loan-to-Deposit Ratio and Assessment Area Concentration support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. The loan-to-deposit ratio, calculated from Call Report data, averaged 98.2 percent over the past 10 quarters from September 30, 2018, to December 31, 2020. The ratio ranged from a low of 94.6 percent as of March 31, 2019, to a high of 108.4 percent as of September 30, 2020. The loan-to-deposit ratio has steadily increased since the last evaluation where the average was 88.0 percent. Examiners compared the loan-to-deposit ratio to two similarly-situated banks based on assets size, lending focus, and location. Village Bank's ratio was

comparable to Virginia Commonwealth Bank and significantly higher than The Bank of Southside Virginia.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2020 \$(000s)	Average Net Loan-to-Deposit Ratio (%)
Village Bank	705,458	98.2
The Bank of Southside Virginia	635,938	46.6
Virginia Commonwealth Bank	1,219,037	101.3
<i>Source: Reports of Condition and Income 9/30/18 through 12/31/2020</i>		

Assessment Area Concentration

Village Bank originated a majority of small business and home mortgage loans by number and dollar volume within the assessment areas. The following table shows the distribution of loans originated inside and outside the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	60	78.9	16	21.1	76	8,979	78.7	2,424	21.3	11,403
2019	59	89.4	7	10.6	66	8,135	83.8	1,570	16.2	9,705
Subtotal	119	83.8	23	16.2	142	17,114	81.1	3,994	18.9	21,108
Small Business										
2020	101	97.1	3	2.9	104	18,251	97.7	423	2.3	18,674
Total	220	89.4	26	10.6	246	35,365	88.9	4,417	11.1	39,782
<i>Source: 2018 and 2019 HMDA Data and Bank Records.</i>										

Geographic Distribution

The Geographic Distribution of loans reflects reasonable distribution throughout the assessment areas. The overall reasonable Geographic Distribution of home mortgage supports this conclusion and is predicated upon the performance within the Richmond MSA assessment area. Lending was not sufficient in the Williamsburg assessment area for analyses.

Borrower Profile

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment areas. The overall reasonable distribution of loans to low- and moderate-income borrowers supports this conclusion and is predicated upon

the performance in the Richmond MSA assessment area. Lending was not sufficient in the Williamsburg assessment area for analyses.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Village Bank demonstrates adequate responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities. Refer to the individual assessment area analysis for additional information on the community development activities.

Community Development Loans

Village Bank originated 1,365 community development loans within the assessment areas totaling approximately \$169.1 million during the evaluation period. The community development loans include 1,355 loans made under the SBA Paycheck Protection Program (PPP) totaling \$145.9 million. This level of activity is significantly above the community development lending at the prior evaluation and represents 29.0 percent of average total assets and 35.2 percent of average total loans since the prior CRA evaluation. Considering the bank's core lending program, excluding the PPP loans, the community development lending accounts for 4.0 percent of average assets and 4.8 percent of average total loans, which a significant increase from the last evaluation.

In response to small businesses adversely affected by the COVID-19 pandemic, the bank participated in the SBA PPP created under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PPP provide funding for small businesses to help retain and/or improve jobs during the impact of the pandemic. In 2020, the bank originated 1,355 loans totaling approximately \$145.9 million to small businesses located within the assessment areas and 164 loans totaling to \$36.1 million to businesses outside of the assessment areas.

The bank also made 3 economic development loans for \$8.7 million and 7 revitalization and stabilization loans for \$14.5 million inside the assessment areas. Refer to the full-scope assessment area for examples of community development loans. The following tables reflect the community development lending by activity year, purpose, and assessment area.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/17/2018-12/31/2018	0	0	0	0	0	0	3	7,106	3	7,106
2019	0	0	0	0	0	0	3	5,044	3	5,044
2020	0	0	0	0	1,134	121,884	225	35,064	1,359	156,948
Total	0	0	0	0	1,134	121,884	231	47,214	1,365	169,098
<i>Source: Bank Records</i>										

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Richmond MSA	0	0	0	0	1,105	112,561	227	52,809	1,332	165,370
Williamsburg	0	0	0	0	29	3,323	4	405	33	3,728
Total	0	0	0	0	1,134	115,884	231	53,214	1,365	169,098
<i>Source: Bank Records</i>										

Qualified Investments

Village Bank held nine qualified investments totaling \$6.2 million. The dollar level of qualified investments equates to 1.1 percent of average assets and 14.5 percent of average total securities since the previous evaluation and is above the qualified investments at the prior evaluation. Of the \$6.2 million in equity and debt investments, \$1.5 or 24.3 percent, represents the current book value of prior period investments. The prior period investments comprise five pools of SBA loans that support economic development and were originally purchased in 2015 and an equity investment in a Community Development Financial Institution that serves underserved markets and supports economic development.

Qualified investments originated during the evaluation period consist of three mortgage-backed securities (MBS) secured by home mortgages to low- and moderate-income individuals within the assessment areas. Two of the MBSs are regional investments totaling \$3.3 million that that benefit both assessment areas.

The following tables illustrate the qualified investments by year, purpose, and assessment area.

Qualified Investments By Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	6	1,507	0	0	6	1,507
07/17/2018-12/31/2018	1	1,370	0	0	0	0	0	0	1	1,370
2019	0	0	0	0	0	0	0	0	0	0
2020	2	3,325	0	0	0	0	0	0	2	3,325
2021 (YTD)	0	0	0	0	0	0	0	0	0	0
Total	3	4,695	0	0	6	1,507	0	0	9	6,202

Source: Bank Records

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Richmond MSA	1	1,370	0	0	6	1,507	0	0	7	2,876
Williamsburg	0	0	0	0	0	0	0	0	0	0
Regional Activities	2	3,325	0	0	0	0	0	0	2	3,325
Total	3	4,695	0	0	6	1,507	0	0	9	6,202

Source: Bank Records

Community Development Services

The bank provided 17 community development services to community development organizations during the evaluation period. This level of activity is consistent with the community development services at the prior evaluation. Community development services include employees serving on the Board and/or a committee of community service organizations and teaching financial literacy classes to schools where more than 50.0 percent of the students receive free and/or reduced lunches. All services were provided in the Richmond MSA assessment area. Refer to the full-scope assessment area for examples of community development services. The below table presents the number of community development services by year and purpose.

Community Development Services By Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
07/17/2018-12/31/2018	0	4	0	0	4
2019	0	9	0	0	9
2020	0	4	0	0	4
2021 (YTD)	0	0	0	0	0
Total	0	17	0	0	17

Source: Bank Records

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

RICHMOND MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN RICHMOND MSA ASSESSMENT AREA

Village Bank delineated all of Chesterfield, Goodland, Hanover, Henrico, and Powhatan Counties and the City of Richmond as the assessment area. The assessment area falls within the Richmond, VA MSA, which contains 13 counties and 4 Independent Cities. The main office and seven full-service branches are located within the assessment area, which accounts for 88.9 percent of the banking locations. Overall, the assessment area accounts for 96.8 percent of loans by number and 95.3 percent of loans by dollar volume as well as 98.0 percent of bank-wide deposits.

Economic and Demographic Data

The assessment area contains 234 census tracts with the following 2015 ACS designations.

- 28 low-income;
- 49 moderate-income;
- 80 middle-income;
- 75 upper-income;
- 2 with no income designation.

The following table presents select demographic characteristics of the assessment area.

**Demographic Information for the
Richmond MSA Assessment Area**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	234	12.0	20.9	34.2	32.1	0.9
Population by Geography	1,012,043	8.7	19.6	36.1	35.1	0.4
Housing Units by Geography	417,658	9.2	20.7	36.0	34.0	0.1
Owner-Occupied Units by Geography	250,302	4.2	14.8	39.5	41.4	0.0
Occupied Rental Units by Geography	133,649	17.1	29.9	30.5	22.3	0.2
Vacant Units by Geography	33,707	15.5	27.3	31.3	25.6	0.4
Businesses by Geography	111,887	6.0	19.4	33.0	41.3	0.3
Farms by Geography	2,625	2.7	12.3	41.8	43.2	0.0
Family Distribution by Income Level	246,302	19.7	17.3	19.9	43.1	0.0
Household Distribution by Income Level	383,951	22.4	16.3	18.0	43.4	0.0
Median Family Income MSA Richmond, VA MSA	\$75,183	Median Housing Value				\$232,006
FFIEC Estimated MFI 2018	\$83,200	Median Gross Rent				\$1,000
FFIEC Estimated MFI 2019	\$81,600	Families Below Poverty Level				8.2%

Source: 2015 ACS and 2020 D&B Data

Due to rounding, totals may not equal 100.0 percent.

() The NA category consists of geographies that have not been assigned an income classification.*

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. Owner-occupied housing units and businesses are disbursed primarily in middle- and upper-income tracts with a fair level in the moderate-income areas. Significantly less owner-occupied housing and businesses are found in the low-income tracts.

The 2018 and 2019 FFIEC median family incomes (MFI) for the Richmond, VA MSA are used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category using a 2018 MFI of \$83,200 and a 2019 MFI of \$81,600.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$83,200)	<\$41,600	\$41,600 to <\$66,560	\$66,560 to <\$99,840	≥\$99,840
2019 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920

Source: FFIEC

The demographic table above provides the distribution of families by income level which is used to analyze the Borrower Profile for home mortgage lending. With a median housing value of \$232,006, a low-income individual earning less than \$41,000 in 2019 may have difficulty qualifying for a conventional mortgage.

According to D&B data, 11,887 businesses operate within the assessment area, which is a 39.8 percent increase since the previous evaluation. The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual business revenues. Per D&B data for 2020, gross revenues for these businesses are:

- 88.1 percent reported \$1.0 million or less;
- 3.8 percent reported more than \$1.0 million; and,
- 8.1 percent did not report

The service sector represents the largest portion of businesses at 39.2 percent. In addition, 61.8 percent of the area businesses have four or fewer employees, and 91.4 percent operate from a single location. The largest employers according to the Great Richmond Partnership are Fort Lee; VCU Health System; HCA, Inc.; Bon Secours Richmond Health System; and, Dominion Resources, Inc.

Unemployment data obtained from the Bureau of Labor Statistics indicates that the unemployment rates have increased dramatically since the previous evaluation due to the national pandemic. For the majority of the assessment area, the unemployment rates have remained below the state and national averages. However, Henrico County has been slightly above the state rate with the City of Richmond generally above the state rate and increasing to more than the National rate in 2020. The table below reflects unemployment rates and trends for counties within the assessment area, the MSA, state, and the nation.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Chesterfield County	3.0	2.7	5.7
Goochland County	3.0	2.8	4.7
Hanover County	2.7	2.4	4.7
Henrico County	3.1	2.8	6.2
Powhatan County	2.7	2.5	4.7
City of Richmond	3.6	3.3	8.4
Richmond MSA	3.2	2.9	6.4
Virginia	3.0	2.8	6.0
National Average	3.9	3.7	8.1

Source: Bureau of Labor Statistics

Competition

The Richmond MSA assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2020, there are 26 FDIC-insured financial institutions operating 244 offices within the assessment area. Of these institutions, Village Bank ranks 9th with 0.5 percent of the market share. The primary competitors for deposits include Capital One Bank, NA (59.0 percent) and Bank of America, National Association (19.5 percent).

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in this assessment area. In 2019, 538 lenders reported 48,434 residential mortgage loans originated or purchased in the assessment area. Of these lenders, Village Bank ranked 97th with a 0.1 percent of the market share, and Village Bank Mortgage Company ranked 14th with 1.8 percent of market share. The three most prominent home mortgage lenders include Wells Fargo Bank, National Association (9.3 percent); Virginia Credit Union (5.2 percent); and Quicken Loans (5.0 percent). These top three lenders accounted for 19.5 percent of total market share by number of home mortgage loans originated or purchased. To further illustrate the high level of competition for home mortgage loans in this market, 464 of 538 (86.2 percent) made fewer than 100 home mortgage loans.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects a high level of demand for small business loans. Aggregate data for 2019 shows 125 institutions reported 23,480 small business loans in the assessment area. The top three lenders include American Express National Bank; Wells Fargo Bank, NA; and JP Mortgage Chase Bank, NA. Together, the three top lenders accounted for 41.8 percent by number. The top three lenders by dollar amount were Wells Fargo Bank NA; Atlantic Union Bank; and Truist Financial. These three institutions account for 34.5 percent of the dollar volume.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the assessment areas to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also demonstrates what credit and community development opportunities are available.

Examiners referenced a recent community contact with an organization that operates within the Richmond MSA assessment area but also has knowledge of the Williamsburg assessment area. The community contact noted the greatest need in the assessment areas is for micro-lending to small businesses and individuals. The community contact indicated there is ample opportunity, and these micro-loans would benefit low- and moderate-income individuals and neighborhoods. The contact referenced the adverse impact of the COVID-19 pandemic to small businesses. The contact also indicated there were opportunities for financial institutions to partner with organizations in developing micro-lending programs.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, and information from the community contact, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. Examiners determined the need for small business loans, which is based on the high number of businesses with four or fewer employees and a majority of businesses reporting gross annual revenues of \$1 million or less. Additionally, affordable housing represents a need as 37.0 percent of the families are low- or moderate-income and the high median housing value.

CONCLUSIONS ON PERFORMANCE CRITERIA IN RICHMOND MSA

LENDING TEST

Village Bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution and Borrower Profile reflects reasonable dispersion throughout the Richmond MSA assessment area.

Geographic Distribution

The Geographic Distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable Geographic Distribution for home mortgage loans by the bank and excellent distribution by Village Bank Mortgage Company supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts and comparison to aggregate and demographic data for home mortgage lending and D&B data for small business lending.

Home Mortgage Loans (Village Bank)

The Geographic Distribution of home mortgage loans reflects reasonable distribution throughout the assessment area. Lending in low-income census tracts exceeded aggregate and demographic data in 2019. For moderate-income census tracts, lending was lower than demographics and aggregate data.

Geographic Distribution of Home Mortgage Loans Richmond MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.2	4.1	4	6.9	1,475	18.5
Moderate	14.8	13.4	6	10.3	684	8.6
Middle	39.5	37.2	21	36.2	2,511	31.6
Upper	41.4	45.3	27	46.6	3,286	41.3
Totals	100.0	100.0	58	100.0	7,956	100.0
<small>Source: 2015 ACS; 2019 HMDA Data; and, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</small>						

Home Mortgage Loans (Village Bank Mortgage Company)

The Geographic Distribution of home mortgage loans reflects excellent distribution throughout the assessment area. Lending in low-income census tracts exceeded aggregate and demographic data in 2019. For moderate-income census tracts, lending significantly exceeded demographics and aggregate data.

Geographic Distribution of Home Mortgage Loans Richmond MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.2	4.1	59	6.8	8,120	4.7
Moderate	14.8	13.4	176	20.4	21,401	12.5
Middle	39.5	37.2	343	39.8	59,793	34.8
Upper	41.4	45.3	285	33.0	82,453	48.0
Totals	100.0	100.0	863	100.0	171,767	100.0
<i>Source: 2015 ACS; 2019 HMDA Data; and, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Small Business Loans

The Geographic Distribution of small business loans reflects poor dispersion throughout the assessment area. Lending in both low- and moderate-income tracts was substantially lower than demographics.

Geographic Distribution of Small Business Loans Richmond MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.0	2	2.0	786	4.4
Moderate	19.4	4	4.1	859	4.8
Middle	33.0	44	44.9	6,119	34.5
Upper	41.3	48	49.0	10,007	56.3
Not Available	0.3	0	0.0	0	0.0
Totals	100.0	98	100.0	17,771	100.0
<i>Source: 2020 D&B Data and Bank Records.</i>					

Borrower Profile

The distribution of loans reflects reasonable penetration among individuals of different income levels and businesses of different sizes. This conclusion is supported by the excellent performance regarding home mortgage loans by Village Bank Mortgage Company. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and percentage of small business loans made to businesses with gross annual revenues of \$1 million or less. Aggregate and demographic data for home mortgage loans and D&B data for small business loans were used as comparisons.

Home Mortgage Loans (Village Bank)

The distribution of home mortgage loans to borrowers of different income levels is poor. Lending to both low- and moderate-income borrowers is substantially below aggregate lending and

demographics for 2019. Examiners noted that more than 50 percent of loans had no income available as these were non-owner occupied, investment properties. When these loans were not considered, the bank’s performance was closer to aggregate and demographics, but still well below.

Distribution of Home Mortgage Loans by Borrower Income Level Richmond MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.7	6.5	1	1.7	30	0.4
Moderate	17.3	19.5	4	6.9	219	2.8
Middle	19.9	20.2	7	12.1	559	7.0
Upper	43.1	37.1	15	25.9	1,147	14.4
Not Available	0.0	16.6	31	53.4	6,001	75.4
Totals	100.0	100.0	58	100.0	7,956	100.0
<i>Source: 2015 ACS; 2019 HMDA Data; and, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans (Village Bank Mortgage Company)

The distribution of home mortgage loans to borrowers of different income levels is excellent. Lending to low-income borrowers is well above aggregate lending but falls below demographics. Lending to moderate-income borrowers is double aggregate lending and more than double the demographic levels.

Distribution of Home Mortgage Loans by Borrower Income Level Richmond MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.7	6.5	103	11.9	10,037	5.9
Moderate	17.3	19.5	334	38.7	46,914	27.3
Middle	19.9	20.2	189	21.9	40,068	23.3
Upper	43.1	37.1	237	27.5	74,748	43.5
Not Available	0.0	16.6	0.0	0.0	0.0	0.0
Totals	100.0	100.0	863	100.0	171,767	100.0
<i>Source: 2015 ACS; 2019 HMDA Data; and, 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Small Business Loans

The distribution of small business loans reflects poor penetration among businesses of different sizes. The level of lending to small business is substantially below the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category Richmond MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	88.1	12	26.1	1,442	18.1
>1,000,000	3.8	34	73.9	6,520	81.9
Revenue Not Available	8.1	0	0.0	0	0.0
Total	100.0	46	100.0	7,962	100.0
<i>Source: 2020 D&B Data and Bank Records.</i>					

COMMUNITY DEVELOPMENT TEST

Village Bank demonstrated adequate responsiveness to the community development needs of the Richmond MSA assessment area through community development loans and services and qualified investments. Examiners considered the institution’s capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

The bank originated 1,332 community development loans totaling \$165.4 million in the Richmond MSA assessment area. This level of activity represents 97.6 percent by number and 97.8 percent by dollar of bank-wide community development loans. The majority of the loans, 1,322 loans totaling \$142.2 million, were originated under the SBA PPP to help retain and/or improve jobs. Of these loans, 229 loans totaling \$32.3 million helped revitalize and/or stabilize low- and moderate-income tracts. Examples of the community development loans include.

- In 2018, the bank originated two loans totaling \$5.9 million loan to rehabilitate commercial properties in low- and moderate- income areas.
- In 2019, the bank originated a \$1.1 million loan to make improvements to a strip mall that is located in a moderate-income area.
- In 2020, the bank originated a loan totaling \$1.6 million to purchase an industrial warehouse that would expand a business and create jobs for low- and moderate-income individuals.

Qualified Investments

In addition to \$1.5 million of prior period investments, one MBS totaling \$1.3 million was attributed solely to the Richmond MSA assessment area. Of the \$3.3 million in regional MBSs, \$2.8 million or 85.1 percent was located in the Richmond MSA assessment area.

Community Development Services

Village Bank provided 17 community development services to 6 agencies or organizations. This level of service is consistent with the prior examination. Examples of community development services include.

- An employee served on the Board for an organization that works to attract new businesses

and promote economic development.

- An employee served on the Board of a non-profit organization whose purpose is to provide assistance to individuals in need. The organization offers support to low- and moderate-income individuals through a food pantry, emergency financial assistance, and clothing.
- Multiple employees have participated in financial literacy events that are targeted to low- and moderate-income individuals, who are first-time homebuyers.

WILLIAMSBURG ASSESSMENT AREA– Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN WILLIAMSBURG ASSESSMENT AREA

The Williamsburg assessment area is comprised of James City County and the City of Williamsburg, which is a portion of the Virginia Beach-Norfolk-Newport News, VA-NC MSA, which contains 4 counties and 10 independent cities.

The assessment area contains 1 branch or 11.1 percent of the bank’s branches. Additionally, 3.2 percent of the number and 4.7 percent of the dollar of loans were originated in this assessment area. Lastly, the assessment area accounts for 2.0 percent of bank deposits.

The following table presents demographic information from the 2015 ACS Census data and 2020 D&B data.

Demographic Information for the Williamsburg Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	14	0.0	14.3	21.4	64.3	0.0
Population by Geography	85,427	0.0	8.4	23.0	68.6	0.0
Housing Units by Geography	36,412	0.0	7.8	20.1	72.0	0.0
Owner-Occupied Units by Geography	23,070	0.0	5.4	15.6	79.0	0.0
Occupied Rental Units by Geography	9,468	0.0	12.9	33.2	53.9	0.0
Vacant Units by Geography	3,874	0.0	9.9	14.8	75.3	0.0
Businesses by Geography	8,798	0.0	4.4	23.6	72.0	0.0
Farms by Geography	217	0.0	5.5	14.3	80.2	0.0
Family Distribution by Income Level	22,044	13.6	14.7	18.2	53.5	0.0
Household Distribution by Income Level	32,538	17.8	13.6	17.7	50.9	0.0
Median Family Income - Virginia Beach-Norfolk-Newport News, VA-NC MSA		\$69,773	Median Housing Value			\$329,600
FFIEC Estimated MFI 2018		\$75,800	Median Gross Rent			\$1,178
FFIEC Estimated MFI 2019		\$75,800	Families Below Poverty Level			5.5%
<i>Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2020 D&B data, 87.8 percent of businesses have gross annual revenues of \$1 million or less. The unemployment rate for this assessment area for 2020 is 6.8 percent, which is higher than the state rate of 6.0 percent but well below the National rate of 8.0 percent. The unemployment rate had a sharp increase in 2020 due to the COVID-19 pandemic. The assessment area’s largest employers include the Anheuser Busch, Inc.; Ball Metal Beverage Container Group; and, Coresix Precision Glass.

CONCLUSIONS ON PERFORMANCE CRITERIA IN WILLIAMSBURG ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the Williamsburg assessment area is below the lending performance for the institution; however, it does not change the institution rating.

Meaningful conclusions could not be reached as lending in this area is limited. The bank originated three home mortgages loans in 2018; one mortgage loan in 2019; and three small business loans in 2020 within the assessment area. Village Bank Mortgage Company originated three home mortgage loans in 2018 and six home mortgage loans in 2019.

None of the loans originated in the Williamsburg assessment area were located in low- and moderate-income census tracts. None of the mortgage loans originated by the bank were originated to low- or moderate-income borrowers. Of the mortgage loans originated by Village Bank Mortgage Company in 2018, one loan was originated to a low-income borrower and one to a moderate-income borrower. In 2019, no mortgages were originated to low-income borrowers, but one was originated to a moderate-income borrower. Lastly, the one small business loan was to a small business with revenues of \$1 million or less.

COMMUNITY DEVELOPMENT TEST

Village Bank's community development performance in the Williamsburg assessment area is below the community development performance for the bank; however, it does not change the rating.

Village Bank originated 33 community development loans totaling \$3.7 million in the Williamsburg assessment area. All loans were originated under the SBA's PPP.

No investments were solely attributed to this assessment area. Of the \$3.3 million in regional MBSs, \$496,000 or 14.9 percent was located in the Williamsburg assessment area.

The bank did not provide any community development services for this assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.